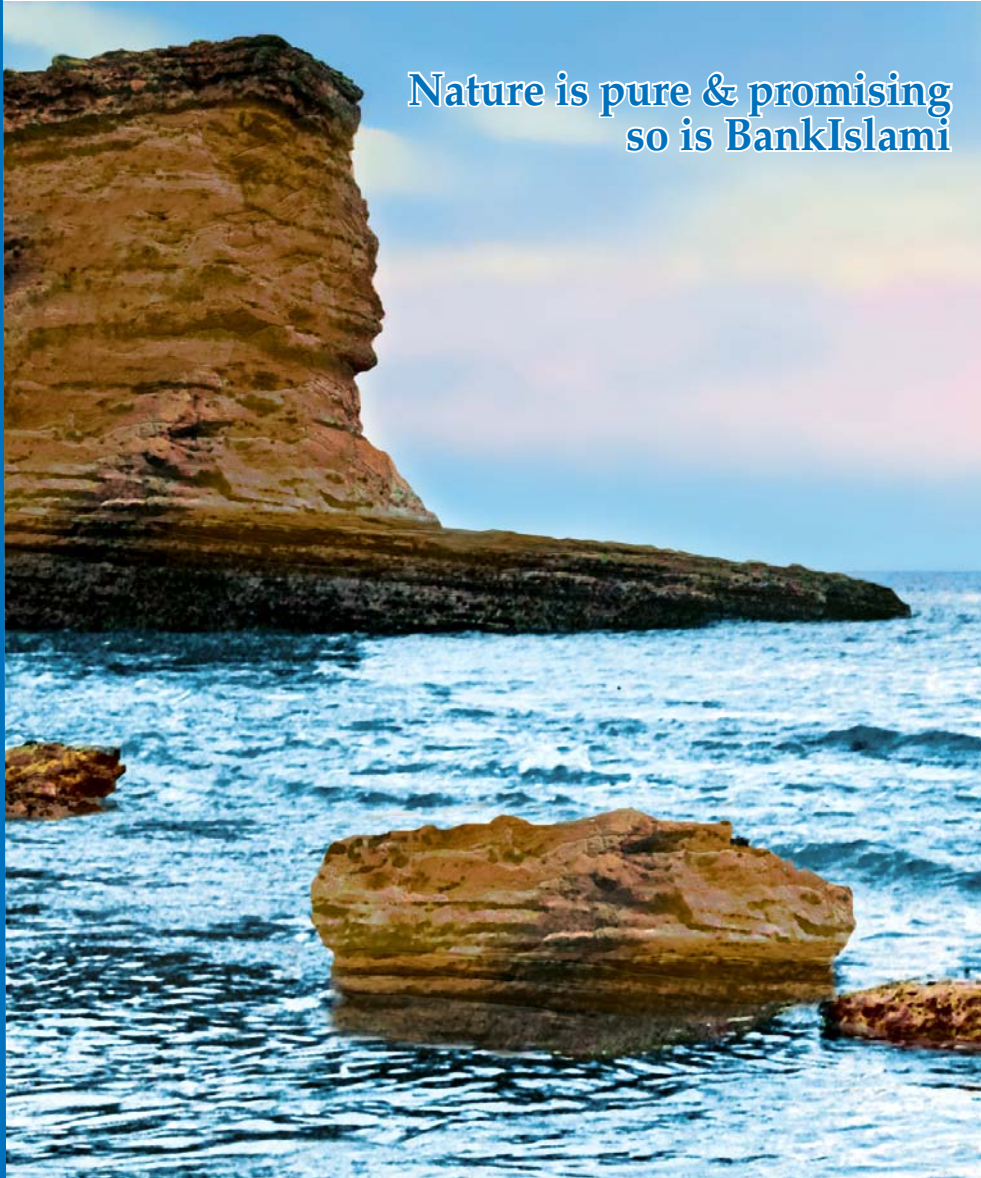


بَيْتُكَ إِسْلَامِي



BankIslami

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the Right way

Quarterly Report September 30, 2013

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## CORPORATE INFORMATION

### Board of Directors

Mr. Ali Hussain	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	
Mr. Abdulkhaliq Ahmad Abdulla Kodarzi*	
Mr. Ali Raza Siddiqui	
Mr. Fawad Anwar	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Khalid A. Mirza	
Mr. Shabir Ahmed Randeree	

### Sharia'h Supervisory Board

Mufti Irshad Ahmad Aijaz	Chairman
Mufti Hassan Kaleem	Member
Mufti Talha Saleem Kapadia	Member

### Audit Committee

Mr. Khalid A. Mirza	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member

### Executive Committee

Mr. Ali Hussain	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member

### Risk Management Committee

Mr. Fawad Anwar	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Hasan A. Bilgrami	Member

### I.T Committee

Mr. Ali Hussain	Chairman
Mr. Hasan A. Bilgrami	Member
Mr. Ali Raza Siddiqui	Member

### Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui	Chairman
Mr. Ali Hussain	Member (By Invitation)
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member

### Company Secretar

Mr. Khawaja Ehrar ul Hassan - Acting

\* Subject to SBP approval

**Auditors**

A. F. Ferguson & Co.  
Chartered Accountants

**Legal Adviser**

- 1- Haidermota & Co.  
Barrister at Law
- 2- Mohsin Tayebaly & Co.  
Corporate Legal Consultants / Barristers & Advocates  
High Courts & Supreme Court

**Management (in alphabetical order)**

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 / Acting Head, Finance
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 Arif Mahtab	Head, Branch Operation

**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 Registrar**

Technology Trade (Private) Limited  
Dagja 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 financial results of the Bank for the period ended September 30, 2013. Following are the highlights:

	September 2013	September 2012	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	70,423	56,706	24.19
Total Assets	81,217	65,218	24.53
Total Financing and related assets - net	32,758	24,617	33.07
Total Investments	31,665	27,777	13.99
Shareholder's Equity	5,640	5,579	1.09
Branch network including sub-branches	142	102	39.22
Basic Earnings per share - rupees	0.176	0.706	(75.07)

This quarter witnessed unprecedented pressure on Pak Rupee which slid from Rs. 99.63/US \$ to Rs. 106.06/US \$ losing 6.45% in just three months. At the same time certain fiscal measures, notably allowing access to the Federal Board of Revenue to depositors accounts and re-introduction of Wealth Tax kept growth in deposits muted. On the assets side, the Bank continued to make progress on booking quality advances which is evidenced by 33% growth in the Financing portfolio. Lack of any issue of GoP Ijarah Sukuk is mainly responsible for restricted growth on the investment portfolio. The Bank, after carefully assessing the economic situation and pressure on spreads, has decided to continue with its branch expansion as a result the net work is expected to reach 200 branches and sub-branches by the end of the year. Not only benefit of this expansion will be reaped in next years, it will provide a scale to the Bank which will be the critical factor moving forward. BankIslami shall achieve this feat by using the minimum shareholders funds amongst all start up Banks and in the process was first and todate the only Bank to wipe off accumulated losses.

Chief Justice<sup>®</sup> Mahboob Ahmed, who was Chairman of the Bank since 2005 stepped down in favour of Mr. Khalid A Mirza, who had been Chairman of the Securities and Exchange Commission of Pakistan and subsequently Competition Commission of Pakistan. Chief Justice<sup>®</sup> Mahboob presided over the Board during the most challenging and interesting period of the Bank when as start up it decided to grow on the face of serious economic challenges. The Board would like to place on record its deep appreciation for the services rendered by him. Similarly, Mr Abdualla Showaiter stepped down in favour of Mr. Abdul Khaliq. While acknowledging services of Mr. Abdulla Showaiter, we welcome Mr. Abdul Khaliq on the Board. Mr Ali Hussain, a minority shareholder was elected as Chairman for remaining period of the Board.

The exemption granted by State Bank of Pakistan for Minimum Capital Requirement ('MCR') expired on March 31, 2013. In this respect, the Board met with the State Bank today. As agreed with SBP the Board has in principle decided to issue right shares upto Rs 750 million to take



capital of the Bank to Rs 6.05 billion. SBP has indicated once that benchmark is achieved it will be amenable to discuss extension in meeting the minimum capital requirement of Rs 10 billion.

Pakistan Credit Rating Agency ('PACRA') has maintained credit rating of the Bank at 'A' for long terms and 'A1' for short term with a positive outlook. CAR of the Bank stood at 14.60% on September 30, 2013 as against 14.50% advised by the State Bank.

We would like to place our gratitude to State Bank of Pakistan for their support and look forward to that in future as well.

**Hasan A. Bilgrami**  
Chief Executive Officer  
October 23, 2013

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
AS AT SEPTEMBER 30, 2013

		September 30, 2013 (Un-audited)	December 31, 2012 (Audited) (Restated)
	Note	----- Rupees in ` 000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	8	4,080,422	4,938,707
Balances with other banks	9	593,521	806,110
Due from financial institutions - net	10	8,058,537	8,475,672
Investments	11	31,665,242	28,994,462
Islamic financing and related assets - net	12	32,758,305	27,433,262
Operating fixed assets	13	1,828,997	1,913,106
Deferred tax assets	14	102,922	78,896
Other assets - net		2,129,112	1,607,602
		<b>81,217,058</b>	<b>74,247,817</b>
<b>LIABILITIES</b>			
Bills payable		838,774	1,251,010
Due to financial institutions	15	2,602,800	1,621,415
Deposits and other accounts	16	70,422,935	64,216,485
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		1,712,765	1,572,412
		<b>75,577,274</b>	<b>68,661,322</b>
<b>NET ASSETS</b>		<b>5,639,784</b>	<b>5,586,495</b>
<b>REPRESENTED BY</b>			
Share capital	17	5,279,679	5,279,679
Reserves		173,392	173,392
Unappropriated profit		208,184	115,383
		<b>5,661,255</b>	<b>5,568,454</b>
(Deficit) / surplus on revaluation of assets - net of tax	18	(21,472)	18,041
		<b>5,639,784</b>	<b>5,586,495</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	19		

The annexed notes 1 to 26 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, 2013

	Note	Quarter ended		Nine months ended	
		September 30, 2013	September 30, 2012 (Restated)	September 30, 2013	September 30, 2012 (Restated)
----- Rupees in ` 000 -----					
Profit / return on islamic financing and related assets, investments and placements earned	20	<b>1,579,281</b>	1,563,517	<b>4,567,531</b>	4,535,835
Profit / return on deposits and other dues expensed		<b>967,431</b>	953,152	<b>2,757,504</b>	2,636,263
Net spread earned		<b>611,850</b>	610,365	<b>1,810,027</b>	1,899,572
Provision against non-performing islamic financing and related assets - net		<b>8,280</b>	50,347	<b>82,691</b>	67,441
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
Net spread after provisions		<b>603,570</b>	560,018	<b>1,727,336</b>	1,832,131
<b>OTHER INCOME</b>					
Fee, commission and brokerage income		<b>68,078</b>	44,652	<b>197,893</b>	126,926
Dividend Income		2	-	2	-
Income from dealing in foreign currencies		<b>17,983</b>	22,922	<b>46,713</b>	66,773
Gain on sale of securities		-	146,146	<b>6,709</b>	149,704
Other income		<b>12,495</b>	9,467	<b>76,543</b>	27,779
<b>Total other income</b>		<b>98,558</b>	223,187	<b>327,860</b>	371,182
		<b>702,128</b>	783,205	<b>2,055,196</b>	2,203,313
<b>OTHER EXPENSES</b>					
Administrative expenses		<b>646,447</b>	597,670	<b>1,901,584</b>	1,677,804
Other provisions		-	-	-	397
Other charges		<b>1,921</b>	164	<b>16,878</b>	1,143
<b>Total other expenses</b>		<b>648,368</b>	597,834	<b>1,918,462</b>	1,679,344
Extraordinary / unusual items		<b>53,760</b>	185,371	<b>136,734</b>	523,969
<b>PROFIT BEFORE TAXATION</b>		<b>53,760</b>	185,371	<b>136,734</b>	523,969
Taxation					
- Current		<b>16,654</b>	8,192	<b>48,273</b>	23,781
- Prior years		-	-	-	-
- Deferred		<b>2,202</b>	33,678	<b>(4,340)</b>	127,291
		<b>18,856</b>	41,870	<b>43,933</b>	151,072
<b>PROFIT AFTER TAXATION</b>		<b>34,903</b>	143,501	<b>92,801</b>	372,897
Unappropriated profit / (accumulated loss) brought forward		<b>173,281</b>	14,265	<b>115,383</b>	(215,131)
Unappropriated profit carried forward		<b>208,184</b>	157,766	<b>208,184</b>	157,766
Basic & diluted earnings per share - (Rupee)	21	<b>0.066</b>	0.272	<b>0.176</b>	0.706

The annexed notes 1 to 26 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, 2013

	Quarter ended		Nine months ended	
	September 30, 2013	September 30, 2012 (Restated)	September 30, 2013	September 30, 2012 (Restated)
	----- Rupees in ` 000 -----			
Profit after taxation	<b>34,903</b>	143,501	<b>92,801</b>	372,897
Comprehensive income transferred to equity	<b>34,903</b>	143,501	<b>92,801</b>	372,897
<b>Components of comprehensive income not reflected in equity :</b>				
Surplus / (Deficit) on revaluation of available for sale securities - net of tax	<b>40,180</b>	55,210	<b>(39,513)</b>	(106,109)
<b>Total comprehensive income for the period</b>	<b><u>75,084</u></b>	<u>198,711</u>	<b><u>53,288</u></b>	<u>266,788</u>

The annexed notes 1 to 26 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, 2013

Note	September 30, 2013	September 30, 2012 (Restated)
	----- Rupees in `000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	136,734	523,969
Profit before taxation		
Less: Dividend income	(2)	-
	<u>136,732</u>	<u>523,969</u>
<b>Adjustments for non - cash charges :</b>		
Depreciation on own assets	197,457	216,818
Depreciation on operating Ijarah assets	385,367	281,992
Amortisation of intangibles assets	21,771	17,185
Provision against non-performing islamic financing and related assets - net	82,691	67,441
Provision against other assets	-	397
Gain on sale of operating fixed assets	(52,303)	(3,192)
	<u>634,983</u>	<u>580,641</u>
	<u>771,715</u>	<u>1,104,610</u>
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	417,135	(367,814)
Islamic financing and related assets - net	(5,793,101)	(301,014)
Others assets (excluding advance taxation)	(528,180)	(695,608)
	<u>(5,904,145)</u>	<u>(1,364,436)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(412,236)	191,217
Due to financial institutions	981,385	(385,970)
Deposits and other accounts	6,206,450	6,137,455
Other liabilities (excluding current taxation)	140,353	187,385
	<u>6,915,952</u>	<u>6,130,087</u>
	<u>1,783,521</u>	<u>5,870,261</u>
Income tax paid	(41,602)	(38,485)
<b>Net cash generated from operating activities</b>	<u>1,741,919</u>	<u>5,831,776</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available for sale securities	(2,729,979)	(6,874,016)
Dividend income received	2	-
Investment in operating fixed assets	(196,438)	(191,628)
Proceeds from disposal of operating fixed assets	113,622	4,749
<b>Net cash used in investing activities</b>	<u>(2,812,793)</u>	<u>(7,060,895)</u>
<b>Decrease in cash and cash equivalents</b>	<u>(1,070,874)</u>	<u>(1,229,119)</u>
Cash and cash equivalents at the beginning of the period	22 5,744,817	5,234,103
<b>Cash and cash equivalents at the end of the period</b>	22 <u>4,673,943</u>	<u>4,004,984</u>

The annexed notes 1 to 26 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, 2013

	Share Capital	Statutory Reserve	Unappropriated profit / (Accumulated loss)	Total
	----- Rupees in `000 -----			
<b>Balance as at January 01, 2012 as previously reported</b>	5,279,679	91,221	(227,340)	5,143,560
Effect of change in accounting policy as disclosed in note 3.5 to this condensed interim financial information - net of tax	-	-	12,209	12,209
<b>Balance as at January 01, 2012 - restated</b>	<u>5,279,679</u>	<u>91,221</u>	<u>(215,131)</u>	<u>5,155,769</u>
Profit after taxation for the nine months period ended September 30, 2012 transferred from statement of comprehensive income	-	-	229,396	229,396
Transfer to statutory reserve	-	-	-	-
<b>Balance as at September 30, 2012 - restated</b>	<u>5,279,679</u>	<u>91,221</u>	<u>14,265</u>	<u>5,385,165</u>
Profit after taxation for the period ended December 31, 2012 transferred from statement of comprehensive income - restated	-	-	180,499	180,499
Transfer to statutory reserve	-	82,171	(82,171)	-
Remeasurements of the defined benefit liability - net of tax	-	-	2,790	2,790
<b>Balance as at December 31, 2012 - restated</b>	<u>5,279,679</u>	<u>173,392</u>	<u>115,383</u>	<u>5,568,454</u>
Transfer from statutory reserve	-	-	-	-
Profit after taxation for the nine months period ended September 30, 2013 transferred from Statement of Comprehensive Income	-	-	92,801	92,801
<b>Balance as at September 30, 2013</b>	<u><u>5,279,679</u></u>	<u><u>173,392</u></u>	<u><u>208,184</u></u>	<u><u>5,661,255</u></u>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013**

**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 (SBP) granted a 'Scheduled Islamic Commercial Bank' license to the Bank 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 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 Bank is operating through 142 branches including 53 sub branches as at September 30, 2013 (December 31, 2012: 141 branches including 53 sub branches). 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.

Based on the financial statements of the Bank for the year ended December 31, 2012, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2** The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2012 is Rs 9 billion (2011: Rs 8 billion) and 10 percent (2011: 10 percent) respectively. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. However, the paid up capital of the Bank (free of losses) as at September 30, 2013 amounts to Rs 5.280 billion.

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 paid up capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BPRD/CSD/2407/13 dated March 1, 2013 had further extended the timeline for meeting the paid up capital (free of losses) of Rs 6 billion and to submit the reassessed issue price of right shares till March 31, 2013. Moreover, the Bank has also been advised by the SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements.

The management of the Bank vide its letter dated August 22, 2013 had requested the SBP for extension in complying with the MCR till September 30, 2013. In response the SBP vide its letter no BPRD/CA&PD/13711/2013 dated September 16, 2013 has not acceded to the Bank's request and advised the Bank to maintain a minimum CAR of 14.5% at all times which can be further enhanced in case of non injection of fresh capital by the sponsors by the end of December 2013.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013**

**2 BASIS OF PRESENTATION**

- 2.1** The Bank provides financing mainly through Murabaha, Ijarah, Istisna, Diminishing Musharka, Musawama and other Islamic modes.
- 2.2** The purchases and sales under these arrangements are not reflected in this condensed interim financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. However, income, if any, received which does not comply with the principles of the Islamic Shariah is recognised as charity payable if so directed by the Sharia Advisor of the Bank.

**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 (IASB) as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the Securities and Exchange Commission of Pakistan (SECP), the provisions of and the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP. In case the requirements differ, the provisions of and the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP prevail.
- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and 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 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 SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of IAS 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, 2012.
- 3.4** The 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

3.5 Change in accounting policy and disclosure

IAS 19 (revised) 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires that actuarial gains and losses should be recognised immediately in "other comprehensive income" by removing the corridor method which was applied previously by the Bank and the expected return on plan assets recognised in profit or loss should be calculated using the rate used to discount the defined benefit obligation. Previously the expected rate of return on plan assets and discount rate used for arriving at the present value of defined benefit obligation were determined separately.

The change has been treated as a change in accounting policy and has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy has been summarised below:

	December 31, 2012	December 31, 2011
	----- Rupees in ` 000 -----	
<b>Impact on statement of financial position</b>		
Increase/(decrease) in other assets	22,118	18,783
Increase/(decrease) in other liabilities	(2,254)	(241)
Increase/(decrease) in other deferred tax assets	(8,077)	(6,574)
	December 31, 2012	December 31, 2011
	----- Rupees in ` 000 -----	
<b>Impact on statement of changes in equity</b>		
Unappropriated profit / (Accumulated losses) as previously reported	101,342	(227,340)
Adjustments due to change in accounting policy	1,832	12,209
Cumulative effect from prior years	12,209	-
Unappropriated profit / (Accumulated losses) as restated	115,383	(215,131)

The Bank follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable.

3.6 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The SECP has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed by the Bank for the purpose of preparation of financial statements for the year ending December 31, 2013 while accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard is effective from June 12, 2013 and has no impact on this condensed interim financial information. The standard would result in certain new disclosures in the annual financial statements for the year ending December 31, 2013.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

**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 in accordance with the requirements of the SBP. Further, staff retirement benefits have been carried at present value as determined under International Accounting Standard 19 (revised), "Employee Benefits".

**5 FUNCTIONAL AND PRESENTATION CURRENCY**

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, 2012 except for the change as described in note 3.5.

**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, 2012.

	September 30, December 31,	
	2013 (Un-audited)	2012 (Audited)
Note	----- Rupees in ` 000 -----	
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand		
- local currency	1,053,567	937,121
- foreign currency	143,717	158,943
	1,197,284	1,096,064
With the State Bank of Pakistan in		
- local currency current account	2,259,749	2,850,184
- foreign currency deposit accounts		
Cash Reserve Account	148,488	148,153
US Dollar Clearing Account	29,338	19,296
	177,826	167,449
With the National Bank of Pakistan in		
- local currency current account	445,563	825,010
	4,080,422	4,938,707



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

**9 BALANCES WITH OTHER BANKS**

In Pakistan		
- on current accounts	<b>18,108</b>	7,915
- on deposit accounts	<b>123</b>	121
	<b>18,232</b>	8,036
Outside Pakistan		
- on current accounts	<b>575,289</b>	798,074
- on deposit accounts	-	-
	<b>593,521</b>	806,110

**10 DUE FROM FINANCIAL INSTITUTIONS**

Sukuk Murahaba	10.1	<b>6,418</b>	6,418
Commodity Murahaba - local currency	10.2	<b>8,058,537</b>	4,975,672
		<b>8,064,955</b>	4,982,090
Musharaka Placement		-	3,500,000
		<b>8,064,955</b>	8,482,090
Provision against Sukuk Murahaba		<b>(6,418)</b>	(6,418)
		<b>8,058,537</b>	8,475,672

**10.1** The Bank entered into a Sukuk Murabaha arrangement under which the Bank appointed its client as an agent under asset purchase agreements to purchase the underlying sukuku from the open market on its behalf and later sell them on deferred Murahaba basis. The maturity date of the deal was February 08, 2009. The Bank is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.

**10.2** 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 rates on the agreements range between 8.25% to 9.50% (December 31, 2012: 6.95% to 9.75%) per annum and the agreements have a maturity ranging from 4 day to 94 days (December 31, 2012: 2 days to 63 days).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

**11 INVESTMENTS**

**11.1 Investments by type**

	September 30, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in `000					
<b>Available for sale securities</b>						
- Sukuks / Certificates	31,506,046	-	31,506,046	27,816,066	-	27,816,066
- Units of open - end mutual fund	15	-	15	960,015	-	960,015
- Units of closed - end mutual fund	6	-	6	6	-	6
	31,506,067	-	31,506,067	28,776,087	-	28,776,087
<b>Subsidiary</b>						
- BankIslami Modaraba Investments Limited - Unlisted company	191,015	-	191,015	191,015	-	191,015
<b>Total investments at cost</b>	<b>31,697,082</b>	<b>-</b>	<b>31,697,082</b>	<b>28,967,102</b>	<b>-</b>	<b>28,967,102</b>
Less : Provision for diminution in value of investments	-	-	-	-	-	-
<b>Investments - net of provisions</b>	<b>31,697,082</b>	<b>-</b>	<b>31,697,082</b>	<b>28,967,102</b>	<b>-</b>	<b>28,967,102</b>
(Deficit) / surplus on revaluation of available for sale securities	(31,840)	-	(31,840)	27,360	-	27,360
<b>Total investments at market value</b>	<b>31,665,242</b>	<b>-</b>	<b>31,665,242</b>	<b>28,994,462</b>	<b>-</b>	<b>28,994,462</b>

**11.2 Investments by segments**

	September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in `000 -----	
<b>Federal Government Securities</b>		
GOP Ijarah Sukuks	29,499,406	25,658,151
<b>Sukuks / Certificates</b>		
Sukuks - unlisted	2,006,639	2,157,915
<b>Fully paid up ordinary shares / units</b>		
Unlisted subsidiary company	191,015	191,015
Units of open - end mutual funds	15	960,015
Units of closed - end mutual funds	6	6
<b>Total investments at cost</b>	<b>31,697,082</b>	<b>28,967,102</b>
Less: Provision for diminution in value of investments	-	-
<b>Investments - net of provisions</b>	<b>31,697,082</b>	<b>28,967,102</b>
(Deficit) / surplus on revaluation of available for sale securities	(31,840)	27,360
<b>Total investments at market value</b>	<b>31,665,242</b>	<b>28,994,462</b>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

12 ISLAMIC FINANCING AND RELATED ASSETS	Note	September 30, 2013	December 31, 2012
		(Un-audited)	(Audited)
		Rupees in `000	
In Pakistan			
- Murabaha financing and related assets	12.1	7,990,862	7,550,602
- Istisna financing and related assets	12.2	6,684,215	5,573,155
- Diminishing Musharka - Housing		2,108,739	1,645,458
- Diminishing Musharka financing and related assets - Others		5,662,556	5,646,582
- Against Bills - Murabaha		73,826	1,505
- Post Due Acceptance		21,425	38,192
- Musawama financing and related assets		7,675,699	4,920,580
- Financing to employees		877,861	661,837
- Salam financing and related assets		250,000	-
		<u>31,345,183</u>	<u>26,037,911</u>
Housing finance portfolio		129,157	153,637
Net investment in Ijara financing In Pakistan		123,690	180,591
Ijarah financing under IFAS 2 and related assets		1,743,533	1,561,690
<b>Islamic financing and related assets – gross</b>		<b>33,341,563</b>	<b>27,933,829</b>
Less: Provision against non-performing Islamic financing and related assets			
- Specific		(540,353)	(467,002)
- General		(42,905)	(33,565)
<b>Islamic financing and related assets – net of provisions</b>		<b><u>32,758,305</u></b>	<b><u>27,433,262</u></b>

**12.1** Murabaha financing and related assets includes financing amounting to Rs. 491.999 million (December 31, 2012: Rs. 138.241 million) against Murabaha and advance amounting to Rs. 8 million (December 31, 2012: Rs. 230 million) under Islamic Export Refinance Scheme.

**12.2** Istisna financing and related assets includes financing amounting to Rs. 4.82 million (December 31, 2012: Rs. 255.015 million) against Istisna and advance amounting to Rs. 144.8 million (December 31, 2012: Rs. 65.4 million) under Islamic Export Refinance Scheme.

**12.3** Islamic financing and related assets include Rs. 1,029.210 million (December 31, 2012: Rs. 1,205.222 million) which have been placed under non-performing status as follows:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

Category of Classification	September 30, 2013 (Un-audited)								
	Classified Islamic financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	54,484	-	54,484	3,869	-	3,869	3,869	-	3,869
Doubtful	74,387	-	74,387	4,748	-	4,748	4,748	-	4,748
Loss	900,339	-	900,339	531,736	-	531,736	531,736	-	531,736
	<b>1,029,210</b>	<b>-</b>	<b>1,029,210</b>	<b>540,353</b>	<b>-</b>	<b>540,353</b>	<b>540,353</b>	<b>-</b>	<b>540,353</b>

Category of Classification	December 31, 2012 (Audited)								
	Classified Islamic financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	89,171	-	89,171	560	-	560	560	-	560
Doubtful	318,084	-	318,084	57,890	-	57,890	57,890	-	57,890
Loss	797,967	-	797,967	408,552	-	408,552	408,552	-	408,552
	<b>1,205,222</b>	<b>-</b>	<b>1,205,222</b>	<b>467,002</b>	<b>-</b>	<b>467,002</b>	<b>467,002</b>	<b>-</b>	<b>467,002</b>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

12.3.1 Particulars of provision against non-performing Islamic financing and related assets:

	September 30, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	467,002	33,565	500,567	360,523	28,972	389,495
Charge for the year	125,997	9,340	135,337	129,847	4,593	134,440
Reversals	(52,646)	-	(52,646)	(23,368)	-	(23,368)
	73,351	9,340	82,691	106,479	4,593	111,072
Amounts written off during the year	-	-	-	-	-	-
Closing balance	540,353	42,905	583,258	467,002	33,565	500,567

12.3.2 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.

13 OPERATING FIXED ASSETS	September 30, 2013	December 31, 2012
	(Un-audited)	(Audited)
	----- Rupees in `000 -----	
Capital work-in-progress	61,732	23,252
Property and equipment	1,737,056	1,842,550
Intangible assets	30,209	47,304
	<u>1,828,997</u>	<u>1,913,106</u>

13.1 Additions to operating fixed assets - net	September 30, 2013	September 30, 2012
	(Un-audited)	(Un-audited)
	----- Rupees in `000 -----	

Freehold land	-	-
Furniture and fixture	46,362	57,138
Electrical, office and computer equipments	103,112	121,384
Vehicles	1,042	140
Capital work-in-progress	41,248	10,158

13.2 Intangibles

Computer software	4,674	2,808
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13.3 Disposals of operating fixed assets

Buildings on leasehold land	82,542	-
Furniture and fixture	-	55
Electrical, office and computer equipments	2,699	4,133
Vehicles	1,866	3,267

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

**14 DEFERRED TAX ASSET - NET**

As at September 30, 2013 the Bank has recognized deferred tax asset amounting to Rs.102.922 Million (December 31,2012: Rs 78.896 million) based on financial projections for future years as the management expects to generate sufficient taxable profits to utilize the deferred tax asset.

	September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in `000 -----	
<b>15 DUE TO FINANCIAL INSTITUTIONS</b>		
In Pakistan	2,602,800	1,621,415
Outside Pakistan	-	-
	<b>2,602,800</b>	<b>1,621,415</b>

**16 DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	34,630,307	30,186,658
Savings deposits	23,013,016	21,090,556
Current accounts - Non-remunerative	11,545,992	11,293,914
Margin accounts - Non-remunerative	226,060	146,307
	<b>69,415,375</b>	<b>62,717,435</b>

**Financial institutions**

Remunerative deposits	529,646	1,494,163
Non-remunerative deposits	477,914	4,887
	<b>1,007,560</b>	<b>1,499,050</b>
	<b>70,422,935</b>	<b>64,216,485</b>

**16.1 Particulars of deposits**

In local currency	69,253,432	62,976,674
In foreign currencies	1,169,503	1,239,811
	<b>70,422,935</b>	<b>64,216,485</b>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

17. SHARE CAPITAL

17.1. Authorised capital

September 30, 2013 (Un-audited)	December 31, 2012 (Audited)		September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
----- Number of Shares -----			----- (Rupees in '000) -----	
<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>

17.2. Issued, subscribed and paid-up capital

September 30, 2013 (Un-audited)	December 31, 2012 (Audited)		September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
----- Number of Shares -----			----- (Rupees in '000) -----	
<u>527,967,898</u>	<u>527,967,898</u>	Ordinary shares of Rs. 10 each	<u>5,279,679</u>	<u>5,279,679</u>
<u>527,967,898</u>	<u>527,967,898</u>	Fully paid in cash	<u>5,279,679</u>	<u>5,279,679</u>

18 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

(Deficit) / surplus on revaluation of available for sale securities

	September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in `000 -----	
Sukuk / Certificates	(31,856)	26,625
Units of mutual funds	<u>16</u>	<u>735</u>
	(31,840)	27,360
Less: Related deferred tax liability	<u>(10,368)</u>	<u>(9,319)</u>
	<u>(21,472)</u>	<u>18,041</u>

19 CONTINGENCIES AND COMMITMENTS

19.1 Transaction-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring

- Government	283,827	127,797
- Others	<u>1,435,207</u>	<u>1,511,868</u>
	<u>1,719,034</u>	<u>1,639,665</u>

19.2 Trade-related contingent liabilities

Import letters of Credit	3,413,546	4,114,677
Acceptances	<u>258,030</u>	<u>562,913</u>
	<u>3,671,576</u>	<u>4,677,590</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

<b>19.3 Suit filed by customers for recovery of alleged losses suffered pending in the High Court which the bank does not acknowledge as debt</b>	<b>846,391</b>	<b>846,391</b>
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**19.3.1** These mainly represent counter claims filed by the borrowers for restricting the Bank for disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.

**19.4** The Deputy Commissioner Inland Revenue (DCIR) has passed certain assessment orders against the Bank vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69,431,000 was raised against the Bank mainly in respect of income from dealing in foreign currencies and certain disputes regarding deposit of the amount amongst federal and provincial government.

The Bank has duly filed appeals for stay of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment orders were confirmed by the Commissioner Inland Revenue (Appeals). The stay applications were heard on February 23, 2013. The ATIR has accepted the stay application of the Bank and has verbally directed that no recovery of demand should be initiated against the Bank till the decision of the main case by the ATIR.

	September 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in ` 000 -----	
<b>19.5 Commitments in respect of promises</b>		
Purchase	<u>371,220</u>	<u>459,197</u>
Sale	<u>84,624</u>	<u>209,861</u>
<b>19.6 Commitments for the acquisition of operating fixed assets</b>	<u>97,112</u>	<u>128,883</u>

**19.7 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.

**19.8 Other commitments**

Bills for collection	<u>104,648</u>	<u>276,575</u>
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

20	PROFIT / RETURN ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS EARNED	September 30, September 30, 2013 2012 (Un-audited) (Un-audited)	
		----- Rupees in `000 -----	
	On Islamic financing and related assets to:		
	- Customers	2,009,392	2,045,761
	- Financial Institutions	607,292	542,111
		<u>2,616,684</u>	<u>2,587,872</u>
	On Investments - available for sale securities	1,926,412	1,918,099
	On deposits / placements with financial institutions	167	11,579
	Others	24,268	18,285
		<u>4,567,531</u>	<u>4,535,835</u>

21	BASIC AND DILUTED EARNINGS PER SHARE	Quarter ended		Nine months ended	
		September 30, 2013	September 30, 2012 (Restated)	September 30, 2013	September 30, 2012 (Restated)
		----- Rupees in `000 -----			
	Profit after taxation for the period	34,903	143,501	92,801	372,897
		----- Number of share -----			
	Weighted average number of ordinary shares	527,967,898	527,967,898	527,967,898	527,967,898
		----- Rupee -----			
	Basic and diluted earnings per share 21.1	0.066	0.272	0.176	0.706

21.1 There were no convertible / dilutive potential ordinary shares outstanding as at September 30, 2013 and September 30, 2012.

22	CASH AND CASH EQUIVALENTS	Note	September 30, December 31, 2013 2012 (Un-audited) (Audited)	
			----- Rupees in `000 -----	
	Cash and balances with treasury bank	8	4,080,422	4,938,707
	Balances with other banks	9	593,521	806,110
			<u>4,673,943</u>	<u>5,744,817</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

23 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
Rupees in '000					
For the nine months ended September 30, 2013 (Un-audited)					
Total income	479,246	2,514,800	1,702,393	198,952	4,895,391
Total expenses	60,798	2,638,082	1,343,682	716,096	4,758,657
Net income / (loss) before tax	418,448	(123,282)	358,712	(517,145)	136,733
As at September 30, 2013 (Un-audited)					
Segment assets (gross)	42,082,524	5,340,254	32,606,304	1,871,571	81,900,653
Segment non performing assets	296,040	402,787	644,035	-	1,342,862
Segment provision held	19,790	205,625	458,180	-	683,595
Segment liabilities	2,018,641	48,122,979	24,541,386	894,268	75,577,274
Segment return on assets (ROA) (%)	1.33%	-3.09%	1.47%		
Segment cost of funds (%)	7.36%	5.29%	6.21%		

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
Rupees in '000					
For the nine months 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 held	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%		

24 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 major shareholders, subsidiary companies, associated companies with or without common directors, retirement benefit funds, directors and key management personnel and their close family members.

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 a normal risk.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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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.

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

<u>SUBSIDIARY</u>	September 30, 2013	December 31, 2012
	(Un-audited)	(Audited)
	----- Rupees in ` 000 -----	
Deposits:		
Opening balance	105,869	99,434
Deposit during the period	733,530	2,836,209
Withdrawal during the period	(784,965)	(2,829,774)
Closing balance	<u>54,434</u>	<u>105,869</u>
	September 30, 2013	September 30, 2012
	(Un-audited)	(Un-audited)
	----- Rupees in ` 000 -----	
Transactions, income and expenses:		
Profit / return on deposits expensed	<u>670</u>	<u>1,854</u>
	September 30, 2013	December 31, 2012
	(Un-audited)	(Audited)
	----- Rupees in ` 000 -----	
<u>ASSOCIATES</u>		
Islamic financing and related assets :		
Opening balance	25,371	14,982
Disbursed during the period	27,526	30,901
Repaid during the period	(24,402)	(20,512)
Closing balance	<u>28,495</u>	<u>25,371</u>
Provision Against Islamic Financing and Related assets	<u>2,005</u>	-
Deposits:		
Opening balance	87,291	127,794
Deposit during the period	575,793	618,268
Withdrawal during the period	(530,274)	(658,771)
Closing balance	<u>132,810</u>	<u>87,291</u>
Prepayments:		
At beginning of the period	4,892	4,766
Additions during the period	14,182	9,302
Expired during the period	(7,824)	(9,176)
At the end of the period	<u>11,250</u>	<u>4,892</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

	September 30, 2013 (Un-audited)	December 31, 2012 (Un-audited)
	----- Rupees in ` 000 -----	
<b>Transactions, income and expenses:</b>		
Profit / return on deposits expensed	4,593	3,342
Repair and maintenance	57,609	26,846
Insurance	7,824	6,809
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Islamic financing and related assets :</b>		
Opening balance	87,947	76,944
Disbursed during the period	5,325	29,020
Repaid during the period	(9,817)	(5,718)
Closing balance	<u>83,455</u>	<u>100,246</u>
<b>Deposits:</b>		
Opening balance	5,058	4,525
Deposit during the period	81,263	71,975
Withdrawal during the period	(81,982)	(71,442)
Closing balance	<u>4,339</u>	<u>5,058</u>

	September 30, 2013 (Un-audited)	September 30, 2012 (Un-audited)
	----- Rupees in ` 000 -----	
<b>Transactions, income and expenses:</b>		
Profit / return earned on Islamic financing and related assets	2,617	1,996
Profit / return on deposits expensed	107	235
Remuneration	42,402	44,563
<b>Employee Benefit plans</b>		
Contribution to Employees Gratuity Fund	37,856	18,477
Contribution to Employees Provident Fund	26,855	21,309

**25 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on October 23, 2013 by the Board of Directors of the Bank.

**26 GENERAL**

**26.1** 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 except as explained in note 3.5.

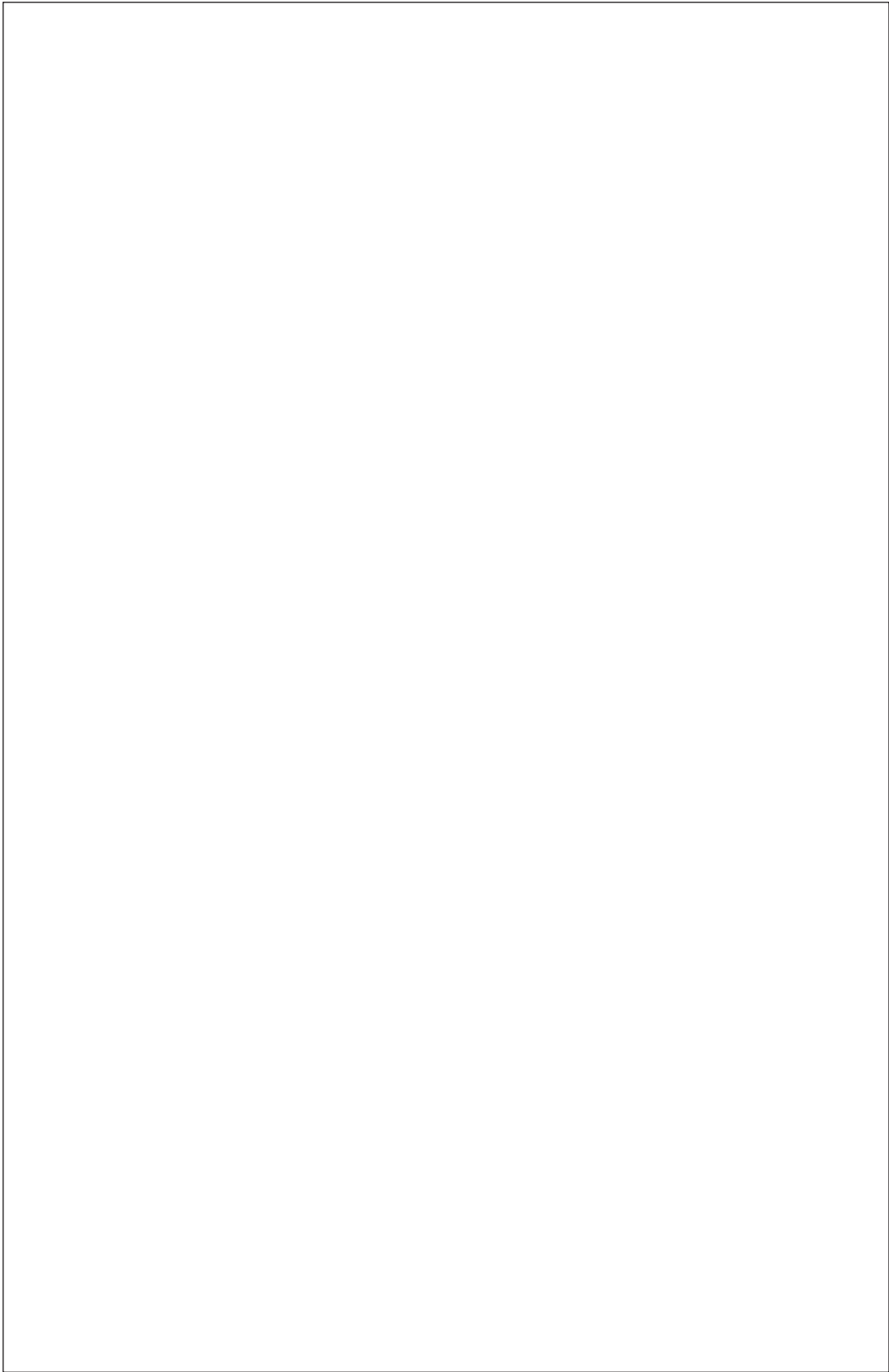
**26.2** Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



Consolidated Financial Statements  
of  
**BankIslami Pakistan Limited**  
for the Period Ended  
September 30, 2013



## 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, 2013. Following are the highlights:

	September 2013	September 2012	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	70,314	56,602	24.23
Total Assets	81,110	65,114	24.57
Total Financing and related assets - net	32,758	24,617	33.07
Total Investments	31,484	27,600	14.07
Shareholder's Equity	5,643	5,577	1.18
Branch network including sub-branches	142	102	39.22
Basic Earnings per share - Rupees	0.182	0.713	(74.47)

Our group performance remained satisfactory. The group has been able to post growth in its deposit 24.23%, Investment by 14.07% and Assets by 24.57%.

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 23, 2013

CONDENSED INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2013

	September 30, 2013 (Un-audited)	December 31, 2012 (Audited) (Restated)
	----- Rupees in `000 -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	4,080,427	4,938,712
Balances with other banks	593,637	806,282
Due from financial institutions	8,058,537	8,475,672
Investments	31,484,233	28,817,928
Islamic financing and related assets - net	32,758,305	27,433,262
Operating fixed assets	1,837,259	1,919,513
Deferred tax assets - net	102,876	79,262
Other assets	2,194,286	1,673,535
	<b>81,109,560</b>	<b>74,144,166</b>
<b>LIABILITIES</b>		
Bills payable	838,774	1,251,010
Due to financial institutions	2,602,800	1,621,415
Deposits and other accounts	70,313,569	64,110,616
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	1,711,699	1,574,237
	<b>75,466,842</b>	<b>68,557,278</b>
<b>NET ASSETS</b>	<b>5,642,718</b>	<b>5,586,888</b>
<b>REPRESENTED BY</b>		
Share capital	5,279,679	5,279,679
Reserves	173,392	173,392
Unappropriated profit	210,282	114,324
	<b>5,663,353</b>	<b>5,567,395</b>
(Deficit) / Surplus on revaluation of assets - net of tax	<b>(20,635)</b>	<b>19,493</b>
	<b>5,642,718</b>	<b>5,586,888</b>

**CONTINGENCIES AND COMMITMENTS**

The annexed notes 1 to 8 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, 2013

	Quarter ended		Nine months ended	
	September 30, 2013	September 30, 2012 (Restated)	September 30, 2013	September 30, 2012 (Restated)
	----- Rupees in `000 -----			
Profit / return on financings, investments and placements earned	1,579,467	1,563,850	4,568,212	4,537,038
Return on deposits and other dues expensed	965,125	950,672	2,750,948	2,628,881
Net spread earned	614,342	613,178	1,817,264	1,908,157
Provision against non-performing islamic financings and related assets - net	8,280	50,347	82,691	67,441
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
Net spread after provisions	606,062	562,831	1,734,573	1,840,716
<b>Other income</b>				
Fee, commission and brokerage Income	68,078	44,652	197,893	126,926
Dividend income	2	-	2	-
Income from dealing in foreign currencies	17,983	22,922	46,713	66,773
Gain on sale of securities	-	146,146	6,709	149,704
Other income	12,832	9,491	76,880	27,804
<b>Total other income</b>	98,895	223,211	328,197	371,207
	704,957	786,042	2,062,770	2,211,923
<b>Other expenses</b>				
Administrative expenses	647,583	598,613	1,904,932	1,681,429
Other provisions	-	-	-	397
Other charges	1,946	164	16,937	1,143
<b>Total other expenses</b>	649,529	598,777	1,921,869	1,682,969
	55,428	187,265	140,901	528,954
Extra ordinary / unusual items	-	-	-	-
<b>Profit before taxation</b>	55,428	187,265	140,901	528,954
<b>Taxation</b>				
-Current	17,076	8,724	49,324	25,133
-Prior years	-	-	-	-
-Deferred	2,202	33,672	(4,381)	127,249
	19,278	42,396	44,943	152,382
<b>Profit after taxation</b>	36,150	144,869	95,958	376,572
Unappropriated profit / (Accumulated losses) brought forward	174,132	10,707	114,324	(220,996)
Transferred to statutory reserve	-	-	-	-
Unappropriated profit carried forward	210,282	155,576	210,282	155,576
<b>Basic / diluted earnings per share - (Rupee)</b>	0.068	0.274	0.182	0.713

The annexed notes 1 to 8 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, 2013**

	Quarter ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	----- Rupees in `000 -----			
Profit after taxation	36,150	144,869	95,958	376,572
Components of comprehensive income not reflected in equity				
Deficit on revaluation of available for sale securities - net of tax	40,560	55,088	(40,128)	(106,109)
Total comprehensive income for the period	<u>76,710</u>	<u>199,957</u>	<u>55,830</u>	<u>270,463</u>

The annexed notes 1 to 8 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, 2013

	September 30, 2013	September 30, 2012 (Restated)
	----- Rupees in `000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	140,901	528,954
Less: Dividend income	(2)	-
	<b>140,899</b>	528,954
<b>Adjustments for non - cash charges :</b>		
Depreciation - Own assets	196,519	215,972
Depreciation - Operating Ijara assets	385,367	281,992
Amortisation of intangible assets	21,771	17,185
Provision against non-performing financing and related assets - net	82,691	67,441
Provision against other assets	-	397
Gain on sale of fixed assets	(52,639)	(3,217)
	<b>633,709</b>	579,770
	<b>774,610</b>	1,108,724
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	417,135	(367,814)
Islamic financing and related assets - net	(5,793,101)	(301,014)
Others assets (excluding advance taxation and deferred cost)	(527,470)	(695,961)
	<b>(5,903,436)</b>	(1,364,789)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(412,236)	191,217
Due to financial institutions	981,385	(385,970)
Deposits and other accounts	6,202,953	6,133,439
Other liabilities (excluding current taxation)	137,462	187,888
	<b>6,909,564</b>	6,126,574
	<b>1,780,738</b>	5,870,509
Income tax paid	(42,605)	(40,589)
<b>Net cash generated from operating activities</b>	<b>1,738,133</b>	5,829,920
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(2,725,668)	(6,872,141)
Dividend income received	2	-
Investments in operating fixed assets - net	(198,544)	(191,662)
Proceeds realised on disposal of operating fixed assets	115,147	4,774
Net cash used in from investing activities	<b>(2,809,063)</b>	(7,059,029)
	<b>(1,070,930)</b>	(1,229,109)
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>(1,070,930)</b>	(1,229,109)
Cash and cash equivalents at beginning of the period	5,744,994	5,234,242
	<b>4,674,064</b>	4,005,133
<b>Cash and cash equivalents at end of the period</b>	<b>4,674,064</b>	4,005,133

The annexed notes 1 to 8 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, 2013

	Share Capital	Statutory Reserve	Unappropriated profit / (Accumulated loss)	Total
	----- Rupees in ` 000 -----			
<b>Balance as at January 01, 2012 as previously reported</b>	5,279,679	91,221	(233,205)	5,137,695
Effect of change in accounting policy as disclosed in note 3.5 to this condensed interim financial information - net of tax	-	-	12,209	12,209
Balance as at January 01, 2012 - restated	<u>5,279,679</u>	<u>91,221</u>	<u>(220,996)</u>	<u>5,149,904</u>
Profit after taxation for the nine month period ended September 30, 2012 transferred from statement of comprehensive income	-	-	376,572	376,572
<b>Balance as at September 30, 2012 - restated</b>	<u>5,279,679</u>	<u>91,221</u>	<u>155,576</u>	<u>5,526,476</u>
Profit after taxation for the period ended December 31, 2012 - restated	-	-	38,129	38,129
Transferred to statutory reserve	-	82,171	(82,171)	-
Remeasurements of the defined benefit liability - net of tax	-	-	2,790	2,790
<b>Balance as at December 31, 2012 - restated</b>	<u>5,279,679</u>	<u>173,392</u>	<u>114,324</u>	<u>5,567,395</u>
Profit after taxation for the nine months period ended September 30, 2013	-	-	95,958	95,958
<b>Balance as at September 30, 2013</b>	<u>5,279,679</u>	<u>173,392</u>	<u>210,282</u>	<u>5,663,353</u>

The annexed notes 1 to 8 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

NOTES TO AND FORMING PART OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

**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 through 142 branches including 53 sub branches as at September 30, 2013 (December 31, 2012: 141 branches including 53 sub branches).

Based on the financial statements of the Bank for the year ended December 31, 2012, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2** The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2012 is Rs 9 billion (2011: Rs 8 billion) and 10 percent (2011: 10 percent) respectively. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. However, the paid up capital of the Bank (free of losses) as at September 30, 2013 amounts to Rs 5.280 billion.

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 paid up capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BPRD/CSD/2407/13 dated March 1, 2013 had further extended the timeline for meeting the paid up capital (free of losses) of Rs 6 billion and to submit the reassessed issue price of right shares till March 31, 2013. Moreover, the Bank has also been advised by the SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements.

The management of the Bank vide its letter dated August 22, 2013 had requested the SBP for extension in complying with the MCR till September 30, 2013. In response the SBP vide its letter no BPRD/CA&PD/13711/2013 dated September 16, 2013 has not acceded to the Bank's request and advised the Bank to maintain a minimum CAR of 14.5% at all times which can be further enhanced in case of non injection of fresh capital by the sponsors by the end of December 2013.

- 1.3** The Bank has acquired 100 percent shares of BankIslami Modaraba Investment Limited ( a 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.

**NOTES TO AND FORMING PART OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013**

**2. BASIS OF PRESENTATION**

- 2.1** These interim condensed 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 Murabaha, Ijarah, Istisna, Diminishing Musharka, Musawama and other Islamic modes. The purchases and sales under these arrangements are not reflected in this condensed interim financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. However, income, if any, received which does not comply with the principles of the Islamic Shariah is recognised as charity payable if so directed by the Sharia Advisor of the Bank.

**3. STATEMENT OF COMPLIANCE**

- 3.1** This interim condensed consolidated 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 (IASB) as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the Securities and Exchange Commission of Pakistan (SECP), the provisions of and the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP. In case the requirements differ, the provisions of and the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP shall prevail.
- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and 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 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(l)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this interim condensed consolidated 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 interim condensed consolidated financial information have been limited based on the format prescribed by the SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of IAS 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2012.
- 3.4** The 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.

NOTES TO AND FORMING PART OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

**3.5 Changes in accounting policies and disclosures**

**That have an impact on the Bank's financial statements**

IAS 19 (revised) 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires that actuarial gains and losses should be recognised immediately in "other comprehensive income" by removing the corridor method which was applied previously by the Bank and the expected return on plan assets recognised in profit or loss should be calculated using the rate used to discount the defined benefit obligation. Previously the expected rate of return on plan assets and discount rate used for arriving at the present value of defined benefit obligation were determined separately.

The change has been treated as a change in accounting policy and has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy has been summarised below:

	December 31, 2012	December 31, 2011
	----- Rupees in `000 -----	
<b>Impact on statement of financial position</b>		
Increase/(decrease) in other assets	<b>19,864</b>	18,542
Increase/(decrease) in other liabilities	<b>(2,254)</b>	(241)
Increase/(decrease) in other deferred tax assets	<b>(8,077)</b>	(6,574)
<b>Impact on statement of changes in equity</b>		
Unappropriated profit / (Accumulated losses) as previously reported	<b>100,283</b>	(233,205)
Adjustments due to change in accounting policy	<b>1,832</b>	12,209
Cumulative effect from prior years	<b>12,209</b>	-
Unappropriated profit / (Accumulated losses) as restated	<b>114,324</b>	(220,996)

The Bank follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable.

**3.6 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current period**

The SECP has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed by the Bank for the purpose of preparation of financial statements for the year ending December 31, 2013 while accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard is effective from June 12, 2013 and has no impact on this interim condensed consolidated financial information. The standard would result in certain new disclosures in the annual financial statements for the year ending December 31, 2013.

NOTES TO AND FORMING PART OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of this interim condensed consolidated financial information are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2012 except for change as described in note 3.5.

**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.





**NOTES TO AND FORMING PART OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013**

**6- GENERAL**

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.

**7- CORRESPONDING FIGURES**

The State Bank of Pakistan (SBP) vide BSD Circular letter No.3 of 2013 dated January 22, 2013 had made certain changes to the 'Revised Forms of Annual Financial Statements', which were effective from December 31, 2012. As required under the said directives, the Group had changed its accounting policy in respect of presentation and disclosure of Islamic financings and related assets. The said change in accounting policy was applied retrospectively in accordance with the treatment specified in International Accounting Standard (IAS) 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Therefore, cash flow statement for the comparative period has been restated to comply with the said circular.

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilities comparisons.

**8- DATE OF AUTHORISATION FOR ISSUE**

These interim condensed consolidated financial statements were authorised for issue on October 23, 2013 by the Board of Directors of the Group.

-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.  
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[www.bankislami.com.pk](http://www.bankislami.com.pk)

CORPORATE