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## CORPORATE INFORMATION

### Board of Directors

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Ahmed Goolam Mahomed Randeree	
Mr. Ali Raza Siddiqui	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Hisham Hammoud	
Mr. Mohamed Amiri	
Mr. Shabir Ahmed Randeree	

### Sharia'h Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani	Chairman
Professor Dr. Fazlur Rahman	Member
Mufti Irshad Ahmad Aijaz	Member & Sharia'h Adviser

### Audit Committee

Mr. Hisham Hammoud	Chairman
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member

### Executive Committee

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Ahmed Goolam Mahomed Randeree	Member
Mr. Hasan A. Bilgrami	Member
Mr. Hisham Hammoud	Member

### Risk Management Committee

Mr. Ahmed Goolam Mahomed Randeree	Chairman
Mr. Hasan A. Bilgrami	Member
Mr. Mohamed Amiri	Member

### Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui	Chairman
Mr. Ahmed Goolam Mahomed Randeree	Member
Mr. Hisham Hammoud	Member
Mr. Hasan A. Bilgrami	Member

### Company Secretary

Syed Shah Sajid Hussain

### Auditors

Ernst & Young Ford Rhodes Sidat Hyder.  
Chartered Accountants

### Legal Adviser

Haidermota & Co.  
Barrister at Law

**Management (in alphabetical order)**

Mr. Ahmed Mustafa	Head, Branch Operations
Mr. Arsalan Vohra	Head, Risk Policy & Analytics
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
Mr. Muhammad Faisal Shaikh	Head, Product Development
Mr. Muhammad Furqan	Head, Credit Administration
Mr. Muhammad Imran	Head, Consumer & Retail Banking
Mr. Muhammad Shoaib Khan	Head, Treasury & Financial Institutions
Mr. Rehan Shuja Zaidi	Head, Internal Audit
Mr. Shamshad Ahmed	Head, Trade Finance
Ms. Sheba Matin Khan	Head, Human Resources
Mr. Syed Akhtar Ausaf	Head, Credit & Risk Management
Mr. Syed Mujtaba H. Kazmi	Head, Corporate Finance
Mr. Syed Shah Sajid Hussain	Head, Finance

**Registered Office**

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

**Share Registrar**

Technology Trade (Private) Limited,  
Dagia House, 241-C, Block-2,  
P.E.C.H.S. off Shakra-e-Quaideen, 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 half yearly results of the Bank for the period ended June 30, 2010. The highlights of the half year under review are:

(Rs. In m)	<b>June-10</b>	<b>Dec-09</b>	<b>Growth (%)</b>
Total Deposits	33,139	27,987	18.4%
Total Assets	40,799	34,271	19.0%
Total Financing net	15,637	13,282	17.7%
Total Investment	6,572	6,813	(3.5%)
Share-holders equity	4,709	4,725	(0.3%)
Branches	102	102	
	<b>June-10</b>	<b>June-09</b>	
Basic Earnings/(loss) per share	(0.031)	(0.499)	93.8%

The loss during the quarter and for the half is mainly due to change in accounting policy for recognizing revenue on the Istis'ā transactions which has been brought in line with the AAOFI Standard. All of the income not recognized during this period is expected to be realised during the same calendar year. Aside from this, the Bank continued to record impressive growth in deposits (+ 18.40%), Financing (+ 17.70%) and Assets (+ 19.00%). Liquidity position of the Bank remained excellent. BankIslami is probably the only Bank which has depository products ranging upto ten years with less than 6% corporate concentration. There is no change in forecast for the year i.e. Profit on full year basis.

Having said that, at the time of writing the report, there is no credible assessment of the impact of damage due to recent floods. Specifically, on the Bank, all of our branches remained operational though the deposit intake has some what slowed down. While it is early to make any assessment, the Directors intend reviewing the situation in the next one month and its impact on the Bank.

The Bank has been assigned a long term entity rating of 'A' and short term rating of 'A-1' by Pakistan Credit Rating Agency Limited (PACRA).

On the capital front, the Bank is engaged in a dialogue with State Bank with various options which include issuing right shares and/or acquisition and subsequent merger of another Bank. We expect to resolve this issue Inshallah by end of this quarter.

The Board would like to place on record its deep appreciation to the State Bank which has supported us with an un-wavering commitment. Gratitude is also due to the Securities and Exchange Commission. Finally, we are thankful to our employees and customers for their patronage and support.

On behalf of the Board

**Hasan A. Bilgrami**  
Chief Executive Officer  
August 25, 2010



## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### **Introduction**

We have reviewed the accompanying interim condensed Statement of financial position of BankIslami Pakistan Limited (the Bank) as at 30 June 2010 and the related interim condensed profit and loss account, interim condensed statement of comprehensive income, interim condensed cash flow statement and interim condensed statement of changes in equity and explanatory notes (here-in-after referred to as "interim financial information") for the six-months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### **Emphasis of matter**

Without qualifying our conclusion, we draw attention to note 1.2 to the accompanying interim financial information which fully explains matters regarding the Bank's capital shortfall and its future plans including the injection of additional equity to comply with the regulatory capital requirements. Accordingly, the Board of Directors of the Bank is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future. Further, the Bank has applied to the State Bank of Pakistan for relaxation from minimum capital requirements.

**KARACHI:**  
August 25, 2010

**CHARTERED ACCOUNTANTS**



## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2010

	June 30, 2010	December 31, 2009
Note	(Unaudited)	(Restated) (Audited)
	Rupees in `000	
<b>ASSETS</b>		
Cash and balances with treasury banks	3,104,664	4,217,515
Balances with other banks	987,061	2,059,550
Due from financial institutions	5 10,590,504	4,018,813
Investments	6 6,572,245	6,813,191
Financings	7 15,637,112	13,282,152
Operating fixed assets	2,251,194	2,395,304
Deferred tax assets	379,544	354,957
Other assets	1,276,645	1,130,310
	<b>40,798,969</b>	<b>34,271,792</b>
<b>LIABILITIES</b>		
Bills payable	568,787	485,608
Due to financial institutions	8 1,171,200	156,160
Deposits and other accounts	9 33,138,860	27,987,378
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,210,698	917,332
	<b>36,089,545</b>	<b>29,546,478</b>
<b>NET ASSETS</b>	<b>4,709,424</b>	<b>4,725,314</b>
<b>REPRESENTED BY</b>		
Share capital	5,279,679	5,279,679
Reserves	-	-
Accumulated loss	(608,355)	(592,225)
	<b>4,671,324</b>	<b>4,687,454</b>
Surplus on revaluation of assets - net of tax	10 38,100	37,860
	<b>4,709,424</b>	<b>4,725,314</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
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The annexed notes from 1 to 16 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

## INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER AND HALF-YEAR ENDED JUNE 30, 2010

	Note	Quarter ended June 30, 2010	Half-year ended June 30, 2010	Quarter ended June 30, 2009 (Restated)	Half-year ended June 30, 2009 (Restated)
----- Rupees in `000 -----					
Profit / return on financings, investments and placements earned	12	921,379	1,723,370	533,496	1,051,633
Return on deposits and other dues expensed		494,565	940,076	274,510	520,721
Net spread earned		426,814	783,294	258,986	530,912
Reversal / (provision) against non-performing financings		3,962	9,031	(43,894)	(67,795)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		3,962	9,031	(43,894)	(67,795)
Net spread after provisions		430,776	792,325	215,092	463,117
<b>OTHER INCOME</b>					
Fee, commission and brokerage income		20,213	45,147	1,870	12,853
Dividend income		-	-	-	-
Income from dealing in foreign currencies		9,706	40,451	53,167	63,144
Capital gain on sale of securities		-	-	-	-
Unrealized gain/loss on revaluation of investments classified as held-for-trading		-	-	-	-
Other income		15,380	23,594	8,580	12,645
Total other income		45,299	109,192	63,617	88,642
		476,075	901,517	278,709	551,759
<b>OTHER EXPENSES</b>					
Administrative expenses		482,439	921,660	423,611	820,720
Other provisions / write-offs		-	-	-	-
Other charges		1,693	2,613	22,475	28,248
Total other expenses		484,132	924,273	446,086	848,968
Extraordinary / unusual items		(8,057)	(22,756)	(167,377)	(297,209)
		-	-	-	-
<b>LOSS BEFORE TAXATION</b>		(8,057)	(22,756)	(167,377)	(297,209)
<b>TAXATION</b>					
Current		13,801	18,090	-	-
Prior years		-	-	-	-
Deferred		(15,616)	(24,716)	11,012	(33,892)
		(1,815)	(6,626)	11,012	(33,892)
<b>LOSS AFTER TAXATION</b>		(6,242)	(16,130)	(178,389)	(263,317)
<b>Loss per share (Rupees) - basic</b>		(0.012)	(0.031)	(0.338)	(0.499)

The annexed notes from 1 to 16 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**INTERIM CONDENSED STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)**  
FOR THE QUARTER AND HALF-YEAR ENDED JUNE 30, 2010

	<b>Quarter ended June 30, 2010</b>	<b>Half-year ended June 30, 2010</b>	<b>Quarter ended June 30, 2009 (Restated)</b>	<b>Half-year ended June 30, 2009 (Restated)</b>
Note	Rupees in `000			
Loss after taxation	<b>(6,242)</b>	<b>(16,130)</b>	(178,389)	(263,317)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	<u><b>(6,242)</b></u>	<u><b>(16,130)</b></u>	<u>(178,389)</u>	<u>(263,317)</u>

Surplus / deficit arising on revaluation of fixed assets and available-for-sale investments is required to be shown separately below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been included in comprehensive income which has been shown as part of equity.

The annexed notes from 1 to 16 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**INTERIM CONDENSED  
CASH FLOW STATEMENT (UNAUDITED)**  
FOR THE HALF-YEAR ENDED JUNE 30, 2010

	<b>June 30, 2010</b>	June 30, 2009 (Restated)
	----- Rupees in `000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	<b>(22,756)</b>	(297,209)
Adjustments:		
Depreciation	<b>168,242</b>	149,189
Amortization of intangible asset	<b>14,518</b>	3,349
Depreciation on operating Ijarah	<b>33,020</b>	11,387
Provision against non-performing financings	<b>(9,031)</b>	67,795
(Gain) / loss on sale of fixed assets	<b>(2,141)</b>	99
Deferred cost amortized	<b>8,041</b>	8,041
	<b>212,649</b>	239,860
	<b>189,893</b>	(57,349)
(Increase) / decrease in operating assets		
Due from financial institutions	<b>(6,571,691)</b>	29,688
Financings	<b>(2,378,949)</b>	(1,692,575)
Others assets (excluding advance taxation and deferred cost)	<b>(169,112)</b>	(311,121)
	<b>(9,119,751)</b>	(1,974,008)
Increase / (decrease) in operating liabilities		
Bills payable	<b>83,179</b>	4,074
Repayments / borrowings from financial institutions	<b>1,015,040</b>	(126,563)
Deposits and other accounts	<b>5,151,482</b>	8,125,978
Other liabilities	<b>293,366</b>	107,324
	<b>6,543,067</b>	8,110,813
	<b>(2,386,791)</b>	6,079,456
Income tax paid	<b>(3,353)</b>	(3,414)
Net cash (used in) / generated from operating activities	<b>(2,390,144)</b>	6,076,042
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in available-for-sale securities-net	<b>241,313</b>	(2,141,046)
Investments in operating fixed assets	<b>(41,936)</b>	(411,768)
Sale proceeds of property and equipment disposed-off	<b>5,427</b>	987
Net cash generated from / (used in) from investing activities	<b>204,804</b>	(2,551,827)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,185,340)</b>	3,524,215
<b>Cash and cash equivalents at beginning of the period</b>	<b>6,277,065</b>	4,382,903
<b>Cash and cash equivalents at end of the period</b>	<b>4,091,725</b>	7,907,118

The annexed notes from 1 to 16 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

**INTERIM CONDENSED  
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE HALF-YEAR ENDED JUNE 30, 2010**

	Share capital	Accumulated loss	Total
	----- Rupees in ` 000 -----		
<b>Balance as at January 01, 2009 - as previously reported</b>	5,279,679	(98,307)	5,181,372
Effect of changes in accounting policy (Note 4.1)	-	(4,095)	(4,095)
<b>Balance as at January 01, 2009 - restated</b>	<b>5,279,679</b>	<b>(102,402)</b>	<b>5,177,277</b>
Loss for the period - restated	-	(263,317)	(263,317)
Other comprehensive income	-	-	-
Total comprehensive loss for the period ended June 30, 2009 - restated	-	(263,317)	(263,317)
<b>Balance as of June 30, 2009 - restated</b>	<b>5,279,679</b>	<b>(365,719)</b>	<b>4,913,960</b>
Loss for the period - restated	-	(226,506)	(226,506)
Other comprehensive income	-	-	-
Total comprehensive loss for the period ended December 31, 2009 - restated	-	(226,506)	(226,506)
<b>Balance as of December 31, 2009 - restated</b>	<b>5,279,679</b>	<b>(592,225)</b>	<b>4,687,454</b>
Loss for the period	-	(16,130)	(16,130)
Other comprehensive income	-	-	-
Total comprehensive loss for the period ended June 30, 2010	-	(16,130)	(16,130)
<b>Balance as of June 30, 2010</b>	<b>5,279,679</b>	<b>(608,355)</b>	<b>4,671,324</b>

The annexed notes from 1 to 16 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF-YEAR ENDED JUNE 30, 2010

### 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 Bank was granted a 'Scheduled Islamic Commercial Bank' license on March 18, 2005, and formally commenced operations as a scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving notification in this regard from the state Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.

The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The Bank commenced its operations from April 07, 2006. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with 102 branches including 32 sub branches (2009: 102 branches) as at June 30, 2010. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank as A ("Single A") and the short term rating as A1 ("A One").

- 1.2** The State Bank of Pakistan (SBP) vide Circular No. 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 minimum capital requirement (net of losses) as of December 31, 2009 was Rs.6 billion and for the current year ending December 31, 2010 is Rs. 7 billion. The paid up capital of the Bank (net of losses) as of June 30, 2010 amounts to Rs 4.671 billion. The Board of BIPL has decided to meet the capital requirement of the Bank by either acquiring another bank through cash-cum-share deal or in case it does not work out, issue right shares. Further, the Bank has applied for relaxation to the SBP in respect of MCR based on the above decisions of the Bank's Board of Directors and that the Bank's CAR as at June 30, 2010 stands at 17.22% (un-audited) in comparison to the CAR requirement of 10%.

Based on the above, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

### 2. BASIS OF PRESENTATION

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF-YEAR ENDED JUNE 30, 2010

**2.3** These financial statements are separate financial statements of the Bank in which investments in subsidiaries are accounted for on the basis of direct equity interest and are not consolidated.

### **3. STATEMENT OF COMPLIANCE**

**3.1** These interim condensed financial statements of the Bank for the six months period ended June 30, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the SECP and the SBP. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

**3.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS-7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.

**3.3** The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting" and do not include all of the information required in the annual financial statements. Accordingly these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2009.

### **4. ACCOUNTING POLICIES**

**4.1** The accounting policies and method of computation adopted in preparation of these interim condensed financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2009.

During the period, the Bank has changed its accounting policy in respect of 'revenue recognition on Istisna'. The Bank now recognizes profit on Istisn'a financing from time of sale of goods till the realization of sale proceeds by the Bank. The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting estimates and Errors". Previously, profit from Istisn'a were recognized on time proportion basis from the date of the contract till the realization of the sale proceeds by the Bank.

The change in accounting policy has the following effects on these Interim condensed financial statements.



**NOTES TO THE INTERIM CONDENSED  
FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE HALF-YEAR ENDED JUNE 30, 2010

**Half year ended  
30, June 2010  
(Rupees '000)**

Decrease in other assets	29,496
Increase in deferred tax assets	10,195
Increase in accumulated loss	19,271
Increase in loss for the period	4,309

**4.2** In addition to above, following new / revised standards, amendments and interpretations to accounting standards became effective during the period:

- IFRS 2 - Share-Based Payment: Amendments relating to Group Cash-Settled Share-based Payment transactions.
- IFRS 3 - Business Combination (Revised)
- IAS 27 - Consolidated and Separate Financial Statements (Amendment)
- IFRIC 17 - Distributions of Non-cash Assets to owners

The adoption of the above standards, amendments and interpretation did not have any effect on the interim condensed financial statements of the Bank.

	<b>June 30, 2010</b>	December 31, 2009
Note	—— Rupees in `000 ——	
	<b>(Unaudited)</b>	(Audited)

**5. DUE FROM FINANCIAL INSTITUTIONS**

Sukuk Murabaha		<b>6,418</b>	6,418
Commodity Murabaha - local currency	5.1	<b>10,590,504</b>	2,218,813
		<b>10,596,922</b>	2,225,231
Musharaka Placement		-	1,800,000
		<b>10,596,922</b>	4,025,231
Provision against lending		<b>(6,418)</b>	(6,418)
		<b>10,590,504</b>	4,018,813

**5.1** The Bank has entered into Commodity Murabaha 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 Commodity Murabaha ranges between 11% and 12.15% (2009: 11.5% and 12.4%) per annum and have a maturity ranging from 2 days to 90 days.

NOTES TO THE INTERIM CONDENSED  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF-YEAR ENDED JUNE 30, 2010

6. INVESTMENTS	Note	June 30, 2010 (Unaudited)			December 31, 2009 (Audited)		
		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		6,337,594	-	6,337,594	6,578,908	-	6,578,908
Mutual funds							
- Open ended	15	-	-	15	15	-	15
- Close ended	6	-	-	6	6	-	6
		<u>6,337,615</u>	<u>-</u>	<u>6,337,615</u>	<u>6,578,929</u>	<u>-</u>	<u>6,578,929</u>
<b>Subsidiary</b>							
Unlisted company		191,015	-	191,015	191,015	-	191,015
		<u>6,528,630</u>	<u>-</u>	<u>6,528,630</u>	<u>6,769,944</u>	<u>-</u>	<u>6,769,944</u>
<b>Investments at cost</b>							
Less: Provision for diminution in Value of investments		(15,000)	-	(15,000)	(15,000)	-	(15,000)
		<u>6,513,630</u>	<u>-</u>	<u>6,513,630</u>	<u>6,754,944</u>	<u>-</u>	<u>6,754,944</u>
<b>Investments - net of provisions</b>							
Surplus on revaluation of available-for-sale securities	10	58,615	-	58,615	58,247	-	58,247
		<u>6,572,245</u>	<u>-</u>	<u>6,572,245</u>	<u>6,813,191</u>	<u>-</u>	<u>6,813,191</u>

7. FINANCINGS	Note	June 30,	December 31,
		2010 (Unaudited)	2009 (Audited)
----- Rupees in `000 -----			
<b>Financings - in Pakistan</b>			
- Murabaha	7.1	5,179,959	4,180,471
- Istisna	7.2	4,091,648	2,824,849
- Diminishing Musharaka - Housing		843,311	761,743
- Diminishing Musharaka - Others		3,890,774	3,889,569
- Payment against documents		14,734	-
- Against Bills - Salam		25,692	-
- Against Bills - Musawamah		31,464	7,948
- Musawamah		133,151	150,000
- Financings to employees		331,716	300,052
		<u>14,542,449</u>	<u>12,114,632</u>
<b>Net investment in Ijarah financing</b>			
In Pakistan		964,056	1,230,034
<b>Net assets/investment in ijarah financing under IFAS 2 in Pakistan</b>		<u>371,285</u>	<u>187,195</u>
<b>Financings - gross</b>		<u>15,877,790</u>	<u>13,531,861</u>
<b>Provision for non-performing financings</b>			
- Specific	7.3	(220,868)	(230,928)
- General		(19,810)	(18,781)
		<u>15,637,112</u>	<u>13,282,152</u>

7.1 Includes financings amounting to Rs. 184.033 million (December 31, 2009: Rs. 169.186 million) against Murabaha under Islamic Export Refinance Scheme.



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF-YEAR ENDED JUNE 30, 2010**

7.2 No profit on Istisna financing has been earned in accordance with change in accounting policy stated in note 4.1 to the Interim condensed financial statements.

7.3 Financings include Rs. 589.401 million (December 31, 2009: Rs. 788.665 million) which have been placed under non-performing status as follows:

Category of classification	June 30, 2010				
	Domestic	Overseas	Total	Provision Required	Provision Held
	Rupees in `000				
Substandard	46,899	-	46,899	4,840	4,840
Doubtful	72,293	-	72,293	10,764	10,764
Loss	470,209	-	470,209	205,264	205,264
	<b>589,401</b>	<b>-</b>	<b>589,401</b>	<b>220,868</b>	<b>220,868</b>

Category of classification	December 31, 2009				
	Domestic	Overseas	Total	Provision Required	Provision Held
	Rupees in `000				
Substandard	282,606	-	282,606	45,514	45,514
Doubtful	142,878	-	142,878	50,501	50,501
Loss	363,181	-	363,181	134,913	134,913
	<b>788,665</b>	<b>-</b>	<b>788,665</b>	<b>230,928</b>	<b>230,928</b>

7.4 Particulars of provision against non-performing financings:

	June 30, 2010			December 31, 2009		
	Specific	General	Total	Specific	General	Total
	Rupees in `000					
Opening balance	230,928	18,781	249,709	141,687	18,242	159,929
Charge for the year	41,243	1,029	42,272	179,550	539	180,089
Reversals	(51,303)	-	(51,303)	(90,309)	-	(90,309)
	(10,060)	1,029	(9,031)	89,241	539	89,780
Closing balance	<b>220,868</b>	<b>19,810</b>	<b>240,678</b>	<b>230,928</b>	<b>18,781</b>	<b>249,709</b>

7.4.1 The Bank has maintained a general reserve / (provision) in accordance with the applicable requirements of the prudential regulations for consumer financing issued by the SBP and for potential losses on financings.

	June 30, 2010	December 31, 2009
	(Unaudited)	(Audited)
	Rupees in `000	
<b>8. DUE TO FINANCIAL INSTITUTIONS</b>		
In Pakistan	8.1 1,171,200	156,160
Outside Pakistan	-	-
	<b>1,171,200</b>	<b>156,160</b>

8.1 These carry expected profit at rates ranging from 8.25% to 8.3% (December 2009: 6.5% to 7%) per annum.



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF-YEAR ENDED JUNE 30, 2010

	June 30, 2010	December 31, 2009
	----- Rupees in `000 -----	
	(Unaudited)	(Audited)
<b>9. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	15,752,164	12,652,075
Savings deposits	8,682,259	7,555,064
Current accounts - non-remunerative	8,087,752	7,265,287
Margin accounts - non-remunerative	67,735	40,749
	<u>32,589,910</u>	27,513,175
<b>Financial institutions</b>		
Remunerative deposits	262,140	201,845
Non remunerative deposits	286,810	272,358
	<u>33,138,860</u>	<u>27,987,378</u>
<b>10. SURPLUS ON REVALUATION OF ASSETS - net of tax</b>		
Surplus on revaluation of available- for-sale securities		
Sukuk Bonds	58,615	58,247
Less: Related deferred tax liability	(20,515)	(20,387)
	<u>38,100</u>	<u>37,860</u>
<b>11. CONTINGENCIES AND COMMITMENTS</b>		
<b>11.1 Transaction-related contingent liabilities</b>		
Guarantees favouring		
- Government	868,075	643,793
- Others	41,679	141,141
<b>11.2 Trade-related contingent liabilities</b>		
Import letters of credit	1,241,641	353,063
Acceptances	280,256	98,079
<b>11.3 Commitments in respect of Promises</b>		
Purchase	201,754	8,099
Sales	145,257	16,848
<b>11.4 Commitments for the acquisition of operating fixed assets</b>	<u>1,354</u>	<u>1,726</u>
<b>11.5 Other commitments</b>		
Bills for collection	290,694	177,235

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF-YEAR ENDED JUNE 30, 2010

Half year ended

June 30, June 30,  
2010 2009  
Restated  
----- Rupees in `000 -----  
(Unaudited) (Unaudited)

### 12. PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED

On financings to:

Customers	872,756	458,309
Financial institutions	416,750	1,555
	1,289,506	459,864
On Investments in available for sale securities	413,696	449,360
On deposits / placements with financial institutions	13,679	138,025
Others	6,489	4,384
	1,723,370	1,051,633

### 13. 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>June 30, 2010</b>					
Total income	17,883	1,057,953	562,006	203,751	1,841,593
Total expenses	15,722	1,025,602	457,350	359,049	1,857,723
Net income / (loss)	2,161	32,351	104,656	(155,298)	(16,130)
Segment assets (gross)	19,847,497	3,366,208	15,679,129	2,168,231	41,061,065
Segment non performing financings	(61,418)	(61,438)	(542,291)	-	(665,147)
Segment provision required	(21,418)	(48,549)	(192,129)	-	(262,096)
Segment liabilities	1,086,362	24,162,621	10,443,946	396,616	36,089,545
Segment return on net asset (ROA) (%)	0.02%	1.92%	1.23%	-	-
Segment cost of funds (%)	6.89%	6.89%	6.89%	-	-

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
-----Rupees in '000-----					
<b>December 31, 2009 - restated</b>					
Total income	12,088	541,294	285,804	301,089	1,140,275
Total expenses	4,857	736,565	306,746	355,424	1,403,592
Net income / (loss)	7,231	(195,271)	(20,942)	(54,335)	(263,317)
Segment assets (gross)	16,389,703	3,278,465	13,255,798	1,618,953	34,542,919
Segment non performing financings	(61,418)	(58,037)	(730,628)	-	(850,083)
Segment provision required	(21,418)	(49,848)	(199,861)	-	(271,127)
Segment liabilities	7,0801	19,336,743	10,098,990	103,665	29,546,478
Segment return on net asset (ROA) (%)	0.09%	(11.91%)	(0.32%)	-	-
Segment cost of funds (%)	6.54%	6.54%	6.54%	-	-



NOTES TO THE INTERIM CONDENSED  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF-YEAR ENDED JUNE 30, 2010

14. RELATED PARTY TRANSACTIONS

The details of transactions with related parties during the period are as follows:

	June 30, 2010 ----- Rupees in `000 ----- (Unaudited)	December 31, 2009 ----- Rupees in `000 ----- (Audited)
<b>SUBSIDIARY</b>		
<b>Deposits:</b>		
At January 1	10,726	357
Deposit during the period	300,313	632,165
Withdrawal during the period	(292,150)	(621,796)
At June 30/ December 31	<u>18,889</u>	<u>10,726</u>
<b>Half year ended</b>		
	June 30, 2010 ----- Rupees in `000 ----- (Unaudited)	June 30, 2009 ----- Rupees in `000 ----- (Unaudited)
<b>Transactions, income and expenses:</b>		
Return on deposits expensed	3,838	2,828
<b>ASSOCIATES</b>		
<b>Financings:-</b>		
At January 1	-	-
Disbursed during the period	2,795	-
Repaid during the period	-	-
At June 30/ December 31	<u>2,795</u>	<u>-</u>
<b>Deposits:</b>		
At January 1	73,359	35,386
Deposit during the period	369,331	364,904
Withdrawal during the period	(345,917)	(326,931)
At June 30/ December 31	<u>96,773</u>	<u>73,359</u>
<b>Half year ended</b>		
	June 30, 2010 ----- Rupees in `000 ----- (Unaudited)	June 30, 2009 ----- Rupees in `000 ----- (Unaudited)
<b>Transactions, income and expenses:</b>		
Profit earned on financing	<u>2</u>	<u>-</u>
Return on deposits expensed	<u>2,782</u>	<u>1,116</u>

**NOTES TO THE INTERIM CONDENSED  
FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE HALF-YEAR ENDED JUNE 30, 2010

	<b>June 30, 2010</b>	December 31, 2009
	----- Rupees in `000 -----	
	<b>(Unaudited)</b>	(Audited)
<b><u>KEY MANAGEMENT PERSONNEL</u></b>		
<b><u>Financings:</u></b>		
At January 1	48,795	43,871
Disbursed during the period	7,158	15,000
Repaid during the period	(587)	(10,075)
At June 30	<u>55,366</u>	<u>48,796</u>
<b><u>Deposits:</u></b>		
At January 1	731	323
Deposit during the period	37,505	49,526
Withdrawal during the period	(26,311)	(49,118)
At June 30	<u>11,925</u>	<u>731</u>
<b>Half year ended</b>		
	<b>June 30, 2010</b>	June 30, 2009
	----- Rupees in `000 -----	
	<b>(Unaudited)</b>	(Unaudited)
<b><u>Transactions, income and expenses:</u></b>		
Profit earned on financing	1,126	1,008
Return on deposits expensed	164	60
Remuneration	22,238	20,687

**15. DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed financial statements were authorized for issue on August 25, 2010 by the Board of Directors of the Bank

**16. GENERAL**

16.1 The figures of interim condensed profit and loss account for quarters ended June 30, 2010 and June 30, 2009 have not been subjected to a limited scope review, as the scope of review covers only the cumulative figures for the half-years ended June 30, 2010 and June 30, 2009.

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

Consolidated Financial Statements  
of  
**BankIslami Pakistan Limited**  
for the Half Year Ended  
June 30, 2010



## DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the consolidated half yearly results of the Bank along with its subsidiary BankIslami Modaraba Investment Ltd. for the period ended June 30, 2010. The highlights of the half year under review are:

	(Rs. In millions)		
	<b>June-10</b>	<b>Dec-09</b>	<b>Growth (%)</b>
Total Deposits	33,055	27,912	18.4%
Total Assets	40,944	34,193	19.7%
Total Financing net	15,637	13,282	17.7%
Total Investment	6,406	6,653	(3.7%)
Share-holders equity	4,706	4,720	(0.3%)
Branches	102	102	
	<b>June-10</b>	<b>June-09</b>	
Basic Earnings/(loss) per share	(0.024)	(0.496)	95.2%

Our group performance remained satisfactory. The Group has been able to post growth in its deposits by (+ 18.4%), Financing (+ 17.7%) and total Assets increased by (+ 19.7%).

The Board would like to place on record its deep appreciation to the State Bank which has supported us with an un-wavering commitment. Gratitude is also due to the Securities and Exchange Commission. Finally, we are thankful to our employees and customers for their patronage and support.

On behalf of the Board

**Hasan A. Bilgrami**  
Chief Executive Officer  
August 25, 2010



## CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT June 30, 2010

June 30, 2010  
(Unaudited)  
December 31, 2009  
(Restated)  
Rupees in `000  
(Audited)

### ASSETS

Cash and balances with treasury banks	3,104,664	4,217,520
Balances with other banks	987,192	2,059,808
Due from financial institutions	10,590,504	4,018,813
Investments	6,405,988	6,653,447
Financings-net	15,637,112	13,282,152
Operating fixed assets	2,232,389	2,375,515
Deferred tax assets	392,008	366,566
Other assets	1,594,446	1,218,689
	<b>40,944,303</b>	<b>34,192,510</b>

### LIABILITIES

Bills payable	568,787	485,608
Due to financial institutions	1,171,200	156,160
Deposits and other accounts	33,054,969	27,911,651
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,442,924	918,705
	<b>36,237,880</b>	<b>29,472,124</b>
<b>NET ASSETS</b>	<b>4,706,423</b>	<b>4,720,386</b>

### REPRESENTED BY

Share capital	5,279,679	5,279,679
Reserves	-	-
Accumulated loss	(601,719)	(589,069)
	<b>4,677,960</b>	<b>4,690,610</b>
Surplus on revaluation of assets-net of tax	28,463	29,776
	<b>4,706,423</b>	<b>4,720,386</b>

### CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 7 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

## CONSOLIDATED INTERIM CONDENSED PROFIT AND LOSS ACCOUNT FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2010

	Quarter ended June 30, 2010	Half-year ended June 30, 2010	Quarter ended June 30, 2009 (Restated)	Half-year ended June 30, 2009 (Restated)
	Rupees in `000			
Profit /Return on financings, investments and placements earned	922,241	1,725,246	534,708	1,054,202
Return on deposits and other dues expensed	492,513	936,165	273,178	517,489
Net spread earned	429,728	789,081	261,530	536,713
(Reversal)/Provision against non-performing financings	(3,962)	(9,031)	43,894	67,795
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(3,962)	(9,031)	43,894	67,795
Net spread after provisions	433,690	798,112	217,636	468,918
<b>OTHER INCOME</b>				
Fee, Commission and Brokerage Income	20,213	45,147	1,870	12,853
Dividend Income	-	-	-	-
Income from dealing in foreign currencies	9,706	40,451	53,167	63,144
Gain / (Loss) on sale of securities	-	-	-	-
Unrealized Gain / (Loss) on revaluation of investments classified as held for trading	-	-	-	-
Other Income	15,380	23,594	8,580	12,645
Total other income	45,299	109,192	63,617	88,642
	478,989	907,304	281,253	557,560
<b>OTHER EXPENSES</b>				
Administrative expenses	483,096	922,710	426,652	823,637
Other provisions/write offs	-	-	-	-
Other charges	1,693	2,613	22,475	28,248
Total other expenses	484,789	925,323	449,127	851,885
	(5,800)	(18,019)	(167,874)	(294,325)
Extra ordinary/unusual items	-	-	-	-
	(5,800)	(18,019)	(167,874)	(294,325)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	(5,800)	(18,019)	(167,874)	(294,325)
Taxation – Current	14,399	19,364	443	718
- Prior years	-	-	-	-
- Deferred	(15,625)	(24,734)	11,440	(33,324)
	(1,226)	(5,370)	11,883	(32,606)
<b>PROFIT/(LOSS) AFTER TAXATION</b>	(4,574)	(12,649)	(179,757)	(261,719)
Accumulated loss brought forward	(597,508)	(589,070)	(186,582)	(104,620)
Transferred to Statutory Reserve	363	-	-	-
	(597,145)	(589,070)	(186,582)	(104,620)
Accumulated loss carried forward	(601,719)	(601,719)	(366,339)	(366,339)
<b>Basic &amp; Diluted Earnings/(Loss) per share (Rupees)</b>	(0.009)	(0.024)	(0.340)	(0.496)

The annexed notes 1 to 7 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



CONSOLIDATED INTERIM CONDENSED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED JUNE 30,2010

	Quarter ended June 30, 2010	Half-year ended June 30, 2010	Quarter ended June 30, 2009 (Restated)	Half-year ended June 30, 2009 (Restated)
	----- Rupees in ` 000 -----			
Loss after taxation	(4,574)	(12,649)	(179,757)	(261,719)
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss) for the period</b>	<u>(4,574)</u>	<u>(12,649)</u>	<u>(179,757)</u>	<u>(261,719)</u>

The annexed notes 1 to 7 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30,2010

	June,30 2010	June,30 2009 Restated
----- Rupees in `000 -----		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(18,019)	(294,325)
Add: Deferred cost incurred-net	-	-
Less: Dividend income	-	-
	(18,019)	(294,325)
Adjustments:		
Depreciation	167,260	148,312
Amortization	14,518	3,349
Depreciation on operating Ijara assets	33,020	11,387
(Reversa)/Provision against non-performing financings	(9,031)	67,795
Provision for Diminution in the value of investments/ other assets	-	-
Loss / (gain) on sale of property and equipments	(2,141)	99
Deferred cost amortized	8,041	8,041
	211,667	238,983
	193,648	(55,342)
(Increase)/ Decrease in operating assets		
Due from financial institutions	(6,571,691)	29,688
Financings	(2,378,949)	(1,692,575)
Others assets (excluding advance taxation and deferred cost)	(399,425)	(310,698)
	(9,350,064)	(1,973,585)
Increase/ (Decrease) in operating liabilities		
Bills payable	83,179	4,074
Due to financial institutions	1,015,040	(126,563)
Deposits and other accounts	5,143,318	8,123,912
Other liabilities	524,218	107,536
	6,765,755	8,108,959
	(2,390,661)	6,080,032
Income tax paid	(3,738)	(3,744)
Net cash flow from operating activities	(2,394,399)	6,076,288
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities - net	245,438	(2,141,046)
Investment in subsidiaries	-	-
Dividend received	-	-
Investments in operating fixed assets	(41,938)	(412,049)
Sale proceeds of property and equipment disposed-off	5,427	987
Net cash flow from investing activities	208,927	(2,552,108)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	-	-
Net cash flow from financing activities	-	-
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(2,185,472)</b>	<b>3,524,180</b>
Cash and cash equivalents at beginning of the year	6,277,328	4,383,058
Cash and cash equivalents at end of the year	<b>4,091,856</b>	<b>7,907,238</b>

The annexed notes 1 to 7 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED JUNE 30, 2010 (UNAUDITED)

	Share capital	Accumulated loss	Total
	Rupees in `000		
<b>Opening Balance January 01, 2009 - as previously reported</b>	5,279,679	(101,364)	5,178,315
Effect for change in accounting policy	-	(3,256)	(3,256)
<b>Opening Balance January 01, 2009 (Restated)</b>	5,279,679	(104,620)	5,175,059
Loss for the period ended June 30, 2009	-	(261,719)	(261,719)
<b>Balance as at June 30, 2009 (Restated)</b>	5,279,679	(366,339)	4,913,340
Loss for the period ended Dec 31, 2009	-	(222,731)	(222,731)
<b>Balance Dec 31, 2009 (Restated)</b>	5,279,679	(589,070)	4,690,609
Loss for the period ended June 30, 2010	-	(12,649)	(12,649)
Other Comprehensive income	-	-	-
Total comprehensive loss for the half year ended June 30, 2010	-	(12,649)	(12,649)
<b>Balance as at June 30, 2010</b>	5,279,679	(601,719)	4,677,960

The annexed notes 1 to 7 form an integral part of these financial statements.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2010 (UNAUDITED)

### 1. STATUS AND NATURE OF BUSINESS

- 1.1** BankIslami Pakistan Limited was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The Bank commenced its operations from April 07, 2006. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with one hundred and two branches including thirty two sub-branches (December 31, 2009: 102 branches) as at June 30, 2010.
- 1.2** The State Bank of Pakistan (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 minimum capital requirement (net of losses) as of December 31, 2009 was Rs.6 billion and for the current year ending December 31, 2010 is Rs. 7 billion. The paid up capital of the Bank (net of losses) as of June 30, 2010 amounts to Rs 4.678 billion. The Board of BIPL has decided to meet the capital requirement of the Bank by either acquiring another bank through cash-cum-share deal or in case it does not work out, issue right shares. Further, the Bank has applied for relaxation to the SBP in respect of MCR based on the above decisions of the Bank's Board of Directors and that the Bank's CAR as at June 30, 2010 stands at 17.22% (un-audited) in comparison to the CAR requirement of 10%.

Based on the above, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

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

### 2. BASIS OF PRESENTATION

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2010 (UNAUDITED)

### 3. STATEMENT OF COMPLIANCE

- 3.1** These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or regulations / directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.
- 3.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS-7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.
- 3.3** The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting" and do not include all of the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2009.

### 4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1** The accounting policies and method of computation adopted in preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's financial statements for the year ended December 31, 2009.

During the period, the Group has changed its accounting policy in respect of 'revenue recognition on Istisna'. The Group now recognizes profit on Istisna'a financing from time of sale of goods till the realization of sale proceeds by the Group. The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting estimates and Errors". Previously, profit from Istisna'a were recognized on time proportion basis from the date of the contract till the realization of the sale proceeds by the Group.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED JUNE 30, 2010 (UNAUDITED)

The change in accounting policy has the following effects on these Interim condensed financial statements.

	Half year ended 30, June 2010 (Rupees '000)
Decrease in other assets	29,496
Increase in deferred tax assets	10,195
Increase in accumulated loss	19,271
Increase in loss for the period	4,309

**4.2** In addition to above, following new/ revised standards, amendments and interpretations to accounting standards became effective during the period:

- IFRS-2 Share Based payment: Amendments relating to Group Cash Settled Share Based Payment Transactions
- IFRS-3 Business Combination (revised)
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 17 Distribution of Non Cash Assets to owner

The adoption of the above said standards, amendments and interpretations did not have any affect on the interim condensed consolidated financial statements of the Group.

**5 BASIS OF CONSOLIDATION**

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

**5.1 Business combinations**

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED JUNE 30, 2010 (UNAUDITED)

**5.2 Goodwill**

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

**6 DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed financial statements were authorized for issue on August 25, 2010 by the Board of Directors of the Bank.

**7 GENERAL**

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director