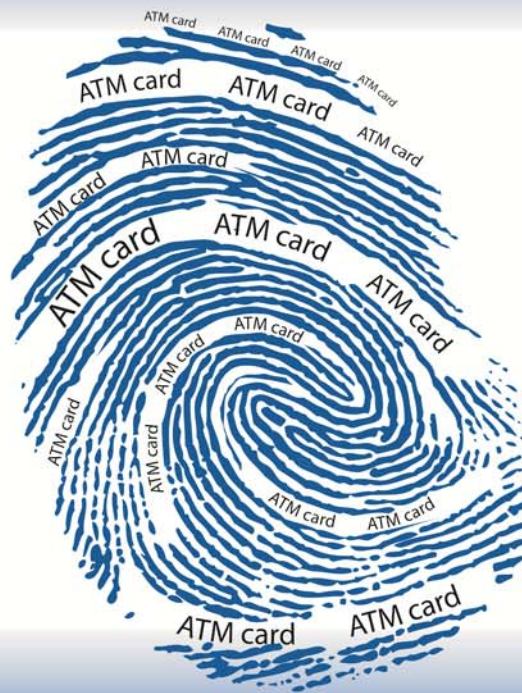


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2014

QUARTERLY REPORT
SEPTEMBER 30

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CORPORATE INFORMATION

Board of Directors

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

Sharia'h Supervisory Board

Mufti Irshad Ahmad Aijaz	Chairman
Mufti Hassan Kaleem *	Member
Mufti Talha Saleem Kapadia	Member
Mufti Muhammad Husain **	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. Kamal Afsar	Chairman
Mr. Ali Mohd Hussain Ali Al Shamali	Member
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 Mohd 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. Hasan A. Bilgrami	Member
Mr. Shabir Ahmed Randeree / Mr. Fawad Anwar	Member

* resigned effective from October 20, 2014

** appointed by Board on October 29, 2014 effective from the day SBP permission is received.

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

Management (in alphabetical order)

Mr. Arshad Wahab Zuberi	Head, Administration and General Service
Mr. Asad Alim	Head, Information Systems
Mr. Farooq Anwar	Head, Operations
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Khawaja Ehrar ul Hassan	Head, Compliance & Legal
Mr. Muhammad Faisal Shaikh	Head, Product Development
Mr. Muhammad Furqan	Head, Credit Administration
Mr. Muhammad Shoaib Khan	Head, Treasury & Financial Institutions
Mr. Muhammad Kamran Siddiqui	Head, Service Quality & Phone Banking
Mr. Rehan Shuja Zaidi	Head, Internal Audit
Mr. Shamshad Ahmed	Head, Trade Finance
Ms. Sheba Matin Khan	Head, Human Resources
Mr. Syed Akhtar Ausaf	Head, Risk Management
Mr. Syed Mujtaba H. Kazmi	Head, Corporate Finance
Mr. Syed Arif Mahtab	Head, Branch Operations
Mr. Asif Siddiqui	Head, Cash Management
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 Registrar

Technology Trade (Private) Limited
Dagia 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 nine months period ended September 30, 2014. Following are the financial highlights:

	September 30, 2014	September 30, 2013 (Restated)	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	89,590	70,423	27.22%
Total Assets	102,923	81,279	26.63%
Total Financing and related assets - net	43,057	32,758	31.44%
Total Investments	38,581	31,760	21.48%
Shareholder's Equity	6,812	5,700	19.51%
Branch network - Number	201	142	41.55%
Basic Earnings per share - Rupees	0.553	0.289	91.35%
Share price - Rupees	9.97	6.01	65.89%

Despite restriction of higher CAR requirement by State Bank ('SBP') the Bank was able to grow its balance sheet, improve profitability and secure its position as 2nd largest Islamic Operation in Pakistan. This was achieved by overall better balance sheet management of the Bank. On the Assets side, special focus was given to Mortgages & Auto financing and re-deployment of financing from lower yielding businesses to higher risk adjusted yielding assets. On the Liability side, deposit mix was changed towards Current and Saving accounts achieving a significant cost reduction. Cost of Funds decreased by 120 basis points compared to similar period last year. Likewise, the Capital was used with strict focus on risk allocation. On cost management as measured by Administration Expenses per Branch remained best in the entire Banking industry.

Most of the increase in Deposits came from Current and Saving (CASA) accounts which grew by 55.11% and are 61.50% of total deposits compared to 50.51% in corresponding period last year.

Financing and deposit ratio ('FDR') of the Bank rose to 48.05% compared to 46.51% in corresponding period last year whereas, financing book grew by 31.44% compared to corresponding period last year. Growth was witnessed in all segments of financing, where corporate financing grew by 26.12%, Muskun (Mortgage) financing grew by 48.63%, Auto financing grew by 85.18%, and SME financing grew by 103.19%. The Trade financing of Bank also grew by 30.14% boasting non - funded income of the Bank. Despite growth in financing portfolio, the asset quality of the Bank further improved as the percentage of the infected portfolio went down to 2.60% compared from 3.09% in the corresponding period last year.

This year the Bank plans to add only 12 new branches to its network and the strategy is to consolidate its outreach through traditional and alternative distribution methods before adding any further branches to its network next year.

The process of subscription of rights shares of Rs. 400mn started in September and was completed on October 17, 2014. We are thankful to our shareholders for subscribing the rights offering. The Bank plans to announce another rights issue to complete its capital to Rs.10bn soon. The Management of the Bank continues to strive to improve the shareholders value. The book value of the Bank grew to Rs. 12.37¹/- per share from Rs. 10.68/- per share in September 2013 which is the highest amongst all new Banks.

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

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

On behalf of the Board,

Hasan A Bilgrami
Chief Executive Officer
October 29, 2014

1. Advance against issue of share capital is excluded from calculation.



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2014

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
----- Rupees in `000 -----			
ASSETS			
Cash and balances with treasury banks	8	5,432,976	4,883,478
Balances with other banks	9	2,428,256	967,557
Due from financial institutions - net	10	8,160,780	6,511,173
Investments	11	38,580,760	31,610,287
Islamic financing and related assets - net	12	43,056,520	38,308,733
Operating fixed assets	13	3,131,644	2,958,077
Deferred tax assets		-	-
Other assets - net		2,131,748	1,616,289
		102,922,684	86,855,594
LIABILITIES			
Bills payable		1,108,343	835,562
Due to financial institutions	14	2,799,000	2,538,000
Deposits and other accounts	15	89,589,962	75,225,869
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		273,224	175,589
Other liabilities		2,340,433	1,838,373
		96,110,962	80,613,393
NET ASSETS		6,811,722	6,242,201
REPRESENTED BY			
Share capital	16	5,279,679	5,279,679
Advance against issue of share capital		278,187	-
Reserves		210,446	210,446
Unappropriated profit		324,583	24,829
		6,092,895	5,514,954
Surplus on revaluation of assets - net of tax	17	718,827	727,247
		6,811,722	6,242,201
CONTINGENCIES AND COMMITMENTS	18		

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	Note	Quarter ended September 30, 2014	Nine months ended September 30, 2014	Quarter ended September 30, 2013	Nine months ended September 30, 2013
----- Rupees in `000 -----					
Profit / return earned	19	2,050,993	5,707,668	1,611,895	4,662,500
Profit / return expensed		1,152,447	3,307,075	967,430	2,757,504
Net spread earned		898,546	2,400,593	644,465	1,904,996
(Reversal) / provision against non-performing islamic financing and related assets - net		(67,841)	(65,733)	8,280	82,691
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	455	-	-
Net spread after provisions		966,387	2,465,871	636,185	1,822,305
OTHER INCOME					
Fee, commission and brokerage income		79,645	257,884	68,074	197,893
Dividend Income		-	-	2	2
Income from dealing in foreign currencies		35,492	145,542	17,982	46,713
Gain on sale of securities		4,765	26,920	-	6,709
Other income		13,334	31,280	12,496	76,543
Total other income		133,236	461,626	98,554	327,860
		1,099,623	2,927,497	734,739	2,150,165
OTHER EXPENSES					
Administrative expenses		888,888	2,463,728	646,447	1,901,584
Other provisions		-	-	-	-
Other charges		4,217	11,121	2,573	18,777
Total other expenses		893,105	2,474,849	649,020	1,920,361
		206,518	452,648	85,719	229,804
Extraordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		206,518	452,648	85,719	229,804
Taxation					
- Current		21,795	61,424	16,980	49,223
- Prior years		-	-	-	-
- Deferred		50,415	99,260	13,290	27,949
		72,210	160,684	30,270	77,172
PROFIT AFTER TAXATION		134,308	291,964	55,449	152,632
----- (Rupees) -----					
Basic earnings per share	20	0.254	0.553	0.105	0.289
----- (Rupees) -----					
Diluted earnings per share		0.254	0.553	0.105	0.289

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	September 30, 2014	September 30, 2013 (--Restated--)
	----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	452,648	229,804
Less: Dividend income	-	(2)
	452,648	229,802
Adjustments:		
Depreciation on own assets	233,626	197,457
Depreciation on operating Ijarah assets	479,134	385,367
Amortisation of intangibles assets	11,875	21,771
(Reversal) / provision against non-performing islamic financing and related assets - net	(65,733)	82,691
Provision against other assets	-	-
Gain on sale of operating fixed assets	(4,603)	(52,303)
	654,299	634,983
	1,106,947	864,785
(Increase) / decrease in operating assets		
Due from financial institutions	(1,649,607)	417,135
Islamic financing and related assets - net	(5,161,188)	(5,793,101)
Others assets (excluding advance taxation)	(503,947)	(528,180)
	(7,314,742)	(5,904,146)
Increase / (decrease) in operating liabilities		
Bills payable	272,781	(412,236)
Due to financial institutions	261,000	981,385
Deposits and other accounts	14,364,093	6,206,450
Other liabilities (excluding current taxation)	502,060	142,252
	15,399,934	6,917,851
	9,192,139	1,878,490
Income tax paid	(72,933)	(41,602)
Net cash generated from operating activities	9,119,206	1,836,888
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(6,972,731)	(2,824,948)
Dividend income received	-	2
Investment in operating fixed assets	(419,306)	(196,438)
Proceeds from disposal of operating fixed assets	4,841	113,622
Net cash used in investing activities	(7,387,196)	(2,907,762)
CASH FLOW FROM FINANCING ACTIVITIES		
Amount received as advance in respect of right issue of shares	278,187	-
Net cash flow from financing activities	278,187	-
Increase / (Decrease) in cash and cash equivalents	2,010,197	(1,070,874)
Cash and cash equivalents at the beginning of the period	5,851,035	5,744,817
Cash and cash equivalents at the end of the period	7,861,232	4,673,943

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	Share Capital	Advance against issue of share capital	Statutory Reserve	Unappropriated profit/ (Accumulated loss)	Total
----- Rupees in `000 -----					
Balance as at January 01, 2013	5,279,679	-	173,392	(115,268)	5,337,803
Profit after taxation for the nine months period ended September 30, 2013, transferred from Statement of Comprehensive Income - restated	-	-	-	152,632	152,632
Balance as at September 30, 2013 - restated	5,279,679	-	173,392	37,364	5,490,435
Profit after taxation for the period ended December 31, 2013, transferred from Statement of Comprehensive Income	-	-	-	32,640	32,640
Transfer to statutory reserve	-	-	37,054	(37,054)	-
Remeasurements of the net defined benefit liability/ (asset) - net of tax	-	-	-	(8,121)	(8,121)
Balance as at December 31, 2013	5,279,679	-	210,446	24,829	5,514,954
Profit after taxation for the nine months period ended September 30, 2014, transferred from Statement of Comprehensive Income	-	-	-	291,964	291,964
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	7,790	7,790
Amount received as advance in respect of right issue of shares	-	278,187	-	-	278,187
Balance as at September 30, 2014	5,279,679	278,187	210,446	324,583	6,092,895

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014****1 STATUS AND NATURE OF BUSINESS**

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

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

The Bank is operating through 201 branches including 89 sub branches as at September 30, 2014 (December 31, 2013: 201 branches including 89 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.

Based on the financial statements of the Bank for the year ended December 31, 2013, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013.

The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. Several extensions have been sought from SBP from time to time for meeting the capital requirement of Rs. 6 billion (free of losses) through issue of right shares. However, the process of right issue could not be initiated due to various reasons. The Bank has also been advised several times by the SBP for submission of concrete time bound capital plan for complying with prevailing and future regulatory capital requirements.

The Bank vide its letter dated November 8, 2013, requested the SBP to approve the issuance of 63,191,153 right shares at a discounted price of Rs 6.33 per share (discount of Rs. 3.67 per share) to raise paid up capital of Rs. 400 million. Accordingly, the SBP has in-principle approved the issuance of right shares subject to the following conditions:

- The right issue must be fully and firmly underwritten
- The Bank will approach the Banking Policy and Regulations Department of the SBP for final approval after completion of all other regulatory and legal requirements, including SECP's requirements relating to issue of shares at a discount, prior to issuance of right shares.



The SBP in the said letter has further advised the Bank to submit a concrete, time bound board approved capital plan to meet the regulatory MCR of Rs.10 billion. The capital plan approved by the Board of directors has been duly submitted by the Bank to the SBP vide its letter dated December 3, 2013.

During the current period, an extra ordinary general meeting of the shareholders was held on February 22, 2014 to approve the issuance of right shares at a discounted price of Rs 6.33 per share. The shareholders' approval has been taken and other legal requirements are under way.

Most recently, the SBP vide its letter No BPRD/BA&CPD/618/3905/2014 dated March 12, 2014 has prescribed minimum CAR at 16% in case the paid-up capital net of loss is at least Rs 6 billion or 18% if it falls below Rs.6 billion.

The Bank filed an application with the Securities and Exchange Commission of Pakistan (SECP) for granting approval in respect of issuance of 63 million shares at a discount of 36.7 percent below par value i.e. at Rs 6.33 per share by way of right issue amounting to Rs 400 million. However, the Securities and Exchange Commission of Pakistan (SECP), in response, vide its letter dated May 5, 2014 has approved issuance of 47.9 million shares at a price of Rs 8.35 per share (i.e. at a discount of Rs 1.65 per share) to raise paid up capital of Rs 400 million subject to approval of SECP for exemption under the requirement of Balloters, Transfer Agents and Underwriters Rules, 2001. The sponsors of the bank have subscribed an amount of Rs 277.905 million representing their own entitlement in advance. The sponsors have also given their consent and have entered into a subscription and underwriting agreement (individually) with the Bank to take up a certain proportion of shares in case the same has not been exercised by the general public. The sponsors collectively have underwritten the balance amount i.e. Rs 122.095 million.

Approval of SECP for exemption under the requirement of Balloters, Transfer Agents and Underwriters Rules, 2001 was received vide its letter dated August 12, 2014. Final approval of SBP was received vide its letter dated August 18, 2014.

The last date for acceptance and payment of shares 17th October 2014.

The equity of the Bank (excluding advance against issue of shares amounting to Rs 278.187 million) as at September 30, 2014 was Rs 5.28 billion although its CAR stood at 16.45 percent.

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 arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable as directed by the Shariah Advisor of the Bank.

3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the Securities and Exchange Commission of Pakistan (SECP), 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 this condensed interim financial information. 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 financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 The disclosures made in the condensed interim financial information have been limited based on the format prescribed by the SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of IAS 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2013.
- 3.4 IFRS 8 "Operating Segments" is 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 its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the surplus / (deficit) on revaluation of Available For Sale (AFS) securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.
- 3.6 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current period
- 3.6.1 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 effective from financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has no material impact on this condensed interim financial information except for disclosure relating to deposits as disclosed in note 16 to this condensed interim financial information.
- 3.6.2 During the year ended December 31, 2012, the management of the Bank had executed certain transactions relating to sale of ijarah sukuk and had recognised capital gain on such transactions amounting to Rs 202.4 million. The State Bank of Pakistan (SBP) however raised certain concerns on such transactions and directed the Bank to reverse such transactions as if this had not happened.

In order to give effect to the SBP's directive, the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" have been considered and the impact of such transactions have been reversed in the condensed interim financial information by restating the comparative figures. The effects are summarised below:

	Quarter ended September 30, 2013	Nine months period ended September 30, 2013
	----- Rupees in `000 -----	
Impact on condensed interim profit and loss account		
Increase in profit / return earned	32,614	94,969
Increase in other charges	652	1,899
Increase in taxation - current	326	950
Increase in taxation - deferred	11,088	32,289
Impact on condensed interim statement of comprehensive income		
Increase in profit after tax	20,546	59,831
Decrease in deficit on revaluation of available for sale securities - net of tax	(21,199)	(61,730)
	----- Rupees in `000 -----	
Impact on (loss) / earnings per share - basic / diluted		
Increase in earnings per share - basic / diluted	0.039	0.113

Nine months
period ended
September
30, 2013

Rupees in `000

Impact on condensed interim cash flow statement

Increase in profit before taxation	93,070
Increase in other liabilities (excluding current taxation)	1,899
Increase in net investment in available-for-sale securities	94,969

Impact on Statement of Financial Position

There will be no impact on the Statement of Financial Position for comparative period (i.e. as at December 31, 2013).

4 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value in accordance with the requirements of the SBP. Further, staff retirement benefits have been carried at present value as determined under the International Accounting Standard (IAS) 19 (revised), "Employee Benefits".

5 FUNCTIONAL AND PRESENTATION CURRENCY

This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies 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, 2013.

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, 2013.



	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
----- Rupees in `000 -----			
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		1,606,789	1,215,403
- foreign currency		207,283	189,972
		<u>1,814,072</u>	<u>1,405,375</u>
With the State Bank of Pakistan in			
- local currency current account		2,776,051	2,397,423
- foreign currency deposit accounts			
Cash Reserves Account		92,885	85,840
Special Cash Reserve Account		112,384	103,744
US Dollar Clearing Account		35,443	49,760
		<u>240,712</u>	<u>239,344</u>
With the National Bank of Pakistan in			
- local currency current account		602,141	841,336
		<u>5,432,976</u>	<u>4,883,478</u>
9 BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		13,372	6,353
- on deposit accounts		117	128
		<u>13,489</u>	<u>6,481</u>
Outside Pakistan			
- on current accounts		2,414,767	961,076
- on deposit accounts		-	-
		<u>2,428,256</u>	<u>967,557</u>
10 DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murahaba	10.1	6,418	6,418
Commodity Murahaba - local currency	10.2	8,160,780	6,511,173
		<u>8,167,198</u>	<u>6,517,591</u>
Musharaka Placement		-	-
		<u>8,167,198</u>	<u>6,517,591</u>
Provision against Sukuk Murahaba		(6,418)	(6,418)
		<u>8,160,780</u>	<u>6,511,173</u>
10.1	The Bank entered into a Sukuk Murabaha arrangement under which the Bank appointed its client as an agent under asset purchase agreements to purchase the underlying sukuks from the open market on its behalf and later sell them on deferred Murahaba basis. The maturity date of the deal was February 08, 2009. The Bank is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.		
10.2	The Bank has entered into Commodity Murahaba agreements under which the Bank purchases an underlying commodity from the open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreements range between 10.00% to 10.40% (December 31, 2013: 9.95% to 10.35%) per annum and the agreements have a maturity ranging from 1 day to 41 days (December 31, 2013: 2 days to 7 days).		

11 INVESTMENTS

11.1 Investments by type

	(Un-audited) September 30, 2014			(Audited) December 31, 2013		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- Rupees in '000 -----						
Available for sale securities						
- Sukuks/ Certificates	38,222,297	-	38,222,297	31,249,567	-	31,249,567
- Units of open - end mutual fund	15	-	15	15	-	15
- Units of closed - end mutual fund	6	-	6	6	-	6
	<u>38,222,318</u>	<u>-</u>	<u>38,222,318</u>	<u>31,249,588</u>	<u>-</u>	<u>31,249,588</u>
Subsidiary						
- BankIslami Modaraba Investments Limited - Unlisted company	191,015	-	191,015	191,015	-	191,015
Total investments at cost	<u>38,413,333</u>	<u>-</u>	<u>38,413,333</u>	<u>31,440,603</u>	<u>-</u>	<u>31,440,603</u>
Less : Provision for diminution in value of investments	-	-	-	-	-	-
Investments - net of provisions	<u>38,413,333</u>	<u>-</u>	<u>38,413,333</u>	<u>31,440,603</u>	<u>-</u>	<u>31,440,603</u>
Surplus on revaluation of available for sale securities	167,427	-	167,427	169,684	-	169,684
Total investments at market value	<u>38,580,760</u>	<u>-</u>	<u>38,580,760</u>	<u>31,610,287</u>	<u>-</u>	<u>31,610,287</u>

(Un-audited) (Audited)
September 30, December 31,
2014 2013
----- Rupees in '000 -----

11.2 Investments by segments

Federal Government Securities

GOP Ijarah Sukuks 36,100,758 29,283,051

Sukuks / Certificates

Sukuks - unlisted 2,121,539 1,966,516

Fully paid up ordinary shares / units

Unlisted subsidiary company 191,015 191,015
Units of open - end mutual funds 15 15
Units of closed - end mutual funds 6 6

Total investments at cost 38,413,333 31,440,603

Less: Provision for diminution in value of investments - -

Investments - net of provisions 38,413,333 31,440,603

Surplus on revaluation of available for sale securities 167,427 169,684

Total investments at market value 38,580,760 31,610,287



		(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Note	----- Rupees in `000 -----	
12 ISLAMIC FINANCING AND RELATED ASSETS			
In Pakistan			
- Murabaha financing and related assets	12.1	16,094,102	9,304,737
- Istisn'a financing and related assets	12.2	7,524,827	9,231,316
- Diminishing Musharka - Housing		3,231,617	2,305,290
- Diminishing Musharka financing and related assets - Others	12.3	4,766,741	5,498,705
- Against Bills - Murabaha		75,707	25,026
- Payment Against Document		-	
- Post Due Acceptance		10,725	29,076
- Musawama financing and related assets	12.4	8,011,666	9,150,261
- Financing to employees		1,090,677	973,125
- Salam financing and related assets		-	250,000
		<u>40,806,062</u>	<u>36,767,536</u>
Housing finance portfolio		94,658	120,022
Net investment in Ijara financing In Pakistan		89,045	106,097
Ijarah financing under IFAS 2 and related assets	12.5	<u>2,624,334</u>	<u>1,938,391</u>
Islamic financing and related assets – gross		<u>43,614,099</u>	<u>38,932,046</u>
Less: Provision against non-performing Islamic financing and related assets			
- Specific		(494,399)	(575,843)
- General		(63,181)	(47,470)
Islamic financing and related assets – net of provisions		<u>43,056,520</u>	<u>38,308,733</u>
12.1 Murabaha financing and related assets			
Murabaha financing		11,465,880	6,577,204
Advance against murabaha financing		<u>4,628,222</u>	<u>2,727,533</u>
		<u>16,094,102</u>	<u>9,304,737</u>
12.2 Istisn'a financing and related assets			
Istisn'a financing		2,865,757	3,015,335
Advance against Istisn'a financing		4,659,070	5,976,931
Istisn'a inventories		-	239,050
		<u>7,524,827</u>	<u>9,231,316</u>
12.3 Diminishing Musharka financing and related assets			
Diminishing Musharka financing		4,749,131	5,486,460
Advance against Diminishing Musharka financing		<u>17,610</u>	<u>12,245</u>
		<u>4,766,741</u>	<u>5,498,705</u>

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	----- Rupees in `000 -----	
12.4 Musawama financing and related assets		
Musawama financing	2,881,911	2,030,121
Advance against Musawama financing	5,129,755	7,120,140
	<u>8,011,666</u>	<u>9,150,261</u>
12.5 Ijarah financing under IFAS 2 and related assets		
Net book value of assets / investment in Ijarah under IFAS 2	2,322,822	1,769,147
Advance against Ijarah financing	301,512	169,244
	<u>2,624,334</u>	<u>1,938,391</u>
12.6 Murabaha financing and related assets includes financing NIL (December 31, 2013: Rs. 571.770 million) against Murabaha under Islamic Export Refinance Scheme.		
12.7 Istisna financing and related assets includes financing amounting to Rs. 655.518 million (December 31, 2013: Rs. 30 million) against Istisna under Islamic Export Refinance Scheme.		
12.8 Islamic financing and related assets include Rs. 1,135.252 million (December 31, 2013: Rs. 1,108.871 million) which have been placed under non-performing status as follows:		

Category of Classification	30 September, 2014									
	Classified Islamic financing and related assets			Provision Required			Provision Held			Total
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
	Rupees in '000									
OAEM	77,863	-	77,863	-	-	-	-	-	-	-
Substandard	54,647	-	54,647	4,079	-	4,079	4,079	-	-	4,079
Doubtful	70,971	-	70,971	8,243	-	8,243	8,243	-	-	8,243
Loss	931,771	-	931,771	482,077	-	482,077	482,077	-	-	482,077
	1,135,252	-	1,135,252	494,399	-	494,399	494,399	-	-	494,399

Category of Classification	December 31, 2013									
	Classified Islamic financing and related assets			Provision Required			Provision Held			Total
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
	Rupees in '000									
OAEM	-	-	-	-	-	-	-	-	-	-
Substandard	133,313	-	133,313	1,431	-	1,431	1,431	-	-	1,431
Doubtful	24,725	-	24,725	2,576	-	2,576	2,576	-	-	2,576
Loss	950,833	-	950,833	571,836	-	571,836	571,836	-	-	571,836
	1,108,871	-	1,108,871	575,843	-	575,843	575,843	-	-	575,843

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

	September 30, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
----- Rupees in `000 -----						
Opening balance	575,843	47,470	623,313	467,002	33,565	500,567
Charge for the period / year	44,608	15,711	60,319	172,753	13,905	186,658
Reversals	(126,052)	-	(126,052)	(63,912)	-	(63,912)
	(81,444)	15,711	(65,733)	108,841	13,905	122,746
Amounts written off during the period / year	-	-	-	-	-	-
Closing balance	<u>494,399</u>	<u>63,181</u>	<u>557,580</u>	<u>575,843</u>	<u>47,470</u>	<u>623,313</u>

12.8.2 The Bank maintains 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.

12.8.3 The additional profit arising from availing the forced sale value (FSV) benefit - net of tax at September 30,2014 which is not available for distribution as either cash or stock dividend to shareholders amounted to RS. 222.719 million (December 2013: Rs. 230.133 million).

(Un-audited) (Audited)
September December 31,
30, 2014 2013
----- Rupees in `000 -----

13 OPERATING FIXED ASSETS

Capital work-in-progress	5,765	192,893
Property and equipment	3,086,455	2,736,637
Intangible assets	39,424	28,547
	<u>3,131,644</u>	<u>2,958,077</u>

(Un-audited) (Un-audited)
September September
30, 2014 30, 2013
----- Rupees in `000 -----

13.1 Additions to operating fixed assets - net

Freehold land	-	-
Furniture and fixture	236,164	46,362
Electrical, office and computer equipments	159,510	103,112
Vehicles	880	1,042
Capital work-in-progress	-	41,248



	(Unaudited) September 30, 2014	(Unaudited) September 30, 2013
	----- Rupees in `000 -----	
13.2 Intangibles		
Computer software	22,752	4,674
13.3 Disposals of operating fixed assets		
Buildings on leasehold land	-	82,542
Furniture and fixture	-	-
Electrical, office and computer equipments	4,942	2,699
Vehicles	13	1,866
	(Unaudited) September 30, 2014	(Audited) December 31, 2013
	----- Rupees in `000 -----	
14 DUE TO FINANCIAL INSTITUTIONS		
In Pakistan	2,799,000	2,538,000
Outside Pakistan	-	-
	<u>2,799,000</u>	<u>2,538,000</u>
	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	----- Rupees in `000 -----	
15 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	34,409,210	34,607,878
Savings deposits	36,774,877	27,249,907
Current accounts - Non-Remunerative	15,974,789	12,276,481
Margin accounts - Non-Remunerative	174,590	197,882
	<u>87,333,466</u>	<u>74,332,148</u>
Financial institutions		
Remunerative deposits	2,065,885	745,605
Non-remunerative deposits	190,611	148,116
	<u>2,256,496</u>	<u>893,721</u>
	<u>89,589,962</u>	<u>75,225,869</u>
15.1 Particulars of deposits		
In local currency	88,003,375	73,620,852
In foreign currencies	1,586,587	1,605,017
	<u>89,589,962</u>	<u>75,225,869</u>
15.2	Above includes deposits amounting to Rs 73 million (December 31, 2013: 63 million) which are on Mudaraba basis (i.e. classifiable as redeemable capital as defined under IFAS 3).	

Note

16 SHARE CAPITAL

16.1 Authorised capital

(Un-audited) September 30, 2014	(Audited) December 31, 2013		(Un-audited) September 30, 2014	(Audited) December 31, 2013
----- Number of Shares -----			----- Rupees in `000 -----	
<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>

16.2 Issued, subscribed and paid up capital

(Un-audited) September 30, 2014	(Audited) December 31, 2013		(Un-audited) September 30, 2014	(Audited) December 31, 2013
----- Number of Shares -----			----- Rupees in `000 -----	
		Ordinary shares of Rs. 10 each		
<u>527,967,898</u>	<u>527,967,898</u>	fully paid in cash	<u>5,279,679</u>	<u>5,279,679</u>
<u>527,967,898</u>	<u>527,967,898</u>		<u>5,279,679</u>	<u>5,279,679</u>

17 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus /(Deficit) on revaluation of :			
Fixed Assets	17.1	<u>609,156</u>	616,945
Available for Sale securities	17.2	<u>109,671</u>	<u>110,302</u>
		<u>718,827</u>	<u>727,247</u>

17.1 Surplus on revaluation of fixed assets

Freehold Land	<u>96,222</u>	96,222
Building on lease hold land	<u>789,129</u>	801,112
	<u>885,351</u>	897,334
Related deferred tax liability	<u>(276,195)</u>	(280,389)
	<u>609,156</u>	616,945

17.2 Surplus on revaluation of available-for-sale securities

Federal Government securities		
- Ijara Sukuk Bonds	<u>165,018</u>	170,128
- Sukuk Certificates		
- Sukuks unlisted	<u>2,388</u>	(466)
Fully paid up ordinary shares/units		
- Units of Open end Mutual Funds	<u>14</u>	14
- Units of Closed end Mutual Funds	<u>7</u>	8
	<u>167,427</u>	169,684
Less: Related deferred tax liability	<u>(57,756)</u>	(59,382)
	<u>109,671</u>	<u>110,302</u>



(Un-audited) (Audited)
September December
30, 2014 31, 2013
----- Rupees in `000 -----

18 CONTINGENCIES AND COMMITMENTS

18.1 Transaction-related contingent liabilities

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

- Government	299,083	283,827
- Others	2,570,442	2,003,514
	<u>2,869,525</u>	<u>2,287,341</u>

18.2 Trade-related contingent liabilities

Import letters of Credit	3,509,036	3,950,372
Acceptances	447,209	535,042
	<u>3,956,245</u>	<u>4,485,414</u>

18.3 Suit filed by customers for recovery of alleged losses suffered pending in the High Court which the bank does not acknowledge as debt

	<u>172,323</u>	<u>831,083</u>
--	----------------	----------------

18.3.1 These mainly represent counter claims filed by the borrowers for restricting the Bank for disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.

18.3.2 The Deputy Commissioner Inland Revenue (DCIR) has passed certain assessment orders against the bank vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69.431 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 has duly filled appeal for the stay order 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 were heard on February 23, 2013. The ATIR has accepted the stay application of the Bank and has verbally directed that no recovery of demand should be initiated against the bank till the decision of the main case by the ATIR. The Bank has deposited an amount of Rs. 10.4 million as a minimum fee (that is adjustable / refundable) for filing appeal against the said case. The management of the Bank is confident that the above matter will be decided in the favor and hence, no provision against any liability which may arise in this respect has been made in these financial statements.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	----- Rupees in `000 -----	
18.4 Commitments in respect of promises		
Purchase	<u>867,840</u>	<u>1,368,635</u>
Sale	<u>2,385,371</u>	<u>1,111,164</u>
18.5 Commitments for the acquisition of operating fixed assets	<u>70,325</u>	<u>131,083</u>
18.6 Commitments in respect of financing facilities		
The Bank makes commitments to extend financings in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
18.7 Other commitments		
Bills for collection	<u>101,893</u>	<u>93,191</u>
	(Unaudited) September 30, 2014	(Unaudited) September 30, 2013 (Restated)
	----- Rupees in `000 -----	
19 PROFIT / RETURN EARNED		
INVESTMENTS AND PLACEMENTS EARNED		
On Islamic financing and related assets to:		
- Customers	<u>2,834,116</u>	2,009,392
- Financial Institutions	<u>607,847</u>	607,292
	<u>3,441,963</u>	2,616,684
On Investments - available for sale securities	<u>2,233,214</u>	2,021,381
On deposits / placements with financial institutions	<u>1,858</u>	167
Others	<u>30,633</u>	24,268
	<u>5,707,668</u>	<u>4,662,500</u>



	Quarter ended September 30, 2014	Nine Months ended September 30, 2014	Quarter ended September 30, 2013	Nine Months ended September 30, 2013
	(Unaudited)		----- (Restated) ----- (Unaudited)	
20 BASIC AND DILUTED EARNINGS PER SHARE	----- Rupees in '000 -----			
Profit after taxation	<u>134,308</u>	<u>291,964</u>	<u>55,449</u>	<u>152,632</u>
	----- Number of shares -----			
Weighted average number of ordinary shares	<u>527,967,898</u>	<u>527,967,898</u>	<u>527,967,898</u>	<u>527,967,898</u>
	----- Rupees -----			
Basic and diluted earnings per share	20.1 <u>0.254</u>	<u>0.553</u>	<u>0.105</u>	<u>0.289</u>

20.1 There were no convertible / dilutive potential ordinary shares outstanding as at September 30, 2014 and September 30, 2013.

		(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Note	----- Rupees in '000 -----	
21 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury bank	8	<u>5,432,976</u>	4,883,478
Balances with other banks	9	<u>2,428,256</u>	967,557
		<u>7,861,232</u>	<u>5,851,035</u>

22 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
	----- Rupees in '000 -----				
For the nine months ended September 30, 2014 (Un-audited)					
Total income	577,537	3,335,577	2,174,568	81,612	6,169,294
Total expenses	120,087	3,103,133	1,576,146	917,280	5,716,646
Net income / (loss) before tax	<u>457,450</u>	<u>232,444</u>	<u>598,422</u>	<u>(835,668)</u>	<u>452,648</u>
As at September 30, 2014 (Un-audited)					
Segment assets (gross)	53,326,583	7,634,155	41,103,620	1,457,210	103,521,568
Segment non performing assets	328,840	438,826	718,081	-	1,485,747
Segment provision held	19,790	202,960	376,135	-	598,884
Segment liabilities	<u>1,896,452</u>	<u>57,309,008</u>	<u>35,529,027</u>	<u>1,376,475</u>	<u>96,110,962</u>
Segment return on assets (ROA) (%)	<u>1.15%</u>	<u>4.07%</u>	<u>1.95%</u>		
Segment cost of funds (%)	<u>8.24%</u>	<u>5.27%</u>	<u>6.48%</u>		

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
----- Rupees in '000 -----					
For the nine months ended September 30, 2013 (Un-audited)					
Total Income	574,215	2,514,800	1,702,393	198,952	4,990,360
Total Expenses	60,798	2,638,082	1,343,682	717,995	4,760,556
Net income / (loss) before tax	<u>513,417</u>	<u>(123,282)</u>	<u>358,712</u>	<u>(519,043)</u>	<u>229,804</u>
As at September 30, 2013 (Un-audited)					
Segment assets (gross)	42,177,524	5,340,254	32,606,304	1,838,300	81,962,382
Segment non performing assets	296,040	402,787	644,035	-	1,342,862
Segment provision held	19,790	205,625	458,180	-	683,595
Segment liabilities	<u>2,018,641</u>	<u>48,122,979</u>	<u>24,541,386</u>	<u>896,168</u>	<u>75,579,174</u>
Segment return on assets (ROA) (%)	<u>1.63%</u>	<u>-3.09%</u>	<u>1.47%</u>		
Segment cost of funds (%)	<u>7.38%</u>	<u>5.29%</u>	<u>6.21%</u>		

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

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

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

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

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
----- Rupees in `000 -----		
SUBSIDIARY		
Deposits:		
Opening balance	55,877	105,869
Deposit during the period	251,550	734,848
Withdrawal during the period	<u>(307,307)</u>	<u>(784,840)</u>
Closing balance	<u>120</u>	<u>55,877</u>



(Unaudited) (Unaudited)
September 30, September 30,
2014 2013
----- Rupees in `000 -----

Transactions, income and expenses:

Profit / return on deposits expensed	<u>4,836</u>	<u>670</u>
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(Unaudited) (Audited)
September 30, December 31,
2014 2013
----- Rupees in `000 -----

ASSOCIATES

Islamic financing and related assets :

Opening balance	*	5,839	25,371
Disbursed during the period		12,001	36,852
Repaid during the period		(15,495)	(55,752)
Closing balance		<u>2,345</u>	<u>6,471</u>

Deposits:

Opening balance	157,365	88,097
Deposit during the period	1,537,778	711,706
Withdrawal during the period	(1,255,672)	(642,438)
Closing balance	<u>439,471</u>	<u>157,365</u>

Prepayments:

At beginning of the period	7,632	4,892
Additions during the period	28,930	14,314
Expired during the period	(17,148)	(11,574)
At the end of the period	<u>19,414</u>	<u>7,632</u>

(Unaudited) (Unaudited)
September 30, September 30,
2014 2013

Transactions, income and expenses:

Profit / return on deposits expensed	18,738	4,593
Repair and maintenance	44,261	57,609
Insurance	17,148	7,824

(Un-audited) (Audited)
September December 31,
30, 2014 2013

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

KEY MANAGEMENT PERSONNEL

Islamic financing and related assets :

Opening balance

Opening balance	*	63,199	100,246
Disbursed during the period		4,000	30,308
Repaid during the period		(14,181)	(40,320)
Closing balance		<u>53,018</u>	<u>90,234</u>

Deposits:

Opening balance	*	29,707	10,959
Deposit during the period		89,049	118,277
Withdrawal during the period		(103,718)	(98,885)
Closing balance		<u>15,038</u>	<u>30,351</u>

(Un-audited) (Un-audited)
September September
30, 2014 30, 2013

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

Transactions, income and expenses:

Profit / return earned on Islamic financing and related assets	1,847	2,617
Profit / return on deposits expensed	558	107
Remuneration	37,872	42,402

Employee Benefit plans

Contribution to Employees Gratuity Fund	32,647	37,856
Contribution to Employees Provident Fund	31,143	26,855

* Balances pertaining to parties that were related at the beginning of the year but ceased to be related during any part of the current period are not reflected as part of the opening balance of the current period.

24 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 29, 2014 by the Board of Directors of the Bank.



25 GENERAL

- 25.1 Corresponding information has been re-classified, re-arranged or additionally incorporated in this condensed interim financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. There were no significant reclassifications during the current period except as explained in note 3.6.2
- 25.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



201 BRANCHES
77 Cities

BankIslami Pakistan Limited

11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton Block-4, Karachi, Pakistan.

Tel: (92-21) 111-247-111 (111-BIP-111) Fax: (92-21) 3537 8373

www.bankislami.com.pk

*including sub branches

CORPORATE

Consolidated Financial Statements
of
BankIslami Pakistan Limited
For the Quarter and
Nine Months Period ended
SEPTEMBER 30, 2014



DIRECTORS' REPORT (CONSOLIDATED)

On behalf of the Board, I am pleased to present the consolidated financial results of the Group for the nine months period ended September 30, 2014. Following are the highlights:

	September 30, 2014	September 30, 2013 (Restated)	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	89,590	70,314	27.41%
Total Assets	102,933	81,171	26.81%
Total Financing and related assets - net	43,057	32,758	31.44%
Total Investments	38,399	31,579	21.60%
Shareholder's Equity	6,820	5,703	19.59%
Basic Earnings per share - Rupees	0.557	0.295	88.81%

BankIslami Modaraba Investment Limited has achieved profitability in the nine months of 2014 and we are hopeful that with the re-alignment of financing business and better recoveries of bad receivable of discontinued business would result in improvement in profitability of the Modaraba business going forward and would contribute towards better profitability of the overall Group.

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 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
October 29, 2014

CONDENSED INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT SEPTEMBER 30, 2014

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	----- Rupees in `000 -----	
ASSETS		
Cash and balances with treasury banks	5,432,981	4,883,483
Balances with other banks	2,543,702	1,018,717
Due from financial institutions - net	8,160,780	6,511,173
Investments	38,399,421	31,429,302
Islamic financing and related assets - net	43,056,520	38,308,733
Operating fixed assets	3,139,383	2,966,620
Deferred tax assets	-	-
Other assets - net	2,199,994	1,682,910
	102,932,781	86,800,938
LIABILITIES		
Bills payable	1,108,343	835,562
Due to financial institutions	2,799,000	2,538,000
Deposits and other accounts	89,589,842	75,169,991
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	273,021	175,216
Other liabilities	2,342,911	1,836,286
	96,113,117	80,555,055
NET ASSETS	6,819,664	6,245,883
REPRESENTED BY		
Share capital	5,279,679	5,279,679
Advance against issue of Share Capital	278,187	-
Reserves	210,446	210,446
Unappropriated profit	329,130	27,199
	6,097,442	5,517,324
Surplus on revaluation of assets - net of tax	722,222	728,559
	6,819,664	6,245,883

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	Quarter ended September 30, 2014	Nine Months ended September 30, 2014	Quarter ended September 30, 2013	Nine Months ended September 30, 2013
	----- (Restated) -----			
	----- Rupees in '000 -----			
Profit / return earned	2,052,892	5,712,134	1,612,081	4,663,181
Profit / return expensed	1,151,798	3,304,052	965,125	2,750,948
Net spread earned	901,094	2,408,082	646,956	1,912,233
(Reversal) / Provision against non-performing Islamic financings and related assets - net	(67,841)	(65,733)	8,280	82,691
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	455	-	-
Net spread after provisions	968,935	2,473,360	638,676	1,829,542
OTHER INCOME				
Fee, commission and brokerage Income	79,645	257,884	68,078	197,893
Dividend income	-	-	2	2
Income from dealing in foreign currencies	35,492	145,542	17,983	46,713
Gain on sale of securities	4,765	26,920	-	6,709
Other income	13,337	31,351	12,832	76,880
Total other income	133,239	461,697	98,895	328,197
	1,102,174	2,935,057	737,571	2,157,739
OTHER EXPENSES				
Administrative expenses	890,256	2,468,581	647,583	1,904,932
Other provisions	-	-	-	-
Other charges	4,231	11,149	2,598	18,836
Total other expenses	894,487	2,479,730	650,181	1,923,768
	207,687	455,327	87,390	233,971
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	207,687	455,327	87,390	233,971
Taxation				
- Current	22,176	62,121	17,402	50,274
- Prior periods	-	-	-	-
- Deferred	51,196	99,309	13,291	27,908
	73,372	161,430	30,693	78,182
PROFIT AFTER TAXATION	134,315	293,897	56,697	155,789
	----- (Rupees) -----			
Basic earnings per share	0.254	0.557	0.107	0.295
	----- (Rupees) -----			
Diluted earnings per share	0.254	0.557	0.107	0.295

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	Quarter ended September 30, 2014	Nine Months ended September 30, 2014	Quarter ended September 30, 2013	Nine Months ended September 30, 2013
	----- (Restated) -----			
	----- Rupees in '000 -----			
Profit after taxation	134,315	293,897	56,697	155,789
Comprehensive income transferred to equity	<u>134,315</u>	293,897	<u>56,697</u>	155,789
Components of comprehensive income not reflected in equity :				
(Deficit) / Surplus on revaluation of available for sale securities - net of tax	(207,521)	1,452	61,759	21,602
Total comprehensive (loss) / income for the period	<u>(73,206)</u>	<u>295,349</u>	<u>118,456</u>	<u>177,391</u>

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	September 30, 2014	September 30, 2013 (Restated)
	----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	455,327	233,971
Less: Dividend income	-	(2)
	<u>455,327</u>	<u>233,969</u>
Adjustments:		
Depreciation - Own assets	232,500	196,519
Depreciation - Operating Ijarah assets	479,134	385,367
Amortisation of intangible assets	11,875	21,771
(Reversal) / provision against non-performing Islamic financings and related assets - net	(65,733)	82,691
Gain on sale of operating fixed assets	(4,672)	(52,639)
	<u>653,104</u>	<u>633,709</u>
	<u>1,108,431</u>	<u>867,680</u>
(Increase) / decrease in operating assets		
Due from financial institutions	(1,649,607)	417,135
Islamic financings and related assets - net	(5,161,188)	(5,793,101)
Others assets (excluding advance taxation)	(504,632)	(527,469)
	<u>(7,315,427)</u>	<u>(5,903,435)</u>
Increase / (decrease) in operating liabilities		
Bills payable	272,781	(412,236)
Due to financial institutions	261,000	981,385
Deposits and other accounts	14,419,851	6,202,953
Other liabilities (excluding current taxation)	506,625	139,361
	<u>15,460,257</u>	<u>6,911,463</u>
	<u>9,253,261</u>	<u>1,875,708</u>
Income tax paid	(74,206)	(42,605)
Net cash generated from operating activities	<u>9,179,055</u>	<u>1,833,103</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(6,970,293)	(2,820,638)
Dividend income received	-	2
Investments in operating fixed assets	(417,377)	(198,544)
Proceeds from disposal of operating fixed assets	4,911	115,147
Net cash used in investing activities	<u>(7,382,759)</u>	<u>(2,904,033)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Amount received as advance in respect of right issue of shares	278,187	-
	<u>278,187</u>	<u>-</u>
Increase / (decrease) in cash and cash equivalents	<u>2,074,483</u>	<u>(1,070,930)</u>
Cash and cash equivalents at the beginning of the period	5,902,200	5,744,994
Cash and cash equivalents at the end of the period	<u>7,976,683</u>	<u>4,674,064</u>

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	Share Capital	Advance against issue of share capital	Statutory Reserve	Unappropriated Profit / (Accumulated loss)	Total
----- Rupees in `000 -----					
Balance as at January 01, 2013	5,279,679	-	173,392	(116,326)	5,336,745
Profit after taxation for the nine months period ended September 30, 2013, transferred from Statement of Comprehensive Income - restated	-	-	-	155,789	155,789
Balance as at September 30, 2013 - restated	<u>5,279,679</u>	<u>-</u>	<u>173,392</u>	<u>39,463</u>	<u>5,492,534</u>
Profit after taxation for the period ended December 31, 2013, transferred from Statement of Comprehensive Income	-	-	-	33,021	33,021
Transfer to statutory reserve	-	-	37,054	(37,054)	-
Remeasurements of the net defined benefit liability / (asset) - net of tax	-	-	-	(8,231)	(8,231)
Balance as at December 31, 2013	<u>5,279,679</u>	<u>-</u>	<u>210,446</u>	<u>27,199</u>	<u>5,517,324</u>
Profit after taxation for the nine months period ended September 30, 2014, transferred from Statement of Comprehensive Income	-	-	-	293,897	293,897
Remeasurements of the net defined benefit liability / (asset) - net of tax	-	-	-	244	244
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	7,790	7,790
Amount received as advance in respect of right issue of shares	-	278,187	-	-	278,187
Balance as at September 30, 2014	<u>5,279,679</u>	<u>278,187</u>	<u>210,446</u>	<u>329,130</u>	<u>6,097,442</u>

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

1. STATUS AND NATURE OF BUSINESS

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

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

The Bank is operating through 201 branches including 89 sub branches as at September 30, 2014 (December 31, 2013: 201 branches including 89 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.

Based on the financial statements of the Bank for the year ended December 31, 2013, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013.

The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. Several extensions have been sought from SBP from time to time for meeting the capital requirement of Rs. 6 billion (free of losses) through issue of right shares. However, the process of right issue could not be initiated due to various reasons. The Bank has also been advised several times by the SBP for submission of concrete time bound capital plan for complying with prevailing and future regulatory capital requirements.

The Bank vide its letter dated November 8, 2013, requested the SBP to approve the issuance of 63,191,153 right shares at a discounted price of Rs 6.33 per share (discount of Rs. 3.67 per share) to raise paid up capital of Rs. 400 million. Accordingly, the SBP has in-principle approved the issuance of right shares subject to the following conditions:

- The right issue must be fully and firmly underwritten
- The Bank will approach the Banking Policy and Regulations Department of the SBP for final approval after completion of all other regulatory and legal requirements, including SECP's requirements relating to issue of shares at a discount, prior to issuance of right shares.

The SBP in the said letter has further advised the Bank to submit a concrete, time bound board approved capital plan to meet the regulatory MCR of Rs.10 billion. The capital plan approved by the Board of directors has been duly submitted by the Bank to the SBP vide its letter dated December 3, 2013.

During the current period, an extra ordinary general meeting of the shareholders was held on February 22, 2014 to approve the issuance of right shares at a discounted price of Rs 6.33 per share. The shareholders' approval has been taken and other legal requirements are under way.

Most recently, the SBP vide its letter No BPRD/BA&CPD/618/3905/2014 dated March 12, 2014 has prescribed minimum CAR at 16% in case the paid-up capital net of loss is at least Rs 6 billion or 18% if it falls below Rs.6 billion.

The Bank filed an application with the Securities and Exchange Commission of Pakistan (SECP) for granting approval in respect of issuance of 63 million shares at a discount of 36.7 percent below par value i.e. at Rs 6.33 per share by way of right issue amounting to Rs 400 million. However, the Securities and Exchange Commission of Pakistan (SECP), in response, vide its letter dated May 5, 2014 has approved issuance of 47.9 million shares at a price of Rs 8.35 per share (i.e. at a discount of Rs 1.65 per share) to raise paid up capital of Rs 400 million subject to approval of SECP for exemption under the requirement of Balloters, Transfer Agents and Underwriters Rules, 2001. The sponsors of the bank have subscribed an amount of Rs 277.905 million representing their own entitlement in advance. The sponsors have also given their consent and have entered into a subscription and underwriting agreement (individually) with the Bank to take up a certain proportion of shares in case the same has not been exercised by the general public. The sponsors collectively have underwritten the balance amount i.e. Rs 122.095 million.

Approval of SECP for exemption under the requirement of Balloters, Transfer Agents and Underwriters Rules, 2001 was received vide its letter dated August 12, 2014. Final approval of SBP was received vide its letter dated August 18, 2014.

The last date for acceptance and payment of shares 17th October 2014.

The equity of the Bank (excluding advance against issue of shares amounting to Rs 278.187 million) as at September 30, 2014 was Rs 5.28 billion although its CAR stood at 16.45 percent.

- 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 arising under these arrangements are not reflected in these 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 Islamic Shariah is recognised as charity payable as directed by the Shariah Advisor of the Group.

3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the Securities and Exchange Commission of Pakistan (SECP), 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 this condensed interim consolidated financial information. 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 consolidated financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2013.
- 3.4 The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the surplus / (deficit) on revaluation of Available For Sale (AFS) securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim consolidated financial information.

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

- 3.5.1 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 effective from financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has no material impact on this condensed interim consolidated financial information except for deposit amounting to Rs 67 million (December 31, 2013: 63 million) which are on Mudarba basis (i.e. classifiable as redeemable capital as defined under IFAS 3)
- 3.5.2 During the year ended December 31, 2012, the management of the Group had executed certain transactions relating to sale of ijarah sukuks and had recognised capital gain on such transactions amounting to Rs 202.4 million. The State Bank of Pakistan (SBP) however raised certain concerns on such transactions and directed the Group to reverse such transactions as if this had not happened.

In order to give effect to the SBP's directive, the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" have been considered and the impact of such transactions have been reversed in the condensed interim consolidated financial information by restating the comparative figures. The effects are summarised below:

	Quarter ended September 30, 2013	Nine months period ended September 30, 2013
	----- Rupees in `000 -----	
Impact on condensed interim consolidated profit and loss account		
Increase in profit / return earned	32,614	94,969
Increase in other charges	652	1,899
Increase in taxation - current	326	950
Increase in taxation - deferred	11,088	32,289
Impact on condensed interim consolidated statement of comprehensive income		
Increase in profit after tax	20,546	59,831
Decrease in Deficit on revaluation of available for sale securities - net of tax	(21,199)	(61,730)
	-----Rupees -----	
Impact on (loss) / earnings per share - basic / diluted		
Increase in earnings per share - basic / diluted	0.039	0.113



Nine months
period ended
September
30, 2013
Rupees in '000

Impact on condensed interim consolidated cash flow statement

Increase in profit before taxation	93,070
Increase in other liabilities (excluding current taxation)	1,899
Increase in net investment in available-for-sale securities	94,969

There will be no impact on the Statement of Consolidated Financial Position for comparative period (i.e. as at December 31, 2013).

4 BASIS OF MEASUREMENT

This condensed interim consolidated financial information has been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value in accordance with the requirements of the SBP. Further, staff retirement benefits have been carried at present value as determined under the International Accounting Standard (IAS) 19 (revised), "Employee Benefits".

5 FUNCTIONAL AND PRESENTATION CURRENCY

This condensed interim consolidated financial information is 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 consolidated financial statements of the Group for the year ended December 31, 2013.

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 consolidated financial statements of the Group for the year ended December 31, 2013.

8 BASIS OF CONSOLIDATION

The consolidated financial information incorporate the financial information 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 DATE OF AUTHORISATION FOR ISSUE

This condensed interim consolidated financial information was authorised for issue on October 29, 2014 by the Board of Directors of the holding Company.

10 GENERAL

- 10.1 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 except as explained in note 3.5.2
- 10.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director