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CORPORATE INFORMATION

Board of Directors

Chief Justice (Retd.) Mahboob Ahmed
Mr. Ahmed Goolam Mahomed Randeree
Mr. Ahmed Mohammed El Shall
Mr. Ali Raza Siddiqui
Mr. Hasan A. Bilgrami
Mr. Mohamed Abdulla Amer Al Nahdi
Mr. Shabir Ahmed Randeree

Chairman

Chief Executive Officer

Sharia'h Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani
Professor Dr. Fazlur Rahman
Mufti Irshad Ahmad Aijaz

Chairman
Member
Member & Sharia'h Adviser

Audit Committee

Mr. Ahmed Mohammed El Shall
Mr. Ali Raza Siddiqui
Mr. Shabir Ahmed Randeree

Chairman
Member
Member

Executive Committee

Chief Justice (Retd.) Mahboob Ahmed
Mr. Ahmed Goolam Mahomed Randeree
Mr. Ahmed Mohammed El Shall
Mr. Hasan A. Bilgrami

Chairman
Member
Member
Member

Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui
Mr. Ahmed Goolam Mahomed Randeree
Mr. Ahmed Mohammed El Shall
Mr. Hasan A. Bilgrami

Chairman
Member
Member
Member

Company Secretary

Mr. Gohar Iqbal Shaikh

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Adviser

Haidermota & Co.
Barrister at Law

Management (in alphabetical order)

Mr. Muhammad Zahir Esmail
Mr. Arsalan Vohra
Mr. Asad Alim
Mr. Faisal Shaikh
Mr. Farooq Anwar
Mr. Gohar Iqbal Shaikh
Mr. Hasan A. Bilgrami
Mr. Jawad Khan
Mr. Muhammad Imran
Mr. Muhammad Shoaib Khan
Mr. Rehan Shuja Zaidi
Ms. Sheba Matin Khan
Mr. Syed Akhtar Ausaf
Mr. Syed Mujtaba H. Kazmi

Head, Corporate & Retail Banking
Head, Risk Management
Head, Information Systems
Head, Corporate & Product Development
Head, Operations
Head, Finance & Operations
Chief Executive Officer
Head, Legal & Compliance
Head, Consumer Banking
Head, Treasury & Financial Institutions
Head, Internal Audit
Head, Human Resources
Head, Credit
Head, Investment Banking

Registered Office

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block -4, Clifton, Karachi.
Phone: (92-21) 111-247(BIP)-111
Fax: (92-21) 5378373
Email: info@bankislami.com.pk

Share Registrar

Technology Trade (Private) Limited,
Dagia House, 241-C, Block-2,
P.E.C.H.S. off Shahra-e-Quaideen, Karachi.
Phone: (92-21) 4387960-61 Fax: (92-21) 4391318

Website

www.bankislami.com.pk

DIRECTORS' REPORT

On behalf of the Board, we are pleased to present the unaudited financial statements for the quarter ended March 31, 2008.

Performance Review

A sizable restructuring of liability was undertaken which resulted in lower cost of deposit while the overall deposit size remained almost the same, number of customers registered an increase of almost 35% denoting a stronger retail focus. New branches which came on line during the end of 2007 have helped in maintaining the deposit base as well as in reducing the overall cost of deposit.

We are planning to open only one branch in the second quarter of 2008 whereas the second half of the year would see major expansion covering almost 18 additional cities taking the network to around 43 cities all over the country.

Credit Rating

PACRA has maintained long term entity rating of 'A -' and short term rating of 'A 2', while the process of rating review for the current year is in progress.

We would like to place on record our appreciation for the State Bank of Pakistan for their continued support and for the customers, shareholders and staff for their continuing faith in the Bank.

Hasan A. Bilgrami
Chief Executive Officer

April 29, 2008



BALANCE SHEET

AS AT MARCH 31, 2008

		March 31, 2008	December 31, 2007
	Note	(Unaudited)	(Audited)
----- Rupees in `000 -----			
ASSETS			
Cash and balances with treasury banks		1,079,374	1,433,166
Balances with other banks		1,597,193	2,577,491
Due from financial institutions		1,128,312	625,037
Investments	6	4,154,906	3,864,027
Financings	7	4,591,706	3,962,867
Operating fixed assets	8	1,190,591	1,093,324
Deferred tax assets		90,418	90,418
Other assets		994,735	801,143
		14,827,235	14,447,473
LIABILITIES			
Bills payable		148,802	84,998
Due to financial institutions		70,000	70,000
Deposits and other accounts	9	9,806,179	9,934,282
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		662,655	513,467
		10,687,636	10,602,747
NET ASSETS		4,139,599	3,844,726
REPRESENTED BY:			
Share capital	10	4,200,000	3,200,000
Reserves		-	-
Accumulated loss		(74,504)	(45,377)
		4,125,496	3,154,623
Advance against future issue of share capital		-	681,409
Surplus on revaluation of assets-net of tax	11	14,103	8,694
		4,139,599	3,844,726
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 15 form an integral part of these accounts.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2008

	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Note	----- Rupees in `000 -----	
Profit / return on financings, investments and placements earned	283,004	81,331
Return on deposits and other dues expensed	148,277	35,646
Net spread	134,727	45,685
Provision against non-performing financings	12,299	224
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	12,299	224
Income after provisions	122,428	45,461
OTHER INCOME		
Fee, commission and brokerage income	28,929	2,380
Dividend Income	1,812	9,145
Income from dealing in foreign currencies	220	714
Gain / (loss) on sale of securities	7,230	1,650
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-
Other income	934	143
Total other income	39,125	14,032
	161,553	59,493
OTHER EXPENSES		
Administrative expenses	184,634	88,981
Other provisions/write offs	-	-
Other charges	4,625	4,866
Total other expenses	189,259	93,847
	(27,706)	(34,354)
Extra ordinary/unusual items	-	-
	(27,706)	(34,354)
LOSS BEFORE TAXATION		
Taxation		
- Current	1,421	(880)
- Deferred	-	16,397
	1,421	15,517
LOSS AFTER TAXATION		
	(29,127)	(18,837)
Accumulated Loss brought forward	(45,377)	(8,354)
Accumulated Loss carried forward	(74,504)	(27,191)
Basic earnings / (loss) per share	<u>(0.076)</u>	<u>(0.090)</u>

The annexed notes 1 to 15 form an integral part of these accounts.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED March 31, 2008

	March 31, 2008	March 31, 2007
Note	----- Rupees in `000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(27,706)	(34,354)
Less: Dividend income	(1,812)	(9,145)
	(29,518)	(43,499)
Adjustments:		
Depreciation	31,824	13,398
Amortization	5,423	421
Provision against non-performing financings	12,299	224
Loss / (gain) on sale of fixed assets	12	-
Deferred cost amortized	3,313	4,020
Gain on revaluation of derivative instrument	-	-
	52,871	18,063
	23,353	(25,436)
(Increase) / decrease in operating assets		
Due from financial institutions	(503,275)	(1,226,848)
Held-for-trading securities	-	93,685
Financings	(641,138)	(511,075)
	-	-
Others assets (excluding advance taxation and deferred cost)	(192,219)	(335,224)
	(1,336,632)	(1,979,462)
Increase / (decrease) in operating liabilities		
Bills payable	63,804	8,382
Borrowings from financial institutions	-	50,000
Deposits and other accounts	(128,103)	939,154
Other liabilities	149,188	60,853
	84,889	1,058,389
	(1,228,390)	(946,508)
Income tax paid	(4,295)	(1,919)
Net cash flow from operating activities	(1,232,685)	(948,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(285,470)	-
Acquisition of subsidiaries	-	-
Dividend income received	-	12,027
Investments in operating fixed assets	(134,916)	(74,322)
Sale proceeds of property and equipment disposed-off	390	-
Net cash flow from investing activities	(419,996)	(62,295)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	318,591	975,000
Advance against future issue of share capital - net off issue of shares	-	225,000
Net cash flow from financing activities	318,591	1,200,000
Effects of exchange rate changes on cash and cash equivalents	-	15
Net cash and cash equivalents	(1,334,090)	189,292
Cash and cash equivalents at beginning of the period / year	4,010,657	1,128,931
Cash and cash equivalents at end of the period / year	2,676,567	1,318,223

The annexed notes 1 to 15 form an integral part of these accounts.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED March 31, 2008

	Share Capital	Accumulated Loss	Total
	----- Rupees in `000 -----		
Opening Balance January 01, 2007	2,000,000	(8,354)	1,991,646
Loss for the period ended March 31, 2007	-	(18,837)	(18,837)
Issue of share capital	975,000	-	975,000
Balance as at March 31, 2007	2,975,000	(27,191)	2,947,809
Loss for the nine months period	-	(18,186)	(18,186)
Issue of share capital	225,000	-	225,000
Balance as at December 31, 2007	3,200,000	(45,377)	3,154,623
Loss for the period ended March 31, 2008	-	(29,127)	(29,127)
Issue of share capital	1,000,000	-	1,000,000
Balance as at March 31, 2008	4,200,000	(74,504)	4,125,496

The annexed notes 1 to 15 form an integral part of these accounts.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director





NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008 (UNAUDITED)

1. STATUS AND NATURE OF BUSINESS

- 1.1. Bank Islami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 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.
- 1.2. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with 36 branches as at March 31, 2008 (December 31, 2007: 36 branches).

2. STATEMENT OF COMPLIANCE

- 2.1. These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives take precedence.
- 2.2. The State Bank of Pakistan 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 No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 2.3. The Securities and Exchange Commission of Pakistan has notified for adoption of "Islamic Financial Accounting Standard 2-Ijarah (IFAS-2)" issued by the Institute of Chartered Accountants of Pakistan (ICAP) which is applicable for accounting period beginning January 1, 2008. Consequently to the issuance of IFAS-2, the six (6) full-fledged Islamic Banks approached ICAP to seek clarifications on its implementation specially regarding the methods of applicability of Prudential Regulations for Corporate and Consumer Banking issued by the State Bank of Pakistan (SBP). ICAP had approached SBP seeking necessary clarifications.

Pending above clarifications, the Bank has continued recognizing Ijarah transactions consistent with the policy used for the preparation of audited financial statements for the year ended December 31, 2007. During the quarter ended March 31, 2008, the Bank has disbursed the Ijarah financing aggregating to Rs.66.308 million.
- 2.4. The disclosures made in these interim condensed financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and these interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2007.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2008 (UNAUDITED)**

3. BASIS OF PRESENTATION

- 3.1. These interim condensed financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.
- 3.2. The Bank provides financing mainly through shariah compliant financial products. Except for Murabaha and Musawamah transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), the purchases, sales and rentals arising under these arrangements are not reflected in these interim condensed financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon.

4. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared on the historical cost convention except for certain financial instruments which have been stated at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these interim condensed financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Bank.

	March 31, 2008	December 31, 2007
Note	----- Rupees in `000 -----	
6. INVESTMENTS		
Held-for-trading securities	-	-
Available-for-sale securities	3,945,632	3,660,162
Subsidiary	191,015	191,015
	<u>4,136,647</u>	<u>3,851,177</u>
Surplus on revaluation of held-for-trading securities	-	-
Surplus on revaluation of available-for-sale securities	18,259	12,850
	<u>4,154,906</u>	<u>3,864,027</u>
6.1 Investments by types – held by Bank		
Available-for-sale securities		
Sukuks	3,795,632	3,510,162
Units of mutual funds	150,000	150,000
	<u>3,945,632</u>	<u>3,660,162</u>
Surplus on revaluation of available-for-sale securities	18,259	12,850
	<u>3,963,891</u>	<u>3,673,012</u>
Subsidiary (unlisted)	6.1.1 191,015	191,015
Total investments at market value	<u>4,154,906</u>	<u>3,864,027</u>



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2008 (UNAUDITED)**

6.1.1 Subsidiary (unlisted)

	Number of Shares	Amount ----- Rupees in `000 -----	Percentage of Equity Holding
JS Finance Limited (Ordinary Shares)	8,000,000	191,015	100%

March 31, 2008 December 31, 2007
Note ----- Rupees in `000 -----

7. FINANCINGS

In Pakistan		
- Murabaha	971,614	581,505
- Istisna	460,931	31,886
- Diminishing Musharka	1,326,817	1,576,705
- Payment Against Document	2,191	-
- Bills purchased - Murabaha	2,405	6,158
- Salam	-	105,000
- House Financings	373,781	179,213
- Musawama Financings	1,404	66,363
- Financings to staff	154,934	112,590
Financings - gross	3,139,755	2,547,640
Net investment in Ijara financing		
In Pakistan	1,339,390	1,332,819
Advances - gross	4,633,377	3,992,239
Provision for non-performing advances		
- Specific	7.1 (29,310)	(20,285)
- General	(12,361)	(9,088)
Advances - net of provision	4,591,706	3,962,867

7.1 General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

7.2 **Advances include Rs 84.651 million (2007: 78.371 million) which have been placed under non-performing status as detailed below:-**

	March 2008			December 2007			
	Classified Advances Domestic	Total Domestic	Provision Required Domestic	Provision Held Domestic	Classified Advances Total	Provision Required Domestic	Provision Held Domestic
Substandard	77,602	77,602	27,477	27,477	75,602	18,900	18,900
Doubtful	7,049	7,049	1,833	1,833	2,769	1,385	1,385
Loss	-	-	-	-	-	-	-
	<u>84,651</u>	<u>84,651</u>	<u>29,310</u>	<u>29,310</u>	<u>78,371</u>	<u>20,285</u>	<u>20,285</u>

Particulars of provisions against non-performing financings- local currency

	Specific	General	Total	Specific	General	Total
Opening Balance	20,285	9,088	29,372	-	1,001	1,001
Charge for the year	15,411	3,273	18,684	20,285	8,087	28,372
Reversal	(6,385)	-	(6,385)	-	-	-
Closing balance	<u>29,310</u>	<u>12,361</u>	<u>41,671</u>	<u>20,285</u>	<u>9,088</u>	<u>29,373</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2008 (UNAUDITED)

		March 31, 2008	December 31, 2007
8 OPERATING FIXED ASSETS	Note	----- Rupees in `000 -----	
Capital work-in-progress		120,806	8,719
Property and equipment		1,056,350	417,890
Intangible assets		13,435	14,819
		<u>1,190,591</u>	<u>441,428</u>
8.1 Capital work-in-progress			
Civil works		1,116	6,805
Equipments		27,769	534
Advances to suppliers and contractors		6,569	1,380
Others (Software)		85,351	-
		<u>120,805</u>	<u>8,719</u>
9 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		5,406,196	4,929,274
Savings deposits		2,402,083	3,598,793
Current Accounts - Remunerative		-	-
Current Accounts - Non-remunerative		1,817,105	1,372,978
Others -Margin accounts		27,627	31,431
		<u>9,653,011</u>	<u>9,932,476</u>
Financial Institutions			
Remunerative deposits		153,168	1,806
Non-remunerative deposits		-	-
		<u>153,168</u>	<u>1,806</u>
		<u>9,806,179</u>	<u>9,934,282</u>
9.1 Particulars of deposits			
In local currency		9,707,472	9,861,275
In foreign currencies		98,707	73,007
		<u>9,806,179</u>	<u>9,934,282</u>

10. SHARE CAPITAL/ HEAD OFFICE CAPITAL ACCOUNT

10.1 Authorized Capital

March 31, 2008	December 31, 2007		March 31, 2008	December 31, 2007
			----- Rupees in `000 -----	
<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs.10 each	<u>6,000,000</u>	<u>6,000,000</u>

10.2 Issued, subscribed and paid up Capital

March 31, 2008	December 31, 2007		March 31, 2008	December 31, 2007
		Ordinary shares		
320,000,000	200,000,000	Fully paid in cash	3,200,000	2,000,000
		Issued as bonus shares		
		Issued for consideration other than cash		
<u>100,000,000</u>	<u>120,000,000</u>	Issued during the year	<u>1,000,000</u>	<u>1,200,000</u>
<u>420,000,000</u>	<u>320,000,000</u>		<u>4,200,000</u>	<u>3,200,000</u>



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2008 (UNAUDITED)

	March 31, 2008	December 31, 2007
Note	----- Rupees in `000 -----	
10.3 Advance against issue of Share Capital		
Opening balance	681,409	-
Received during the year	-	681,409
Shares issued during the year	(681,409)	-
Closing balance	<u>-</u>	<u>681,409</u>
11. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS		
11.1 Surplus / (Deficit) on revaluation of Available-for-sale securities		
Sukuk Bonds	11,875	11,875
Mutual Fund	<u>6,384</u>	<u>975</u>
	18,259	12,850
Less: Related Deferred Tax Liability	<u>4,156</u>	<u>4,156</u>
	<u>14,103</u>	<u>8,694</u>
12. CONTINGENCIES AND COMMITMENTS		
12.1 Transaction-related Contingent Liabilities		
Guarantees favouring Government	<u>262,282</u>	<u>168,072</u>
Financial Institutions	<u>245,000</u>	<u>245,000</u>
Others	<u>120,487</u>	<u>82,442</u>
12.2 Trade-related Contingent Liabilities		
Import letter of Credit	482,826	455,681
Acceptances	<u>53,701</u>	<u>65,477</u>
	<u>536,527</u>	<u>521,158</u>
12.3 Commitments in respect of forward exchange contracts		
Purchase	<u>62,023</u>	<u>164,140</u>
Sale	<u>61,785</u>	<u>9,121</u>
12.4 Commitments for the acquisition of operating fixed assets	<u>37,018</u>	<u>146,687</u>
12.5 Commitments for acquisition of investments	<u>506,000</u>	<u>710,000</u>
12.6 Commitments in respect of financing	<u>5,201,047</u>	<u>4,385,126</u>
12.7 Other commitments		
Bills for collection	<u>98,176</u>	<u>109,685</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008 (UNAUDITED)

13 RELATED PARTY TRANSACTIONS

The related parties of the Bank comprise related group companies, principal shareholders, key management personnel, companies where directors of the Bank also hold directorship, directors and their close family members and staff retirement funds.

Usual transactions with related parties include deposits, financings and provision of other banking services. Transactions with executives are undertaken at terms in accordance with employment agreements and service rules.

The details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

	Subsidiary		Associates		Key management Personnel		Other related Parties	
	2008	2007	2008	2007	2008	2007	2008	2007
Financings:								
Beginning of period/ year	189,000	-	-	-	40,230	3,526	72,159	26,330
Disbursed during the period/ year	-	189,000	-	-	-	40,939	44,660	58,691
Repaid during the period/ year	189,000	-	-	-	469	4,236	1,736	12,861
At end of period/ year	-	189,000	-	-	39,760	40,230	115,084	72,159
Deposits:								
Beginning of period/ year	315,355	-	36,649	98,350	205	431	27,317	10,350
Deposit During the period /year	55,466	518,685	4,522	863,096	2,102	43,480	213,089	517,532
Withdrawal during the period /year	369,759	203,330	-	924,797	2,104	23,706	203,597	500,565
At end of period/ year	1,062	315,355	41,171	36,649	203	205	36,809	27,317
Transactions, income and Expenses for the period ended March 31.								
Profit earned on financing	801	-	-	-	400	-	962	-
Return on deposits expensed	137	-	191	1,543	1	2	199	88
Fee to Directors	326	-	-	-	-	-	-	-
Principal Share Holders					2008	2007		
Share Capital issued					56,250	675,806		

14 DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue on April 29, 2008 by the Board of Directors of the Bank.

15 GENERAL

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director





CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT March 31, 2008

March 31, December 31,
2008 2007
Note (Unaudited) (Audited)
----- Rupees in `000 -----

ASSETS

Cash and balances with treasury banks	1,079,374	1,433,166
Balances with other banks	1,597,379	2,578,089
Due from financial institutions	1,128,312	625,037
Investments	3,998,475	3,686,474
Financings	4,591,706	3,773,867
Operating fixed assets	1,145,830	1,048,602
Deferred tax assets	97,335	97,760
Other assets	1,103,661	906,534
	14,742,072	14,149,529

LIABILITIES

Bills payable	148,802	84,998
Due to financial institutions	70,000	70,000
Deposits and other accounts	9,727,984	9,617,735
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	663,719	541,296
	10,610,505	10,314,029
NET ASSETS	4,131,567	3,835,500

REPRESENTED BY:

Share capital	4,200,000	3,200,000
Reserves	-	-
Accumulated loss	(81,825)	(53,481)
	4,118,175	3,146,519
Advance against future issue of share capital	-	681,409
Surplus on revaluation of assets-net of tax	13,392	7,572
	4,131,567	3,835,500

The annexed notes from 1 to 8 form an integral part of these financial statements.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED March 31, 2008

	Quarter ended March 31, 2008 ---Rupees in '000---
Profit / return on financings, investments and placements earned	282,867
Return on deposits and other dues expensed	147,476
Net spread	135,391
Provision against non-performing financings	12,299
Provision for diminution in the value of investments	-
Bad debts written off directly	-
	12,299
Income after provisions	123,092
OTHER INCOME	
Fee, commission and brokerage income	28,930
Dividend Income	1,812
Income from dealing in foreign currencies	220
Gain / (loss) on sale of securities	7,230
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-
Other income	2,274
Total other income	40,466
	163,558
OTHER EXPENSES	
Administrative expenses	185,427
Other provisions/write offs	-
Other charges	4,625
Total other expenses	190,052
	(26,494)
Extra ordinary/unusual items	-
LOSS BEFORE TAXATION	(26,494)
Taxation	
- Current	1,425
- Deferred	425
	1,850
LOSS AFTER TAXATION	(28,344)
Accumulated(Loss) brought forward	(53,481)
Profit available for appropriation/unremitted profit/ (loss)	(81,825)
Basic earnings / (loss) per share	(0.074)

The annexed notes 1 to 8 form an integral part of these accounts.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED March 31, 2008

Quater ended
March 31,
2008
---Rupees in '000---

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation	(26,494)
Less: Dividend income	(1,812)
	<u>(28,306)</u>
Adjustments:	
Depreciation	31,862
Amortization	5,423
Provision against non-performing financings	12,299
Loss / (gain) on sale of fixed assets	12
Deferred cost amortized	3,313
	<u>52,909</u>
	24,603
(Increase) / decrease in operating assets	
Due from financial institutions	(503,275)
Held-for-trading securities	-
Financings	(830,138)
Others assets (excluding advance taxation and deferred cost)	(195,229)
	<u>(1,528,642)</u>
Increase / (decrease) in operating liabilities	
Bills payable	63,804
Borrowings from financial institutions	-
Deposits and other accounts	110,249
Other liabilities	122,423
	<u>296,476</u>
	(1,207,563)
Income tax paid	(4,824)
Net cash flow from operating activities	<u>(1,212,387)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(306,181)
Dividend income received	-
Investments in operating fixed assets	(134,915)
Sale proceeds of property and equipment disposed-off	390
Net cash flow from investing activities	<u>(440,706)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Issue of share capital	318,591
Net cash flow from financing activities	<u>318,591</u>
Effects of exchange rate changes on cash and cash equivalents	-
Net increase in cash and cash equivalents	<u>(1,334,502)</u>
Cash and cash equivalents at beginning of the period / year	4,011,255
Cash and cash equivalents at end of the period / year	<u><u>2,676,753</u></u>

The annexed notes from 1 to 8 form an integral part of these financial statements.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED March 31, 2008

	Share Capital	Accumulated Loss	Total
	----- Rupees in `000 -----		
Opening Balance January 01, 2007	2,000,000	(8,354)	1,991,646
Profit for the period ended March 31,2007	-	(18,837)	(18,837)
Transfer to statutory reserve	-	-	-
Issue of share capital	975,000	-	975,000
Balance as at March 31, 2007	2,975,000	(27,191)	2,947,809
(Loss)/Profit for the nine months period	-	(26,290)	(26,290)
Transfer to statutory reserve	-	-	-
Issue of share capital	225,000	-	225,000
Balance as at December 31,2007	3,200,000	(53,481)	3,146,519
Profit for the period ended March 31,2008	-	(28,344)	(28,344)
Transfer to statutory reserve	-	-	-
Issue of share capital	1,000,000	-	1,000,000
Balance as at March 31,2008	4,200,000	(81,825)	4,118,175

The annexed notes from 1 to 8 form an integral part of these financial statements.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED March 31, 2008
(UNAUDITED)

1 STATUS AND NATURE OF BUSINESS

- 1.1 Bank Islami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 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.
- 1.2 The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with 36 branches as at March 31, 2008 (December 31, 2007: 36 branches).
- 1.3 The Bank has acquired 100 percent shares of JS Finance Limited (a unquoted public company) on August 31, 2007. The principal activity of the company is to act as modarba management company. JS Finance 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 STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives take precedence.
- 2.2 The State Bank of Pakistan 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 No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 2.3 The disclosures made in these interim condensed financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and these interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2006.

NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED March 31, 2008
(UNAUDITED)

3. BASIS OF PRESENTATION

3.1 These interim condensed financial statements are unaudited but subject to limited scope review by the auditors and have been prepared in accordance with the requirements of State Bank of Pakistan.

3.2 The Bank provides financing mainly through shariah compliant financial products. Except for Murabaha and Musawamah transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), the purchases, sales and rentals arising under these arrangements are not reflected in these interim condensed financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon.

4. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared on the historical cost convention except for certain financial instruments which have been stated at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these interim condensed financial statements are the same as those applied in the preparation of the preceding annual financial statements of the Bank & its subsidiary respectively.

6. Basis of consolidation

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

6.1 Business combinations

Acquisitions 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 Bank 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 recognised 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 recognised. 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 recognised immediately in profit or loss.

**NOTES TO THE INTERIM CONSOLIDATED
CONDENSED FINANCIAL STATEMENTS**
FOR THE QUARTER ENDED March 31, 2008
(UNAUDITED)

6.2 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 recognised 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 recognised for goodwill is not reversed in a subsequent period.

7 DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue on April 29, 2008 by the Board of Directors of the Bank.

8 GENERAL

- 8.1 No corresponding figures for profit and loss account and Cash flow statement have been presented as group was formed on August 31, 2007 i.e. date of acquisition.
- 8.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.



-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director