

WORLD OF ISLAMIC ARCHITECTURE  
Quarterly Report March 31, 2015

بَيْتُكَ إِسْلَامِي



\*Inside View of Dome (Masjid-e- Nabawi, Madinah)

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## Corporate Information

### Board of Directors

Mr. Ali Hussain	Chairman
Mr. Ali Mohd Hussain Ali Al Shamali	
Mr. Ali Raza Siddiqui	
Mr. Fawad Anwar	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Kamal Afsar	
Mr. Shabir Ahmed Randeree	

### Sharia'h Supervisory Board

Mufti Irshad Ahmad Aijaz	Chairman
Mufti Talha Saleem Kapadia *	Member
Mufti Mohammad Husain	Member
Mufti Javed Ahmed **	Member

### Audit Committee

Mr. Fawad Anwar	Chairman
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member

### Risk Management Committee

Mr. Ali Mohd Hussain Ali Al Shamali	Chairman
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member

### I.T Committee

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

### Human Resource & Compensation Committee

Mr. Shabir Ahmed Randeree	Chairman
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Ali Mod Hussain Ali Al Shamali	Member
Mr. Hasan A Bilgrami	Member
Mr. Kamal Afsar	Member

### Executive Committee

Mr. Ali Hussain	Chairman
Mr. Ali Raza Siddiqui	Member
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member
Mr. Shabir Ahmed Randeree	Member

### Company Secretary

Mr. Zahid Ali H. Jamall

### 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

\* resigned effective from April 29, 2015

\*\* appointed subject to SBP approval.

#### Management (in alphabetical order)

Mr. Arshad Wahab Zuberi	Head, Administration & General Services
Mr. Farooq Anwar	Head, Operations
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Khawaja Ehrar ul Hassan	Head, Compliance & Legal
Mr. Muhammad Asif Siddiqui	Head, Cash Management
Mr. Muhammad Faisal Shaikh	Head, Product Development
Mr. Muhammad Furqan	Head, Credit Administration
Mr. Muhammad Kamran Siddiqui	Head, Service Quality & Phone 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 Arif Mehtab	Head, Branch Operations
Mr. Syed Ata Hussain Jaffri	Officiating Head, Information Systems
Mr. Syed Mujtaba Hussain Kazmi	Head, Corporate Finance
Mr. Zahid Ali H. Jamall	Chief Financial Officer & Company Secretary

#### Registered Office

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

#### Share Register

Technology Trade (Private) Limited  
Dagja House, 241-C, Block-2,  
P.E.C.H.S. Off: Shahra-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 quarter ended March 31, 2015. Following are the highlights:

	<b>March 31, 2015</b>	<b>March 31, 2014</b>	<b>Growth (%)</b>
	.....Rupees in 'millions'.....		
Total Deposits	<b>93,368</b>	77,576	20.36
Total Assets	<b>106,454</b>	88,324	20.53
Total Financing - net	<b>41,796</b>	37,945	10.15
Total Investments	<b>34,196</b>	32,165	6.31
Shareholder's Equity (including revaluation)	<b>7,056</b>	6,525	8.14
Branches - Number	<b>213</b>	201	5.97
Basic Earnings per share - Rupees	<b>0.124</b>	0.141	-12.06

The first quarter of 2015 had a number of challenges for the Bank. Despite the challenging issues faced by the Bank mainly due to restricted CAR along with discount rate cut, the Bank fared well. The Bank managed to grow its balance sheet size by Rs.4.47Bn compared to Dec'14. The deposit grew by Rs.3.04Bn compared to December 2014 with percentage of CASA accounts declining to 59.05% from 61.15%.

Even though the financing book grew by 10.15%, from March 2014, ADR (%) fell down to 44.76% from 48.9% due to higher CAR requirement by SBP. It is hoped that the Bank shall be able to substantially improve it once MCR is complied. Bank's NPL to gross financing ratio stood at 2.55% at end of 1Q15. It remains one of the best in the industry and is a testimony of Bank's sound risk management framework. Investments grew by 11.55% compared to Dec'14 as there were limited deployment opportunities in GOP Sukuks.

The decrease in cost of deposit and change in deposit composition resulted in improvement in gross spread by 437bps and net spread by 392bps compared to 1Q14. There was a slight dip of 10.06% in Other income and rise in Administrative expenses by 21.78% which resulted in the Bank earning profit after tax of Rs. 71mn compared to Rs. 75mn in 1Q14, a decline of 5.64%.

As of the date of this report, the Bank had received a subscription of Rs.2.84Bn against the rights issue of Rs.4.32Bn. As the issue was fully underwritten, with the permission of SBP, the allotment process is expected to be completed by mid May making BIPL one of the two MCR compliant Islamic Banks.

In this quarter, the Bank introduced value added services of mobile top ups & payment of bill of internet & broadband companies etc. to its Internet Banking service. The Bank, among other things, plans to launch pre-paid card, mobile application and cash management services in the upcoming quarters. While continuing with its branch expansion, the Bank plans to open 24 new branches/sub branches in the year 2015.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has upgraded the Bank's long-term entity rating to 'A+' and short-term rating has been maintained at 'A1'.

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

On behalf of the Board,

**Hasan A. Bilgrami**  
Chief Executive Officer  
April 29, 2015

## Condensed Interim Statement Of Financial Position

AS AT MARCH 31, 2015

		(Un-audited) March 31, 2015	(Audited) December 31, 2014
	Note	----- Rupees in `000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	8	5,859,878	6,361,444
Balances with other banks	9	1,365,859	733,523
Due from financial institutions	10	18,104,324	18,143,574
Investments	11	34,196,077	30,654,552
Islamic financing and related assets - net	12	41,796,356	41,097,058
Operating fixed assets	13	3,396,812	3,380,168
Deferred tax assets - net		-	-
Other assets - net		1,734,409	1,613,830
		<b>106,453,715</b>	<b>101,984,149</b>
<b>LIABILITIES</b>			
Bills payable		1,157,562	918,435
Due to financial institutions	14	1,711,000	561,000
Deposits and other accounts	15	93,367,663	90,330,997
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		270,914	199,683
Other liabilities		2,890,299	3,106,814
		<b>99,397,438</b>	<b>95,116,929</b>
<b>NET ASSETS</b>		<b>7,056,277</b>	<b>6,867,220</b>
<b>REPRESENTED BY</b>			
Share capital	16	5,758,721	5,758,721
Discount on Issue of shares		(79,042)	(79,042)
Advance against issue of share capital		92	-
Reserve for bad debts and contingencies		250,000	-
Statutory reserve		273,176	273,176
Unappropriated Profit		90,668	266,946
		<b>6,293,615</b>	<b>6,219,801</b>
Surplus on revaluation of assets - net of tax	17	762,662	647,419
		<b>7,056,277</b>	<b>6,867,220</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director



Condensed Interim Profit And Loss Account (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2015

		Quarter ended		
		March 31, 2015	March 31 2014	
Note		----- Rupees in `000 -----		
	Profit / return earned	19	2,002,371	1,768,527
	Profit / return expensed		1,113,861	1,048,878
	Net spread earned		888,510	719,649
	Provision against non-performing Islamic financings and related assets - net	12.4	9,082	12,475
	Provision for diminution in the value of investments		-	-
	Bad debts written off directly		-	-
	Net spread after provisions		879,428	707,174
<b>OTHER INCOME</b>				
	Fee, commission and brokerage Income		97,977	87,167
	Dividend income		-	-
	Income from dealing in foreign currencies		31,578	62,396
	Gain on sale of securities		11,853	-
	Other income		10,761	19,630
	Total other income		152,169	169,193
			1,031,597	876,367
<b>OTHER EXPENSES</b>				
	Administrative expenses		919,025	754,612
	Other provisions		-	-
	Other charges		3,054	4,284
	Total other expenses		922,079	758,896
	Extra ordinary / unusual items		109,518	117,471
	<b>PROFIT BEFORE TAXATION</b>		109,518	117,471
<b>Taxation</b>				
	- Current		21,577	19,467
	- Prior years		-	-
	- Deferred		16,666	22,464
			38,243	41,931
	<b>PROFIT AFTER TAXATION</b>		71,275	75,540
				----- Rupees-----
				(Restated)
	<b>Basic / diluted earnings per share - (Rupee)</b>	20	0.124	0.141

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director



## Condensed Interim Statement Of Comprehensive Income (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2015

	Quarter ended	
	March 31, 2015	March 31 2014
	----- Rupees in `000 -----	
<b>Profit after taxation</b>	<b>71,275</b>	75,540
Comprehensive income transferred to equity	<b>71,275</b>	75,540
<b>Components of comprehensive income not reflected in equity</b>		
Surplus on revaluation of available for sale securities - net of tax	<b>117,690</b>	207,233
<b>Total comprehensive income for the period</b>	<b>188,965</b>	282,773

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director

## Condensed Interim Cash Flow Statement (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2015

	March 31, 2015	March 31, 2014
	----- Rupees in `000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	109,518	117,471
Adjustments :		
Depreciation - Own assets	89,730	65,537
Depreciation - Operating Ijara assets	184,746	144,803
Amortisation of intangible asset	2,886	5,228
Provision against non-performing Islamic financings and related assets - net	9,082	12,475
Gain on sale of fixed assets	(605)	-
	<u>285,839</u>	<u>228,043</u>
	395,357	345,514
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	39,250	(722,901)
Islamic financings and related assets	(893,126)	206,333
Others assets (excluding advance taxation , defined benefit asset and dividend receivable)	(132,114)	(293,069)
	<u>(985,990)</u>	<u>(809,637)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	239,127	188,678
Due to financial institutions	1,150,000	(1,501,000)
Deposits and other accounts	3,036,666	2,350,147
Other liabilities (excluding current taxation)	(216,515)	13,375
	<u>4,209,278</u>	<u>1,051,200</u>
	3,618,645	587,077
Income tax paid	(18,848)	(17,843)
<b>Net cash generated from operating activities</b>	<u>3,599,797</u>	<u>569,234</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(3,360,464)	(235,826)
Investments in operating fixed assets	(109,278)	(274,648)
Proceeds from disposal of operating fixed assets	623	-
<b>Net cash (used in) investing activities</b>	<u>(3,469,119)</u>	<u>(510,474)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Advance against issue of share capital	92	-
<b>Net cash flow from financing activities</b>	<u>92</u>	<u>-</u>
<b>Increase / (decrease) in cash and cash equivalents</b>	<u>130,770</u>	<u>58,760</u>
Cash and cash equivalents at beginning of the period	7,094,967	5,851,035
<b>Cash and cash equivalents at end of the period</b>	<u>7,225,737</u>	<u>5,909,795</u>

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director

## Condensed Interim Statement Of Changes In Equity (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2015

	Share Capital	Advance against issue of share capital	Discount on issue of shares	Reserve for bad debts & Contingencies	Statutory reserve	Unappropriated profit	Total
----- Rupees in `000 -----							
Balance as at January 01, 2014	5,279,679	-	-	-	210,446	24,829	5,514,954
Profit after taxation for the quarter ended March 31, 2014	-	-	-	-	-	75,540	75,540
Transfer from surplus on revaluation of fixed assets-net of tax	-	-	-	-	-	2,568	2,568
<b>Balance as at March 31, 2014</b>	<b>5,279,679</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210,446</b>	<b>102,937</b>	<b>5,593,062</b>
Profit after taxation for the period ended December 31, 2014	-	-	-	-	-	238,110	238,110
Issue of right share at discount	479,042	-	(79,042)	-	-	-	400,000
Transferred to Statutory Reserve	-	-	-	-	62,730	(62,730)	-
Transfer from surplus on revaluation of fixed assets-net of tax	-	-	-	-	-	4,982	4,982
Remeasurements of the net defined benefit liability/ (asset) - net of tax	-	-	-	-	-	(16,353)	(16,353)
<b>Balance as at December 31, 2014</b>	<b>5,758,721</b>	<b>-</b>	<b>(79,042)</b>	<b>-</b>	<b>273,176</b>	<b>266,946</b>	<b>6,219,801</b>
Profit after taxation for the quarter ended March 31, 2015	-	-	-	-	-	71,275	71,275
Transferred to reserve for bad debts & Contingencies	-	-	-	250,000	-	(250,000)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	2,447	2,447
Advance against issue of share capital	-	92	-	-	-	-	92
<b>Balance as at March 31, 2015</b>	<b>5,758,721</b>	<b>92</b>	<b>(79,042)</b>	<b>250,000</b>	<b>273,176</b>	<b>90,668</b>	<b>6,293,615</b>

The annexed notes 1 to 25 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director



## Notes to and Forming Part of the Condensed Interim Financial Information (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2015

### 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 the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan granted a 'Scheduled Islamic Commercial Bank' license 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 State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking activities and investment activities.

The Bank is operating through 213 branches including 90 sub branches as at March 31, 2015 (December 31, 2014: 213 branches including 90 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 Limited.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has upgraded the Bank's long-term entity rating to 'A+' and the short-term rating has been maintained at 'A1'.

- 1.2 The SBP vide circular no. 07 of 2009 dated April 15, 2009 increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion which was required to be achieved in a phased manner by December 31, 2013. At that time, bank's capital was below the minimum threshold of Rs 6 billion which was required to be achieved by the Bank before December 31, 2009.

In order to meet the initial requirement of Rs 6 billion, the Board of Directors (BOD) in their meeting held on February 07, 2011 agreed to issue right shares to increase Bank's paid up capital but the issuance of right shares was delayed till 2014 due to various reasons. The SBP through various letters granted extension to the Bank in timeline for meeting MCR (free of losses) of Rs 6 billion till March 31, 2013. Further, the Bank was advised by the SBP for submission of time-bound capital injection plan to comply with the prevailing and future capital requirements. In 2013, the Bank submitted a capital injection plan duly approved by the Board of directors to the SBP. Moreover, the SBP through its letter dated March 12, 2014 enhanced capital adequacy ratio (CAR) requirement for the Bank to 18 percent till the time Bank's capital was below Rs. 6 billion.

During the year 2014, the Bank, after obtaining approvals from SBP and SECP raised Rs. 400 million through issuance of 47.9 million shares at a discounted price of Rs. 8.35 per share.

Further, the Board of Directors in their meeting held on October 29, 2014 decided to raise the paid up capital further by Rs. 4.3 billion approximately through a second right issue subject to relaxation from the SBP and SECP from rule 5(i) of the Companies (issue of Capital Rules), 1996, in respect of second right issue within a period of one year. Both the SBP and SECP have granted relaxations from requirement of rule 5(i) of the Companies (issue of Capital Rules), 1996 vide their letters dated November 5, 2014 and December 2, 2014 respectively.

Subsequent to the approval of SBP and SECP, the Board of Directors in their meeting held on December 30, 2014 approved the issuance of 432,040,000 right shares to all the existing shareholders in the proportion of 75.0236 right shares for every 100 ordinary shares held by them. The right issue of Rs 4.3 billion approximately has been fully underwritten and is expected to be completed in the second quarter of 2015. The Bank will be compliant with the MCR (free of losses) of Rs 10 billion after the proposed right issue of 432,040,000 shares.

The paid-up capital of the Bank (free of losses) as at March 31, 2015 amounted to Rs 5.68 billion against the required MCR of Rs 10 billion and its CAR stood at 16.33 percent against 18 percent as advised by SBP.

## **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 have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinances, 1984 and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall prevail.
- 3.2 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. 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, 2014.

- 3.4 IFRS 8 "Operating Segments" was effective for the Bank's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in this condensed interim financial information is based on the requirements laid down by the SBP.
- 3.5 The SBP vide BSD Circular No. 07 dated April 20, 2010 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, only the surplus / (deficit) on revaluation of available for sale (AFS) securities, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the Statement of Financial Position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.

#### **4 BASIS OF MEASUREMENT**

This condensed interim financial information have been prepared under the historical cost convention, except that certain fixed assets are stated at revalued amounts, 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 requirement of the SBP. Further, staff retirement benefits have been carried at present values as determined under International Accounting Standard (IAS) 19 (revised) " Employee Benefits".

#### **5 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

#### **6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used 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, 2014.

#### **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, 2014.

	Note	(Un-audited) March 31, 2015	(Audited) December 31, 2014
----- Rupees in `000 -----			
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
- local currency		1,651,221	1,658,420
- foreign currency		176,300	254,139
		<u>1,827,521</u>	<u>1,912,559</u>
With the State Bank of Pakistan in			
- local currency current account		3,116,190	3,262,935
- foreign currency deposit accounts			
Cash Reserves Account		90,937	90,937
Special Cash Reserve Account		112,951	110,029
US Dollar Clearing Account		24,693	29,915
		<u>228,581</u>	<u>230,881</u>
With the National Bank of Pakistan in			
- local currency current account		687,586	955,069
		<u>5,859,878</u>	<u>6,361,444</u>
<b>9 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- Current accounts		8,198	8,198
- Deposit accounts		89	88
		<u>8,287</u>	<u>8,286</u>
Outside Pakistan			
- Current accounts		1,357,572	725,237
		<u>1,365,859</u>	<u>733,523</u>
<b>10 DUE FROM FINANCIAL INSTITUTIONS</b>			
Sukuk Murahaba		6,418	6,418
Commodity Murahaba - local currency	10.1	7,349,957	7,389,208
		<u>7,356,375</u>	<u>7,395,626</u>
Bai Muajjal		10,754,367	10,754,366
Provision against Sukuk Murahaba		(6,418)	(6,418)
		<u>18,104,324</u>	<u>18,143,574</u>

10.1 The Bank has entered into Commodity Murahaba agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rate on the agreement ranges between 7.50% to 9.60% (2014: 9.50 % to 10.00%) per annum and the agreement have a maturity ranging from 1 day to 89 days (2014:2 days to 182 days).



## 11 INVESTMENTS

### 11.1 Investments by type

	(Un-audited) March 31, 2015			(Audited) December 31, 2014		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- Rupees in '000 -----						
<b>Available for sale securities</b>						
- Sukuk certificates	34,001,496	-	34,001,496	30,641,032	-	30,641,032
- Mutual Fund						
Units of open end mutual funds	21	-	21	21	-	21
	<u>34,001,517</u>	<u>-</u>	<u>34,001,517</u>	<u>30,641,053</u>	<u>-</u>	<u>30,641,053</u>
<b>Subsidiary</b>						
- Bankislami Modaraba Investment Limited - unlisted company	191,015	-	191,015	191,015	-	191,015
<b>Investments at cost</b>	<u>34,192,532</u>	<u>-</u>	<u>34,192,532</u>	<u>30,832,068</u>	<u>-</u>	<u>30,832,068</u>
Less : Provision For Diminution In Value Of Investments	(39,207)	-	(39,207)	(39,207)	-	(39,207)
<b>Investments (Net of Provisions)</b>	<u>34,153,325</u>	<u>-</u>	<u>34,153,325</u>	<u>30,792,861</u>	<u>-</u>	<u>30,792,861</u>
Surplus/(Deficit) on revaluation of available for sale securities	42,752	-	42,752	(138,309)	-	(138,309)
<b>Total investments at market value</b>	<u>34,196,077</u>	<u>-</u>	<u>34,196,077</u>	<u>30,654,552</u>	<u>-</u>	<u>30,654,552</u>

(Un-audited) (Audited)  
March 31, December  
2015 31, 2014

Note ----- Rupees in `000 -----

## 12 ISLAMIC FINANCING AND RELATED ASSETS

Financings- In Pakistan			
- Murabaha financing and related assets	12.1	15,064,385	15,458,980
- Istisn'a financing and related assets	12.2	8,423,157	6,946,722
- Diminishing Musharka-Housing		4,124,357	3,673,349
- Diminishing Musharka financing and related assets - Others		3,372,922	4,121,136
- Against Bills- Murabaha		24,384	97,848
- Post Due Acceptance		13,280	34,297
- Musawama financing and related assets		6,803,584	7,191,343
- Financings to employees		1,215,870	1,159,060
		<u>39,041,939</u>	<u>38,682,735</u>
Housing finance portfolio		93,123	98,282
Net investment in Ijara financing In Pakistan		78,835	86,465
Ijarah financing under IFAS 2 and related assets		3,192,599	2,830,634
<b>Gross Financing and related assets</b>		<u>42,406,496</u>	<u>41,698,116</u>
Less: Provision for non-performing Islamic Financings and related assets			
- Specific		(521,392)	(524,414)
- General		(88,748)	(76,644)
<b>Islamic Financing and related assets - net of provisions</b>		<u>41,796,356</u>	<u>41,097,058</u>

- 12.1 Murabaha financing and related assets includes financing amounting to Rs 202.712 million (2014: Rs Nil) against Murabaha under Islamic Export Refinance Scheme.
- 12.2 Istisna financing and related assets includes financing amounting to Rs 50 million (2014: Rs 80 million ) and advance amounting to Rs.524.3 million (2014: 506 million) under Islamic Export Refinance Scheme.
- 12.3 Islamic financing and related assets includes Rs 1,079.911 million (2014: Rs 1,061.929 million) which have been placed under non-performing status as follows:

March 31, 2015 (Un-audited)					
	Domestic	Overseas	Total	Provision required	Provision held
----- Rupees in '000 -----					
<b>Category of Classification</b>					
Other Assets especially mentioned (OAEM)	88,313	-	88,313	-	-
Substandard	119,667	-	119,667	6,150	6,150
Doubtful	48,637	-	48,637	4,804	4,804
Loss	823,294	-	823,294	510,438	510,438
	<u>1,079,911</u>	<u>-</u>	<u>1,079,911</u>	<u>521,392</u>	<u>521,392</u>

December 31, 2014 (Audited)					
	Domestic	Overseas	Total	Provision required	Provision held
----- Rupees in '000 -----					
<b>Category of Classification</b>					
Other Assets especially mentioned (OAEM)	95,067	-	95,067	-	-
Substandard	75,587	-	75,587	7,259	7,259
Doubtful	56,960	-	56,960	7,614	7,614
Loss	834,315	-	834,315	509,541	509,541
	<u>1,061,929</u>	<u>-</u>	<u>1,061,929</u>	<u>524,414</u>	<u>524,414</u>

- 12.4 Particulars of provision against non-performing financings:

March 31, 2015 (Un-audited)			
	Specific	General	Total
----- Rupees in '000 -----			
Opening balance	524,414	76,644	601,058
Charge for the period	11,484	12,104	23,588
Reversals	(14,506)	-	(14,506)
	(3,022)	12,104	9,082
Closing balance	<u>521,392</u>	<u>88,748</u>	<u>610,140</u>

December 31, 2014 (Audited)			
	Specific	General	Total
----- Rupees in '000 -----			
Opening balance	575,843	47,470	623,313
Charge for the year	72,056	29,174	101,230
Reversals	(123,485)	-	(123,485)
	(51,429)	29,174	(22,255)
Closing balance	<u>524,414</u>	<u>76,644</u>	<u>601,058</u>

12.4.1 The Bank has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

	(Un-audited) March 31, 2015	(Audited) December 31, 2014
Note	----- Rupees in `000 -----	
<b>13 OPERATING FIXED ASSETS</b>		
Capital work-in-progress	45,297	11,714
Property and equipment	3,313,169	3,329,257
Intangible assets	38,346	39,197
	<u>3,396,812</u>	<u>3,380,168</u>
	(Un-audited) Quarter ended	
	March 31, 2015	March 31, 2014
	----- Rupees in `000 -----	
<b>13.1 Additions/ Transfer out to operating fixed assets</b>		
Freehold Land	-	3,587
Furniture and fixture	5,600	121,445
Electrical, office and computer equipments	68,060	79,200
Vehicles	-	-
Capital work-in-progress	33,582	51,977
<b>13.2 Intangibles</b>		
Computer Software	2,036	18,439
<b>13.3 Disposals of operating fixed assets</b>		
Furniture and fixture		
Electrical, office and computer equipments	623	-
Vehicles	-	-
Leasehold building	-	-
	(Un-audited) March 31, 2015	(Audited) December 31, 2014
Note	----- Rupees in `000 -----	
<b>14 DUE TO FINANCIAL INSTITUTIONS</b>		
In Pakistan	1,711,000	561,000
Outside Pakistan	-	-
	<u>1,711,000</u>	<u>561,000</u>

	(Un-audited) March 31, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	
<b>15 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	37,631,510	35,087,230
Savings deposits	36,484,342	36,926,200
Current Accounts - Non-remunerative	17,429,784	16,854,088
Margin accounts-Non Remunerative	164,820	152,023
	<b>91,710,456</b>	89,019,541
<b>Financial institutions</b>		
Remunerative deposits	1,481,293	1,113,164
Non-remunerative deposits	175,914	198,292
	<b>1,657,207</b>	1,311,456
	<b>93,367,663</b>	90,330,997

## 16 SHARE CAPITAL

### 16.1 Authorised capital

	(Un-audited) March 31, 2015	(Audited) December 31, 2014		(Un-audited) March 31, 2015	(Audited) December 31, 2014
	----- Number of Shares -----			----- Rupees in `000 -----	
	<b>1,300,000,000</b>	1,300,000,000	Ordinary shares of Rs.10 each	<b>13,000,000</b>	13,000,000

### 16.2 Issued, subscribed and paid up capital

	(Un-audited) March 31, 2015	(Audited) December 31, 2014		(Un-audited) March 31, 2015	(Audited) December 31, 2014
	----- Number of Shares -----			----- Rupees in `000 -----	
			Ordinary shares of Rs. 10 each fully paid in cash		
	<b>575,872,090</b>	527,967,898	At beginning of the year	<b>5,758,721</b>	5,279,679
	-	47,904,192	Issued during the year-right issue	-	479,042
	<b>575,872,090</b>	575,872,090	Balance as at	<b>5,758,721</b>	5,758,721

		(Un-audited) March 31, 2015	(Audited) December 31, 2014
<b>17 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>	<b>Note</b>	----- Rupees in '000 -----	
<b>Surplus /(Deficit) on revaluation of :</b>			
Fixed Assets	17.1	734,863	737,310
Available for Sale securities	17.2	27,799	(89,891)
		<u>762,662</u>	<u>647,419</u>
<b>17.1 Surplus on revaluation of fixed assets</b>			
Freehold Land		112,220	112,220
Building on lease hold land		957,913	961,677
		<u>1,070,133</u>	1,073,897
Related deferred tax liability		(335,270)	(336,587)
		<u>734,863</u>	<u>737,310</u>
<b>17.2 Surplus on revaluation of available-for-sale securities</b>			
Federal Government securities - Ijara Sukuk Bonds		54,520	(141,321)
Sukuk Certificates - Sukuk Certificates unlisted - Sukuk Certificates listed		(15,276) 3,478	(1,510) 4,492
Fully paid up ordinary shares/units - Units of Open end Mutual Funds		30	30
		<u>42,752</u>	(138,309)
Less: Related deferred tax asset / (liability)		(14,953)	48,418
		<u>27,799</u>	<u>(89,891)</u>
<b>18 CONTINGENCIES AND COMMITMENTS</b>			
<b>18.1 Transaction-related Contingent Liabilities</b>			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring Government Others		285,305 2,678,580 2,963,885	299,083 2,613,521 2,912,604
<b>18.2 Trade-related contingent liabilities</b>			
Import letters of Credit Acceptances		2,775,617 312,513 3,088,130	2,968,447 108,638 3,077,085
<b>18.3 Suit filed by customers for recovery of alleged losses suffered, which the Bank has not acknowledged as debt</b>		<u>150,000</u>	150,000
<b>18.4 Commitments in respect of promises</b>			
Purchase		5,749,826	1,763,272
Sale		5,911,744	1,310,100
<b>18.5 Commitments for the acquisition of operating fixed assets</b>		<u>102,201</u>	134,178

18.6 The Deputy Commissioner Inland Revenue (DCIR) 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 million was raised against the Bank mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government.

The Bank filed an appeal for the stay of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment order were confirmed by the Commissioner Inland Revenue (Appeals). The stay application was heard on February 23, 2013. The ATIR accepted the stay application of the Bank and had verbally directed that no recovery of demand should be initiated against the Bank till the decision of the main case by the ATIR. The Bank deposited an amount of Rs. 10.4 million for filing appeal against the said case. During the current year, the Bank deposited an additional amount of Rs 8 million on the verbal instructions of the authorities. The ATIR has set aside the stay appeal in respect of income from dealing in foreign currencies and remanded back the case to the Commissioner Inland Revenue for fresh reassessment proceedings. The management of the Bank is confident that the above matter will be decided in favour of the Bank and therefore, no provision for any liability which may arise in this respect has been made in these condensed interim financial information.

#### 18.7 Commitments in respect of financing facilities

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

	(Un-audited) March 31, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	
18.8 Other commitments		
Bills for collection	<u>156,501</u>	<u>191,002</u>

	(Un-audited) Quarter ended	
	March 31, 2015	March 31, 2014
	----- Rupees in `000 -----	
19 PROFIT / RETURN EARNED		
On Financings to:		
- Customers	961,205	917,447
- Financial Institutions	<u>373,633</u>	<u>140,597</u>
	<u>1,334,838</u>	<u>1,058,044</u>
On Investments - available for sale securities	645,043	699,057
On deposits / placements with financial institutions	10,392	1,460
Others	<u>12,098</u>	<u>9,966</u>
	<u>2,002,371</u>	<u>1,768,527</u>

(Un-audited)  
Quarter ended.  
March 31, 2015      March 31, 2014  
----- Rupees in `000 -----

**20 EARNINGS PER SHARE - Basic / Diluted**

Profit after taxation for the quarter	<u>71,275</u>	<u>75,540</u>
	----- Number of shares -----	
Weighted average number of ordinary shares	<u>575,872,090</u>	<u>534,350,491</u>
	----- Rupees in `000 ----- (Restated)	
Basic / diluted earnings per share	<u>0.124</u>	<u>0.141</u>

There were no convertible / dilutive potential ordinary shares outstanding as at March 31, 2015 and March 31, 2014.

**21 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
	----- Rupees in `000 -----				
<b>For the period ended March 31, 2015 (Un-audited)</b>					
Total Income	333,719	1,008,109	781,449	31,264	2,154,541
Total Expenses	18,085	1,073,562	600,409	352,967	2,045,023
Net income/(loss) before tax	<u>315,634</u>	<u>(65,453)</u>	<u>181,040</u>	<u>(321,703)</u>	<u>109,518</u>
<b>As at March 31, 2015 (Un-audited)</b>					
Segment Assets (Gross)	<u>57,501,166</u>	<u>8,017,748</u>	<u>38,764,833</u>	<u>2,883,793</u>	<u>107,167,540</u>
Segment Non Performing Assets	<u>377,327</u>	<u>497,071</u>	<u>618,251</u>	<u>-</u>	<u>1,492,649</u>
Segment Provision Required	<u>68,277</u>	<u>244,135</u>	<u>401,415</u>	<u>-</u>	<u>713,827</u>
Segment Liabilities	<u>1,103,069</u>	<u>60,492,739</u>	<u>36,215,591</u>	<u>1,586,039</u>	<u>99,397,438</u>
Segment Return on Assets (ROA) (%)	<u>2.23%</u>	<u>-3.31%</u>	<u>1.89%</u>	<u>-</u>	<u>-</u>
Segment Cost of funds (%)	<u>6.63%</u>	<u>5.03%</u>	<u>3.41%</u>	<u>-</u>	<u>-</u>
<b>For the period ended March 31, 2014 (Un-audited)</b>					
Total Income	181,530	1,029,927	647,939	78,324	1,937,720
Total Expenses	43,455	967,493	491,964	317,337	1,820,249
Net income/(loss) before tax	<u>138,075</u>	<u>62,434</u>	<u>155,975</u>	<u>(239,013)</u>	<u>117,471</u>
<b>As at March 31, 2014 (Un-audited)</b>					
Segment Assets (Gross)	<u>44,780,711</u>	<u>6,280,783</u>	<u>34,487,490</u>	<u>3,451,761</u>	<u>89,000,745</u>
Segment Non Performing Financing	<u>296,040</u>	<u>420,391</u>	<u>731,920</u>	<u>4,043</u>	<u>1,452,394</u>
Segment Provision Required	<u>19,790</u>	<u>224,113</u>	<u>429,287</u>	<u>4,043</u>	<u>677,233</u>
Segment Liabilities	<u>755,008</u>	<u>52,966,652</u>	<u>26,793,086</u>	<u>1,283,792</u>	<u>81,798,538</u>
Segment Return on Assets (ROA) (%)	<u>1.25%</u>	<u>4.03%</u>	<u>1.83%</u>	<u>-</u>	<u>-</u>
Segment Cost of funds (%)	<u>8.09%</u>	<u>5.36%</u>	<u>6.99%</u>	<u>-</u>	<u>-</u>



## 22 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, principal shareholders, retirement benefit funds, directors and their close family members, and key management personnel.

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.

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.

Contributions to staff retirement benefit plan 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.

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

	(Un-audited) March 31, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	
<b>SUBSIDIARY</b>		
<b>Deposits:</b>		
Opening balance	126	55,877
Deposit during the period	1	251,556
Withdrawal during the period	(120)	(307,307)
Closing balance	<u>7</u>	<u>126</u>
	(Un-audited) Quarter ended	
	March 31, 2015	March 31, 2014
	----- Rupees in `000 -----	
<b>Transactions, income and expenses:</b>		
Return on deposits expensed	<u>1</u>	<u>2,856</u>

(Un-audited) (Audited)  
March 31, December  
2015 31, 2014  
----- Rupees in `000 -----

**ASSOCIATES**

**Islamic Financings and related assets:**

Opening balance	-	1,830
Accrued during the period	-	13,001
Repayments	-	(14,831)
Closing balance	-	-

**Deposits:**

Opening balance	596,103	314,696
Deposit during the period	419,082	1,789,122
Withdrawal during the period	(207,089)	(1,507,715)
Closing balance	808,096	596,103

**Prepayments:**

Opening balance	12,733	7,632
Deposit during the period	-	27,496
Withdrawal during the period	(6,365)	(22,395)
Closing balance	6,368	12,733

(Un-audited)  
Quarter ended  
March 31, March 31,  
2015 2014  
----- Rupees in `000 -----

**Transactions, income and expenses:**

Profit earned on financing	-	5,334
Return on deposits expensed	6,068	2,835
Administrative Expense	8,721	21,763

(Un-audited) (Audited)  
March 31, December  
2015 31, 2014  
----- Rupees in `000 -----

**KEY MANAGEMENT PERSONNEL**

**Islamic Financings and related assets:**

Opening balance	97,110	67,806
Disbursed during the period	-	55,550
Repaid during the period	(2,337)	(26,246)
Closing balance	94,773	97,110

**Deposits:**

Opening balance	14,819	29,778
Deposit during the period	20,446	115,898
Withdrawal during the period	(16,033)	(130,857)
Closing balance	19,232	14,819



	<b>(Un-audited)</b>	
	<b>Quarter ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2015</b>	<b>2014</b>
	<b>----- Rupees in `000 -----</b>	
<b>Transactions, income and expenses:</b>		
Profit earned on financing	<b>860</b>	655
Return on deposits expensed	<b>56</b>	34
Remuneration	<b>10,400</b>	11,120
<b>Employee Benefit plans</b>		
Contribution to Employees Gratuity Fund	<b>6,250</b>	3,180
Contribution to Employees Provident Fund	<b>12,649</b>	8,986

## **23 GENERAL**

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

## **24 Corresponding figures**

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.

## **25 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on April 29, 2015 by the Board of Directors of the Bank.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director

Consolidated Financial Statements  
of  
**BankIslami Pakistan Limited**  
for the Period Ended  
March 31, 2015

## DIRECTORS' REPORT (CONSOLIDATED)

On behalf of the Board, I am pleased to present the consolidated financial results of the Group for the period ended March 31, 2015. Following are the highlights:

	March 31, 2015	March 31, 2014	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	<b>93,368</b>	77,516	20.45
Total Assets	<b>106,462</b>	88,272	20.61
Total Financing-net	<b>41,796</b>	37,945	10.15
Total Investments	<b>34,053</b>	31,984	6.47
Shareholder's Equity (Including revaluation)	<b>7,062</b>	6,531	8.13
Branches-Numbers	<b>213</b>	201	5.97
Basic Earnings per share - rupees	<b>0.124</b>	0.143	-13.29

Our Group performance remained satisfactory. The Group has been able to post growth in its deposits by 20.45%, financings by 10.15% and total assets by 20.61%.

Finally, we would like to place on record our appreciation to State Bank of Pakistan and Securities and Exchange Commission for their continued support, guidance as well as understanding. Also, we would like to show our gratitude to the employees of BankIslami and BankIslami Modaraba Investment Limited for their contribution towards the Group's progress through their hard work and commitment.

On behalf of the Board,

**Hasan A. Bilgrami**  
Chief Executive Officer  
April 29, 2015

Condensed Interim Statement Of Consolidated Financial Position

AS AT MARCH 31, 2015

(Un-audited) (Audited)  
March 31, December 31,  
2015 2014

Note ----- Rupees in `000 -----

**ASSETS**

Cash and balances with treasury banks	5,859,883	6,361,444
Balances with other banks	1,480,807	847,890
Due from financial institutions	18,104,324	18,143,574
Investments	34,053,276	30,511,422
Islamic financing and related assets - net	41,796,356	41,097,058
Operating fixed assets	3,404,059	3,387,282
Deferred tax assets - net	-	-
Other assets - net	1,763,588	1,643,247
	<b>106,462,293</b>	<b>101,991,917</b>

**LIABILITIES**

Bills payable	1,157,562	918,435
Due to financial institutions	1,711,000	561,000
Deposits and other accounts	93,367,655	90,330,870
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	270,578	199,348
Other liabilities	2,893,026	3,109,455
	<b>99,399,821</b>	<b>95,119,108</b>
<b>NET ASSETS</b>	<b>7,062,472</b>	<b>6,872,809</b>

**REPRESENTED BY**

Share capital	5,758,721	5,758,721
Discount on Issue of shares	(79,042)	(79,042)
Advance against issue of share capital	92	-
Reserve for bad debts and contingencies	250,000	-
Statutory reserve	273,176	273,176
Unappropriated profit	93,350	269,349
	<b>6,296,297</b>	<b>6,222,204</b>
Surplus on revaluation of assets-net of tax	766,175	650,605
	<b>7,062,472</b>	<b>6,872,809</b>

**CONTINGENCIES AND COMMITMENTS**

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director





Condensed Interim Consolidated Statement Of Comprehensive Income (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2015

	Quarter ended	
	March 31, 2015	March 31 2014
	----- Rupees in `000 -----	
<b>Profit after taxation</b>	<b>71,554</b>	76,258
Comprehensive income transferred to equity	<b>71,554</b>	76,258
<b>Components of comprehensive income not reflected in equity</b>		
Surplus on revaluation of available for sale securities - net of tax	<b>118,017</b>	209,013
<b>Total comprehensive income for the period</b>	<b>189,571</b>	285,271

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director  
Director  
Quarterly Report 2015

## Condensed Interim Consolidated Cash Flow Statement (Un-audited)

FOR THE QUARTER ENDED MARCH 31, 2015

	Quarter ended	
	March 31, 2015	March 31 2014
----- Rupees in `000 -----		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	109,797	118,326
Adjustments :		
Depreciation - Own assets	89,596	65,184
Depreciation - Operating Ijara assets	184,746	144,803
Amortisation of intangible asset	2,886	5,228
Provision against non-performing Islamic financings and related assets - net	9,082	12,475
Gain on sale of fixed assets	(606)	-
	285,704	227,690
	395,501	346,016
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	39,250	(722,901)
Islamic financings and related assets	(893,126)	206,333
Others assets (excluding advance taxation , defined benefit asset and dividend receivable)	(131,712)	(292,768)
	(985,588)	(809,336)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	239,127	188,678
Due to financial institutions	1,150,000	(1,501,000)
Deposits and other accounts	3,036,785	2,346,372
Other liabilities (excluding current taxation)	(216,429)	17,997
	4,209,483	1,052,047
Income tax paid	3,619,396	588,727
<b>Net cash generated from / (used in) operating activities</b>	3,600,382	570,510
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(3,360,465)	(234,699)
Dividend income received	-	-
Investments in operating fixed assets	(109,279)	(274,648)
Proceeds realised on disposal of operating fixed assets	626	-
<b>Net cash (used in) investing activities</b>	(3,469,118)	(509,347)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Advance against issue of share capital	92	-
<b>Net cash flow from financing activities</b>	92	-
<b>Increase / (decrease) in cash and cash equivalents</b>	131,356	61,163
Cash and cash equivalents at beginning of the period	7,209,334	5,902,200
<b>Cash and cash equivalents at end of the period</b>	7,340,690	5,963,363

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director

## Condensed Interim Consolidated Statement Of Changes In Equity (Un-audited)

### FOR THE QUARTER ENDED MARCH 31, 2015

	Share Capital	Advance against issue of share capital	Discount on issue of shares	Reserve for bad debts & Contingencies	Statutory reserve	Unappropriated profit	Total
----- Rupees in `000 -----							
Balance as at January 01, 2014	5,279,679	-	-	-	210,446	27,199	5,517,324
Profit after taxation for the quarter ended March 31, 2014	-	-	-	-	-	76,258	76,258
Transfer from surplus on revaluation of fixed assets-net of tax	-	-	-	-	-	2,568	2,568
<b>Balance as at March 31, 2014</b>	<b>5,279,679</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210,446</b>	<b>106,025</b>	<b>5,596,150</b>
Profit after taxation for the period ended December 31, 2014	-	-	-	-	-	237,182	237,182
Issue of right shares at discount	479,042	-	(79,042)	-	-	-	400,000
Transferred to statutory reserve	-	-	-	-	62,730	(62,730)	-
Transfer from surplus on revaluation of fixed assets-net of tax	-	-	-	-	-	4,982	4,982
Remeasurements of the net defined benefit liability / (asset) - net of tax	-	-	-	-	-	(16,110)	(16,110)
<b>Balance as at December 31, 2014</b>	<b>5,758,721</b>	<b>-</b>	<b>(79,042)</b>	<b>-</b>	<b>273,176</b>	<b>269,349</b>	<b>6,222,204</b>
Profit after taxation for the quarter ended March 31, 2015	-	-	-	-	-	71,554	71,554
Transferred to reserve for bad debts & Contingencies	-	-	-	250,000	-	(250,000)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	2,447	2,447
Advance against issue of share capital	-	92	-	-	-	-	92
<b>Balance as at March 31, 2015</b>	<b>5,758,721</b>	<b>92</b>	<b>(79,042)</b>	<b>250,000</b>	<b>273,176</b>	<b>93,350</b>	<b>6,296,297</b>

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director

Quarterly Report 2015

## Notes to The Condensed Interim Consolidated Financial Information (Un-audited)

### FOR THE QUARTER ENDED MARCH 31, 2015

#### 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 the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan granted a 'Scheduled Islamic Commercial Bank' license 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 State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking activities and investment activities.

The Bank is operating through 213 branches including 90 sub branches as at March 31, 2015 (December 31, 2014: 213 branches including 90 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 Limited.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has upgraded the Bank's long-term entity rating to 'A+' and the short-term rating has been maintained at 'A1'.

- 1.2 The SBP vide circular no. 07 of 2009 dated April 15, 2009 increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion which was required to be achieved in a phased manner by December 31, 2013. At that time, bank's capital was below the minimum threshold of Rs 6 billion which was required to be achieved by the Bank before December 31, 2009.

In order to meet the initial requirement of Rs 6 billion, the Board of Directors (BOD) in their meeting held on February 07, 2011 agreed to issue right shares to increase Bank's paid up capital but the issuance of right shares was delayed till 2014 due to various reasons. The SBP through various letters granted extension to the Bank in timeline for meeting MCR (free of losses) of Rs 6 billion till March 31, 2013. Further, the Bank was advised by the SBP for submission of time-bound capital injection plan to comply with the prevailing and future capital requirements. In 2013, the Bank submitted a capital injection plan duly approved by the Board of directors to the SBP. Moreover, the SBP through its letter dated March 12, 2014 enhanced capital adequacy ratio (CAR) requirement for the Bank to 18 percent till the time Bank's capital was below Rs. 6 billion.

During the year 2014, the Bank, after obtaining approvals from SBP and SECP raised Rs. 400 million through issuance of 47.9 million shares at a discounted price of Rs. 8.35 per share.

Further, the Board of Directors in their meeting held on October 29, 2014 decided to raise the paid up capital further by Rs. 4.3 billion approximately through a second right issue subject to relaxation from the SBP and SECP from rule 5(i) of the Companies (Issue of Capital Rules), 1996, in respect of second right issue within a period of one year. Both the SBP and SECP have granted relaxations from requirement

of rule 5(i) of the Companies (issue of Capital Rules), 1996 vide their letters dated November 5, 2014 and December 2, 2014 respectively.

Subsequent to the approval of SBP and SECP, the Board of Directors in their meeting held on December 30, 2014 approved the issuance of 432,040,000 right shares to all the existing shareholders in the proportion of 75.0236 right shares for every 100 ordinary shares held by them. The right issue of Rs 4.3 billion approximately has been fully underwritten and is expected to be completed in the second quarter of 2015. The Bank will be compliant with the MCR (free of losses) of Rs 10 billion after the proposed right issue of 432,040,000 shares.

The paid-up capital of the Bank (free of losses) as at March 31, 2015 amounted to Rs 5.68 billion against the required MCR of Rs 10 billion and its CAR stood at 16.33 percent against 18 percent as advised by SBP.

- 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 modarba management company. Bankislami Modaraba Investment Limited was incorporated in Pakistan on January 22, 1986 as a public unquoted company under the Companies Ordinance, 1984. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modarabas, under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980. The registered office of the company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

## 2 BASIS OF PRESENTATION

- 2.1 The Group 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 consolidated 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 Group.

## 3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim consolidated financial information have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinances, 1984 and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall prevail.

- 3.2 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of this condensed interim 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 condensed interim 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 condensed interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2014.
- 3.4 IFRS 8 "Operating Segments" was effective for the Group's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Group believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in this condensed interim consolidated financial information is based on the requirements laid down by the SBP.
- 3.5 The SBP vide BSD Circular No. 07 dated April 20, 2010 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, only the surplus / (deficit) on revaluation of available for sale (AFS) securities, is required to 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 consolidated financial information.

#### **4 BASIS OF MEASUREMENT**

This condensed interim consolidated financial information have been prepared under the historical cost convention, except that certain fixed assets are stated at revalued amounts, 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 requirement of the SBP. Further, staff retirement benefits have been carried at present values as determined under International Accounting Standard (IAS) 19 (revised) " Employee Benefits".

## 5 FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed interim 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, 2014.

## 7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim 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, 2014.

## 8 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.

### 8.1 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.

### 8.2 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.

## **9 GENERAL**

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

## **10 CORRESPONDING FIGURES**

Corresponding information has been re-classified, re-arranged or additionally incorporated in this condensed interim consolidated 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.

## **11 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim consolidated financial information was authorised for issue on April 29, 2015 by the Board of Directors of the holding Company.

-Sd-  
Chairman

-Sd-  
President / Chief Executive

-Sd-  
Director

-Sd-  
Director



