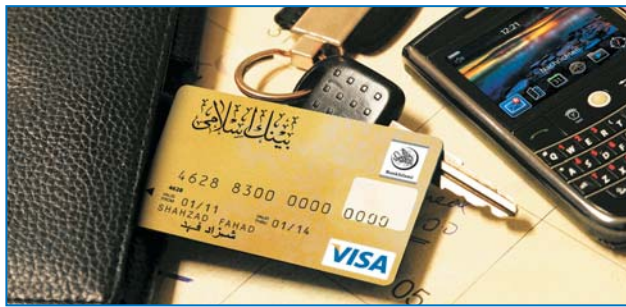


بینک اسلامی



BankIslami



Serving you,
the Right way

Half Yearly Report
June 30, **2012**

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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. Ali Hussain	
Mr. Hasan A Bilgrami	Chief Executive Officer
Mr. Shabir Ahmed Randeree	
Mr. Abdulhakim Habib Mansoor Binherz	
* Mr. Abdulla Abdulkarim Abdulla Showaiter	

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. 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

Risk Management Committee

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

Human Resource & Compensation Committee

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

Company Secretary

Syed Shah Sajid Hussain

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Adviser

Haidermota & Co.
Barrister at Law

* Subject to SBP approval

Management (in alphabetical order)

Mr. Ahmed Mustafa	Head, Branch Operations
Mr. Arsalan Vohra	Head, Risk Policy & Analytics
Mr. Arshad Wahab Zuberi	Head, Administration and General Service
Mr. Asad Alim	Head, Information Systems
Mr. Farooq Anwar	Head, Operations
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Khawaja Ehrar ul Hassan	Head, Compliance & Legal
Mr. Muhammad Faisal Shaikh	Head, Product Development
Mr. Muhammad Furqan	Head, Credit Administration
Mr. Muhammad Imran	Head, Consumer & Retail Banking
Mr. Muhammad Shoaib Khan	Head, Treasury & Financial Institutions
Mr. Rehan Shuja Zaidi	Head, Internal Audit
Mr. Shamshad Ahmed	Head, Trade Finance
Ms. Sheba Matin Khan	Head, Human Resources
Mr. Syed Akhtar Ausaf	Head, Risk Management
Mr. Syed Mujtaba H. Kazmi	Head, Corporate Finance
Mr. Syed Shah Sajid Hussain	Head, Finance

Registered Office

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

Share Registrar

Technology Trade (Private) Limited
Dagja House, 241-C, Block-2,
P.E.C.H.S. Off Shahra-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 accounts of the Bank for the period ended June 30, 2012. Following are the highlights:

	June 30, 2012	June 30, 2011	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	54,530	44,474	22.6
Total Assets	63,094	51,898	21.6
Total Financing - net	17,729	15,490	14.5
Total Investments	24,231	17,976	34.8
Shareholder's Equity	5,381	4,878	10.3
Branches	104	102	2.0
Basic Earnings per share - Rupees	0.434	0.241	80.1

The most significant highlight of the reporting period is wiping off all the accumulated losses by the Bank. By Allah's Grace, BankIslami is the first start up Bank to do so. This becomes even more significant as BankIslami used the least amount of capital, created one of the largest networks with one of the lowest infection ratio. There is also significant appreciation in the real estate which is in use of the Bank which in the opinion of the management is estimated to be between Rs.1.00 to Rs. 1.50 per share. We bow our heads in gratitude before Allah swt for making this possible.

Operating performance of the Bank remained on target despite of increase in minimum rate on saving accounts by State Bank of Pakistan and reduction in discount rate. Islamic Banks are somewhat disadvantaged as they are required to pay on the daily product basis as compared to Conventional Banks who have the flexibility to pay on minimum balances. The Bank managed its operating cost extremely well and it has remained flat in the last one year despite of a 21.6% increase in assets, 22.6% increase in deposits and double digit inflation. This efficiency was achieved by deploying better processes and effective expense management. Going forward, the Bank is confident of reporting better results Insha'Allah consistently despite of major network expansion.

BankIslami also commenced its network expansion this quarter. The Bank is planning to add 37 more branches this year and another 60 next year to take the network to 200 Insha'Allah by end of 2013. We also expect to double our asset base by December 2013.

State Bank of Pakistan has kindly granted us an exemption of meeting the Minimum Capital Requirement till December 31, 2012. Meanwhile, the decision of State Bank of Pakistan on proposed rights issue is still awaited.

Moreover, BankIslami has been assigned a long term entity rating of 'A' and short term rating of 'A1' by Pakistan Credit Rating Agency Limited (PACRA).

Finally, we would like to place on record our appreciation to the State Bank of Pakistan for its continued support, guidance and understanding. Dedication and commitment of employees is also noted with gratitude.

On behalf of the Board,

Hasan A. Bilgrami
Chief Executive Officer
August 31, 2012

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **BankIslami Pakistan Limited** as at June 30, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2012.

Scope of Review

We conducted our review in accordance with 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 condensed interim financial information as of and for the half year ended June 30, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter paragraph

We draw attention to note 1.2 to the condensed interim financial information which describes the matter relating to extension granted by the State Bank of Pakistan (SBP) in timeline for meeting the Bank's Minimum Capital Requirement (free of losses) by December 31, 2012. Our conclusion is not qualified in respect of this matter.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: August 31, 2012
Karachi

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2012

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
Note	----- Rupees in `000 -----	
ASSETS		
Cash and balances with treasury banks	3,726,527	4,684,826
Balances with other banks	8 610,607	549,277
Due from financial institutions	9 7,557,392	4,436,264
Investments - net	10 24,231,258	21,067,082
Financings-net	11 17,729,244	20,110,401
Operating fixed assets	12 1,758,345	1,811,628
Deferred tax assets	13 181,385	188,130
Other assets	7,298,868	5,973,706
	63,093,626	58,821,314
LIABILITIES		
Bills payable	985,013	798,853
Due to financial institutions	14 712,200	800,000
Deposits and other accounts	15 54,530,285	50,568,785
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,485,413	1,341,038
	57,712,911	53,508,676
NET ASSETS	5,380,715	5,312,638
REPRESENTED BY		
Share capital	5,279,679	5,279,679
Reserves	91,221	91,221
Unappropriated profit / (Accumulated losses)	2,056	(227,340)
	5,372,956	5,143,560
Surplus on revaluation of assets - net of tax	16 7,759	169,078
	5,380,715	5,312,638
CONTINGENCIES AND COMMITMENTS	17	

The annexed notes 1 to 24 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 HALF YEAR ENDED JUNE 30, 2012

	Note	Quarter ended		Half year ended	
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
----- Rupees in `000 -----					
Profit / return on financings, investments and placements earned	18	1,552,540	1,364,595	2,972,318	2,572,721
Return on deposits and other dues expensed		860,301	702,003	1,683,111	1,339,816
Net spread earned		692,239	662,592	1,289,207	1,232,905
Provision against non-performing financings	11.4	11,409	64,445	17,094	70,780
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		11,409	64,445	17,094	70,780
Net spread after provisions		680,830	598,147	1,272,113	1,162,125
OTHER INCOME					
Fee, commission and brokerage income		40,334	23,485	82,274	41,008
Dividend income		-	-	-	-
Income from dealing in foreign currencies		19,561	29,820	43,851	35,814
Gain on sale of securities		3,558	-	3,558	-
Other income		10,629	8,829	18,312	23,335
Total other income		74,082	62,134	147,995	100,157
		754,912	660,281	1,420,108	1,262,282
OTHER EXPENSES					
Administrative expenses		555,959	554,562	1,080,134	1,080,217
Other provisions		397	250	397	250
Other charges		598	1,265	979	2,453
Total other expenses		556,954	556,077	1,081,510	1,082,920
		197,958	104,204	338,598	179,362
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		197,958	104,204	338,598	179,362
Taxation					
-Current		652	15,525	15,589	27,898
-Prior years		-	-	-	-
-Deferred		59,708	10,474	93,613	24,139
		60,360	25,999	109,202	52,037
PROFIT AFTER TAXATION		137,598	78,205	229,396	127,325
Accumulated losses brought forward		(135,542)	(515,689)	(227,340)	(554,985)
Transferred to statutory reserve		-	9,824	-	-
Unappropriated profit / (Accumulated losses) carried forward		2,056	(427,660)	2,056	(427,660)
Basic and diluted earnings per share - (Rupee)	19	0.261	0.148	0.434	0.241

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2012

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Profit after taxation	137,598	78,205	229,396	127,325
Components of comprehensive income not reflected in equity				
Deficit on revaluation of available for sale securities - net of tax	(8,776)	(15,684)	(161,319)	(15,680)
Total comprehensive income	128,822	62,521	68,077	111,645

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		338,598	179,362
Adjustments for:			
Depreciation - Own assets		145,137	153,598
Depreciation - Operating Ijarah assets		183,976	107,931
Amortisation of intangible assets		10,424	14,213
Provision against non-performing financings		17,094	70,780
Provision against other assets		397	250
Gain on sale of operating fixed assets		(2,247)	(10,075)
Deferred cost amortised		-	4,086
		<u>354,781</u>	<u>340,783</u>
		693,379	520,145
(Increase) / decrease in operating assets			
Due from financial institutions		(3,121,128)	(2,999,102)
Financings		2,180,087	1,001,258
Others assets (excluding advance taxation and deferred cost)		(1,309,649)	(531,649)
		<u>(2,250,690)</u>	<u>(2,529,493)</u>
Increase / (decrease) in operating liabilities			
Bills payable		186,160	38,962
Due to financial institutions		(87,800)	247,000
Deposits and other accounts		3,961,500	6,275,812
Other liabilities (excluding current taxation)		144,375	188,733
		<u>4,204,235</u>	<u>6,750,507</u>
		2,646,924	4,741,159
Income tax paid		(31,499)	(27,237)
Net cash generated from operating activities		<u>2,615,425</u>	<u>4,713,922</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(3,412,365)	(4,268,476)
Investments in operating fixed assets - net		(103,249)	(60,824)
Proceeds realised on disposal of operating fixed assets		3,220	26,528
Net cash used in investing activities		<u>(3,512,394)</u>	<u>(4,302,772)</u>
Increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		5,234,103	3,604,770
Cash and cash equivalents at end of the period	20	<u>4,337,134</u>	<u>4,015,920</u>

The annexed notes 1 to 24 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 HALF YEAR ENDED JUNE 30, 2012

	Share Capital	Statutory Reserve	Unappropriated Profit	Total
	----- Rupees in ` 000 -----			
Balance as at January 01, 2011	5,279,679	9,310	(554,985)	4,734,004
Profit after taxation for the half year ended June 30, 2011	-	-	127,325	127,325
Balance as at June 30, 2011	<u>5,279,679</u>	<u>9,310</u>	<u>(427,660)</u>	<u>4,861,329</u>
Profit after taxation for the half year ended December 31, 2011	-	-	282,231	282,231
Transferred to statutory reserve	-	81,911	(81,911)	-
Balance as at December 31, 2011	<u>5,279,679</u>	<u>91,221</u>	<u>(227,340)</u>	<u>5,143,560</u>
Profit after taxation for the half year ended June 30, 2012	-	-	229,396	229,396
Balance as at June 30, 2012	<u>5,279,679</u>	<u>91,221</u>	<u>2,056</u>	<u>5,372,956</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

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

The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange (Guarantee) Limited. The Bank is operating with 104 branches including 33 sub-branches (December 31, 2011: 102 branches including 32 sub-branches) as at June 30, 2012. 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.7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. As per this circular, MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as of December 31, 2011 was Rs 8 billion and 10% respectively. However, the paid-up capital of the Bank (free of losses) as of June 30, 2012 amounts to Rs 5.280 billion.

Last year 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 Capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/CSD/546/2012 dated January 13, 2012 had advised the Bank to complete the right issue as principally agreed by the BOD in its meeting held on February 7, 2011 by June 30, 2012 to achieve the paid up capital (free of losses) of at least Rs 6 billion. Any further extension in timeline for meeting MCR would be considered once paid up capital (free of losses) of Rs 6 billion is achieved.

During the current period, the Bank has applied to the State Bank of Pakistan (SBP) for further increasing the timeline for a suitable period as the request for approval of right shares (submitted by the Bank with SBP) is currently pending with the SBP. The SBP vide its letter no. BSD/CSD/9905/12/2012 dated August 17, 2012 has extended the timeline till December 31, 2012 for meeting paid up capital (free of losses) of Rs 6 billion.

2 BASIS OF PRESENTATION

The Bank provides financing through Shariah compliant financial products. The transactions of purchases, sales and leases executed 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 rental / profit thereon. However, Murabaha transactions are accounted for under the Islamic Financial Accounting Standard – 1. Income, if any, received which does not comply with the principles of Shariah is segregated and recognised as charity payable if so directed by the Sharia Advisory / Sharia Supervisory Board.

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 as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, Islamic Financial Accounting Standards (IFAS) or the directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, Islamic Financial Accounting Standards (IFAS) or the requirements of the said directives issued by the SECP and SBP prevail.
- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 The disclosures made in the condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 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, 2011.
- 3.4 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.

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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

5 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Bank operates. This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011.

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, 2011.

		(Un-audited) June 30, 2012	(Audited) December 31, 2011
	Note	----- Rupees in `000 -----	
8 BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		17,650	15,206
- Deposit accounts		116	113
		17,766	15,319
Outside Pakistan			
- Current accounts		498,292	533,958
- Deposit accounts		94,549	-
		<u>610,607</u>	<u>549,277</u>

9 DUE FROM FINANCIAL INSTITUTIONS

Sukuk Murahaba		6,418	6,418
Commodity Murahaba - local currency	9.1	7,557,392	3,911,264
		7,563,810	3,917,682
Musharaka Placement		-	525,000
Provision against Sukuk Murahaba		(6,418)	(6,418)
		<u>7,557,392</u>	<u>4,436,264</u>

9.1 The Bank has entered into Commodity Murahaba agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rate on the agreement ranges between 11.85% to 12.00% (December 31, 2011: 10.75% to 12.50%) per annum and the agreement have a maturity ranging from 4 days to 65 days (December 31, 2011: 2 days to 16 days).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

10 INVESTMENTS	(Un-audited)			(Audited)		
	June 30, 2012			December 31, 2011		
10.1 Investments by type	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
Available for sale securities						
- Sukuk Certificates	24,043,291	-	24,043,291	20,630,926	-	20,630,926
- Mutual Fund						
Open end mutual funds	15	-	15	15	-	15
Closed end mutual fund	6	-	6	6	-	6
	24,043,312	-	24,043,312	20,630,947	-	20,630,947
Subsidiary						
- Bankislami modaraba - unlisted company	191,015	-	191,015	191,015	-	191,015
Investments at cost	24,234,327	-	24,234,327	20,821,962	-	20,821,962
Less : Provision for diminution						
In value of investments	(15,000)	-	(15,000)	(15,000)	-	(15,000)
Investments (Net of Provisions)	24,219,327	-	24,219,327	20,806,962	-	20,806,962
Surplus on revaluation of available for sale securities	11,931	-	11,931	260,120	-	260,120
Total investments at market value	24,231,258	-	24,231,258	21,067,082	-	21,067,082

10.2 Particulars of provision for diminution in the value of investments	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
Rupees in `000			
Opening balance		15,000	15,000
Charge for the period		-	-
Reversals during the period		-	-
Closing balance		15,000	15,000

11 FINANCINGS			
Financings- In Pakistan			
- Murabaha	11.1	5,735,955	6,343,955
- Istisn'a	11.2	2,119,000	2,630,000
- Diminishing Musharka-Housing		1,545,624	1,562,950
- Diminishing Musharka-Others		5,483,403	6,280,778
- Payment Against Document		5,070	65,452
- Post Due Acceptance		36,241	53,397
- Musawama Financings		1,010,000	1,427,500
- Financings to employees		566,488	511,687
		16,501,781	18,875,719
Housing finance portfolio		149,200	156,111
Net investment in Ijarah financing In Pakistan		295,884	371,701
Net book value of assets / investment in ijarah under IFAS 2		1,149,868	1,057,265
Financing - gross		18,096,733	20,460,796
Provision for non-performing Financings			
- Specific		(336,029)	(321,423)
- General		(31,460)	(28,972)
Financing - net of provision		17,729,244	20,110,401

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

- 11.1 Murahaba includes financings amounting to Rs 99.999 million (December 31, 2011: Rs 99.999 million) against Murahaba under Islamic Export Refinance Scheme.
- 11.2 Istisna includes financing amounting to Rs 232.2 million (December 31, 2011: Rs 350 million) against istisn'a under Islamic Export Refinance Scheme.
- 11.3 Financing includes Rs 791.761 million (December 31, 2011: Rs 799.001 million) which have been placed under non-performing status as follows:

June 30, 2012 (Un-audited)					
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Category of Classification					
Substandard	55,315	-	55,315	842	842
Doubtful	59,920	-	59,920	2,130	2,130
Loss	676,526	-	676,526	333,057	333,057
	<u>791,761</u>	<u>-</u>	<u>791,761</u>	<u>336,029</u>	<u>336,029</u>
December 31, 2011 (Audited)					
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Category of Classification					
Substandard	71,810	-	71,810	1,816	1,816
Doubtful	67,648	-	67,648	848	848
Loss	659,543	-	659,543	318,759	318,759
	<u>799,001</u>	<u>-</u>	<u>799,001</u>	<u>321,423</u>	<u>321,423</u>

- 11.4 Particulars of provision against non-performing financings:

June 30, 2012 (Un-audited)			
	Specific	General	Total
	Rupees in '000		
Opening balance	321,423	28,972	350,395
Charge for the period	33,375	2,488	35,863
Reversals	(18,769)	-	(18,769)
	<u>14,606</u>	<u>2,488</u>	<u>17,094</u>
Closing balance	<u>336,029</u>	<u>31,460</u>	<u>367,489</u>
December 31, 2011 (Audited)			
	Specific	General	Total
	Rupees in '000		
Opening balance	296,681	32,291	328,972
Charge for the year	101,528	-	101,528
Reversals	(76,786)	(3,319)	(80,105)
	<u>24,742</u>	<u>(3,319)</u>	<u>21,423</u>
Closing balance	<u>321,423</u>	<u>28,972</u>	<u>350,395</u>

11.4.1 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.

	(Un-audited) Half year ended	
	June 30, 2012	June 30, 2011
	----- Rupees in `000 -----	
12 OPERATING FIXED ASSETS		
12.1 Additions/ Transfer out to operating fixed assets		
Furniture and fixture	14,250	3,331
Electrical, office and computer equipments	83,040	37,329
Vehicles	140	-
Capital work-in-progress	3,011	46
12.2 Intangibles		
Computer Software	2,808	20,118
12.3 Disposals of operating fixed assets		
Furniture and fixture	-	201
Electrical, office and computer equipments	2,654	125
Vehicles	3,267	16,126

13 DEFERRED TAX ASSET - NET

The Bank has an aggregate amount of Rs 1,024.025 million (December 31, 2011 : 1,148.569 million) unabsorbed tax losses as at June 30, 2012. The management has recognised deferred tax debit balance on the entire amount of these losses based on management's best estimate of the probable benefit expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profit earned in these years against losses carried forward from prior years. The deferred tax asset has been recognised based on financial projections for future years as the management expects to generate sufficient taxable profits to utilize the deferred tax asset.

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
14 DUE TO FINANCIAL INSTITUTIONS		
In Pakistan	712,200	800,000
Outside Pakistan	-	-
	<u>712,200</u>	<u>800,000</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
15 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	25,997,188	24,541,027
Savings deposits	17,265,868	14,257,250
Current accounts - Non-remunerative	10,253,771	10,101,628
Margin accounts-Non remunerative	119,681	97,270
	<u>53,636,508</u>	48,997,175
Financial institutions		
Remunerative deposits	877,256	1,524,716
Non-remunerative deposits	16,521	46,894
	<u>893,777</u>	1,571,610
	<u>54,530,285</u>	50,568,785
	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
16 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Surplus on revaluation of available for sale securities		
Sukuk Certificates	11,920	260,113
Mutual Fund	11	7
	<u>11,931</u>	260,120
Less: Related deferred tax liability	<u>(4,172)</u>	(91,042)
	<u>7,759</u>	169,078
17 CONTINGENCIES AND COMMITMENTS		
17.1 Transaction-related Contingent Liabilities		
Guarantees favouring		
Government	856,024	689,949
Others	687,331	631,196
	<u>1,543,355</u>	1,321,145
17.2 Trade-related contingent liabilities		
Import letters of Credit	2,857,540	1,725,823
Acceptances	604,170	235,229
	<u>3,461,710</u>	1,961,052
17.3 Claims not acknowledged as debt	<u>842,707</u>	842,707

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
17.4 Commitments in respect of promises		
Purchase	<u>800,786</u>	<u>93,574</u>
Sale	<u>699,445</u>	<u>127,607</u>
17.5 Commitments for the acquisition of operating fixed assets	<u>7,824</u>	<u>4,779</u>

17.6 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.

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
17.7 Other commitments		
Bills for collection	<u>381,161</u>	<u>244,596</u>
	(Un-audited) Half year ended	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
	----- Rupees in `000 -----	

**18 PROFIT / RETURN ON FINANCINGS,
INVESTMENTS AND PLACEMENTS EARNED**

On Financings to:		
Customers	<u>1,363,554</u>	1,243,876
Financial Institutions	<u>367,353</u>	301,384
	<u>1,730,907</u>	1,545,260
On Investments - available for sale securities	<u>1,217,724</u>	1,009,937
On deposits / placements with financial institutions	<u>11,354</u>	8,609
Others	<u>12,333</u>	8,915
	<u>2,972,318</u>	<u>2,572,721</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
19 EARNINGS PER SHARE - Basic and Diluted	Rupees in `000			
Profit after taxation for the period	137,598	78,205	229,396	127,325
	Number of shares			
Weighted average number of ordinary shares	527,967,898	527,967,898	527,967,898	527,967,898
	Rupees			
Basic and diluted earnings per share	0.261	0.148	0.434	0.241

19.1 There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2012 and June 30, 2011.

	Note	(Un-audited) Half year ended	
		June 30, 2012	June 30, 2011
20 CASH AND CASH EQUIVALENTS		Rupees in `000	
Cash and balances with treasury bank		3,726,527	3,523,871
Balances with other banks	8	610,607	492,049
		4,337,134	4,015,920

21 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
	Rupees in '000				
For the half year ended June 30, 2012 (Un-audited)					
Total income	326,784	1,771,142	951,572	70,815	3,120,313
Total expenses	30,792	1,590,646	724,118	436,159	2,781,715
Net income/(loss) before tax	295,992	180,496	227,454	(365,344)	338,598
As at June 30, 2012 (Un-audited)					
Segment Assets (Gross)	37,500,824	7,877,872	16,027,276	2,151,797	63,557,768
Segment Non Performing Assets	74,790	337,653	515,964	3	928,411
Segment Provision Required	34,790	176,270	253,079	3	464,142
Segment Liabilities	702,747	38,767,739	18,196,468	45,957	57,712,911
Segment Return on Assets (ROA) (%)	1.58%	4.58%	2.84%	-	-
Segment Cost of funds (%)	9.96%	6.76%	9.04%	-	-
For the half year ended June 30, 2011 (Un-audited)					
Total Income	168,898	1,674,163	806,673	23,144	2,672,878
Total Expenses	17,154	1,371,600	656,613	448,149	2,493,516
Net income/(loss) before tax	151,744	302,563	150,060	(425,005)	179,362
As at December 31, 2011 (Audited)					
Segment Assets (Gross)	31,232,461	7,122,755	18,773,042	2,139,706	59,267,964
Segment Non Performing Financing	74,790	324,240	536,214	12	935,256
Segment Provision Required	34,790	183,848	228,000	12	446,650
Segment Liabilities	618,920	34,973,402	17,859,572	56,782	53,508,676
Segment Return on Assets (ROA) (%)	1.68%	6.95%	2.28%	-	-
Segment Cost of funds (%)	12.76%	6.81%	8.33%	-	-

22 RELATED PARTY TRANSACTIONS

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

The Bank has related party relationship with its shareholders, directors, associated undertakings, employee benefit plans, and its key management personnel (including their associates).

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 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.

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

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- Rupees in ` 000 -----	
SUBSIDIARY		
Deposits:		
Opening balance	99,434	88,555
Deposit during the period	1,398,066	1,433,972
Withdrawal during the period	(1,395,401)	(1,423,093)
Closing balance	<u>102,099</u>	<u>99,434</u>
	(Un-audited) Half year ended	
	June 30, 2012	June 30, 2011
	----- Rupees in ` 000 -----	
Transactions, income and expenses:		
Return on deposits expensed	1,854	4,912

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

	(Un-audited)	(Audited)
	June 30, 2012	December 31, 2011
----- Rupees in ` 000 -----		
ASSOCIATES		
Financings:		
Opening balance	* 56,716	167,663
Disbursed during the period	12,451	66,122
Repaid during the period	(14,488)	(11,943)
Closing balance	54,679	221,842

* Adjustment has been made in respect of an entity which is no more an associate.

Deposits:		
Opening balance	118,676	123,065
Deposit during the period	216,276	598,059
Withdrawal during the period	(292,242)	(602,448)
Closing balance	42,710	118,676

	(Un-audited) Half year ended	
	June 30, 2012	June 30, 2011
----- Rupees in ` 000 -----		
Transactions, income and expenses:		
Profit earned on financing	14,309	14,271
Return on deposits expensed	2,529	3,866
Repair and maintenance	26,161	28,381

	(Un-audited)	(Audited)
	June 30, 2012	December 31, 2011
----- Rupees in ` 000 -----		
KEY MANAGEMENT PERSONNEL		
Financings:		
Opening balance	78,084	61,167
Disbursed during the period	14,020	21,149
Repaid during the period	(2,689)	(4,232)
Closing balance	89,415	78,084

Deposits:		
Opening balance	4,565	16,563
Deposit during the period	39,215	94,531
Withdrawal during the period	(39,600)	(106,529)
Closing balance	4,180	4,565

	(Un-audited) Half year ended	
	June 30, 2012	June 30, 2011
	----- Rupees in `000 -----	
<u>Transactions, income and expenses:</u>		
Profit earned on financing	1,607	1,343
Return on deposits expensed	156	207
Remuneration	33,717	33,903
<u>Employee Benefit plans</u>		
Contribution to Employees Gratuity Fund	11,062	11,337
Contribution to Employees Provident Fund	14,054	12,254

23 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 31, 2012 by the Board of Directors of the Bank.

24 GENERAL

24.1 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.

24.2 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, 2012



DIRECTORS' REPORT (CONSOLIDATED)

On behalf of the Board, I am pleased to present the financial results of the group for the period ended June 30, 2012. Following are the highlights:

	June 30, 2012	June 30, 2011	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	54,428	44,380	22.64%
Total Assets	62,990	51,798	21.61%
Total Financing-net	17,729	15,490	14.45%
Total Investments	24,055	17,805	35.10%
Shareholder's Equity	5,377	4,872	10.36%
Branches	104	102	2.0%
Basic Earnings per share - rupees	0.439	0.233	88.4%

Our group performance remained satisfactory. The group has been able to post growth in its deposit by 22.64%, Investment by 35.10% and Assets by 21.61%.

Finally, we would like to place on record our appreciation to State Bank of Pakistan for continued support, guidance as well as understanding.

On behalf of the Board,

Hasan A. Bilgrami
Chief Executive Officer

August 31, 2012

CONDENSED INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT JUNE 30, 2012

(Un-audited) (Audited)
 June 30, December 31,
 2012 2011
 ----- Rupees in `000 -----

ASSETS

Cash and balances with treasury banks	3,726,527	4,684,831
Balances with other banks	610,751	549,411
Due from financial institutions	7,557,392	4,436,264
Investments	24,055,309	20,891,908
Financings-net	17,729,244	20,110,401
Operating fixed assets	1,764,132	1,816,863
Deferred tax assets	181,667	188,442
Other assets	7,364,507	6,038,413
	62,989,529	58,716,533

LIABILITIES

Bills payable	985,013	798,853
Due to financial institutions	712,200	800,000
Deposits and other accounts	54,428,186	50,468,674
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,486,851	1,342,233
	57,612,250	53,409,760
NET ASSETS	5,377,279	5,306,773

REPRESENTED BY

Share capital	5,279,679	5,279,679
Reserves	91,221	91,221
Accumulated losses	(1,502)	(233,205)
	5,369,398	5,137,695
Surplus on revaluation of assets-net of tax	7,881	169,078
	5,377,279	5,306,773

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 7 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 HALF YEAR ENDED JUNE 30, 2012

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	----- Rupees in `000 -----			
Profit / return on financings, investments and placements earned	1,552,957	1,365,303	2,973,188	2,574,146
Return on deposits and other dues expensed	857,903	699,439	1,678,209	1,334,824
Net spread earned	695,054	665,864	1,294,979	1,239,322
Provision against non-performing financings	11,409	64,445	17,094	70,780
Provision against investments and lending	-	1,195	-	1,195
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	11,409	65,640	17,094	71,975
Net spread after provisions	683,645	600,224	1,277,885	1,167,347
OTHER INCOME				
Fee, commission and brokerage Income	40,334	23,485	82,274	41,008
Dividend income	-	-	-	-
Income from dealing in foreign currencies	19,561	29,820	43,851	35,814
Gain on sale of securities	3,558	-	3,558	-
Other income	10,630	8,734	18,313	23,271
Total other income	74,083	62,039	147,996	100,093
	757,728	662,263	1,425,881	1,267,440
OTHER EXPENSES				
Administrative expenses	557,105	555,181	1,082,816	1,081,274
Other provisions	397	250	397	250
Other charges	598	1,265	979	2,453
Total other expenses	558,100	556,696	1,084,192	1,083,977
	199,628	105,567	341,689	183,463
Extra ordinary / unusual items	-	-	-	-
Profit before taxation	199,628	105,567	341,689	183,463
Taxation				
-Current	1,105	16,275	16,409	29,374
-Prior years	-	-	-	-
-Deferred	59,689	17,415	93,577	31,068
	60,794	33,690	109,986	60,442
PROFIT AFTER TAXATION	138,834	71,877	231,703	123,021
Accumulated Losses brought forward	(140,336)	(515,215)	(233,205)	(556,130)
Transferred to Statutory Reserve	-	10,229	-	-
Accumulated Losses carried forward	(1,502)	(433,109)	(1,502)	(433,109)
Basic / diluted earnings per share - (Rupee)	0.263	0.136	0.439	0.233

The annexed notes 1 to 7 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 HALF YEAR ENDED JUNE 30, 2012

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	----- Rupees in ` 000 -----			
Profit after taxation	138,834	71,877	231,703	123,021
Components of comprehensive income not reflected in equity				
Surplus on revaluation of available for sale securities - net of tax	(8,654)	(14,996)	(161,197)	(15,677)
Total comprehensive income for the period	<u>130,180</u>	<u>56,881</u>	<u>70,506</u>	<u>107,344</u>

The annexed notes 1 to 7 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 HALF YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- Rupees in ` 000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	341,689	183,463
Adjustments for:		
Depreciation - Own assets	144,585	152,617
Amortisation of intangible asset	10,424	14,213
Depreciation - Operating Ijara assets	183,976	107,931
Provision against non-performing financings	17,094	70,780
Provision against investment and lending	-	1,195
Provision against other assets	397	250
Gain on sale of fixed assets	(2,247)	(10,075)
Deferred cost amortised	-	4,086
	<u>354,229</u>	<u>340,997</u>
	695,918	524,460
(Increase) / decrease in operating assets		
Due from financial institutions	(3,121,128)	(2,999,102)
Financings	2,180,086	1,001,258
Others assets (excluding advance taxation and deferred cost)	(1,309,904)	(532,890)
	<u>(2,250,946)</u>	<u>(2,530,734)</u>
Increase / (decrease) in operating liabilities		
Bills payable	186,160	38,962
Repayments / borrowings from financial institutions	(87,800)	247,000
Deposits and other accounts	3,959,512	6,270,299
Other liabilities (excluding current taxation)	144,618	188,068
	<u>4,202,490</u>	<u>6,744,329</u>
	2,647,462	4,738,055
Income tax paid	(32,992)	(28,058)
Net cash generated from / (used in) operating activities	<u>2,614,470</u>	<u>4,709,997</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(3,411,403)	(4,265,600)
Investments in operating fixed assets - net	(103,251)	(60,823)
Proceeds realised on disposal of operating fixed assets	3,220	26,528
Net cash (used in) / generated from investing activities	<u>(3,511,434)</u>	<u>(4,299,895)</u>
Increase / (decrease) in cash and cash equivalents	<u>(896,964)</u>	410,102
Cash and cash equivalents at beginning of the period	5,234,242	3,606,011
Cash and cash equivalents at end of the period	<u>4,337,278</u>	<u>4,016,113</u>

The annexed notes 1 to 7 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 HALF YEAR ENDED JUNE 30, 2012

	Share Capital	Statutory Reserve	Accumulated Losses	Total
	----- Rupees in `000 -----			
Balance as at January 01, 2011	5,279,679	8,232	(556,130)	4,731,781
Profit after taxation for the half year ended June 30, 2011	-	-	123,021	123,021
Transferred to statutory reserve	-	-	-	-
Balance as at June 30, 2011	5,279,679	8,232	(433,109)	4,854,802
Transferred to statutory reserve	-	82,989	(82,989)	-
Profit after tax for the half year ended December 31, 2011	-	-	282,893	282,893
Balance as at December 31, 2011	5,279,679	91,221	(233,205)	5,137,695
Profit after tax for the half year ended June 30, 2012	-	-	231,703	231,703
Balance as at June 30, 2012	5,279,679	91,221	(1,502)	5,369,398

The annexed notes 1 to 7 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

NOTES TO AND FORMING PART OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2012 (UN-AUDITED)

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 four branches including thirty three sub-branches (December 31, 2011: 102 branches) as at June 30, 2012.

1.2 The State Bank of Pakistan (SBP) vide circular no.7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. As per this circular, MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as of December 31, 2011 was Rs 8 billion and 10% respectively. However, the paid-up capital of the Bank (free of losses) as of June 30, 2012 amounts to Rs 5.280 billion.

Last year 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 Capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/CSD/546/2012 dated January 13, 2012 had advised the Bank to complete the right issue as principally agreed by the BOD in its meeting held on February 7, 2011 by June 30, 2012 to achieve the paid up capital (free of losses) of at least Rs 6 billion. Any further extension in timeline for meeting MCR would be considered once paid up capital (free of losses) of Rs 6 billion is achieved.

During the current period, the Bank has applied to the State Bank of Pakistan (SBP) for further increasing the timeline for a suitable period as the request for approval of right shares (submitted by the Bank with SBP) is currently pending with the SBP. The SBP vide its letter no. BSD/CSD/9905/12/2012 dated August 17, 2012 has extended the timeline till December 31, 2012 for meeting paid up capital (free of losses) of Rs 6 billion.

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 These interim condensed financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.

NOTES TO AND FORMING PART OF CONDENSED INTERIM
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2.2 The Group 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.

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, 2011.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in preparation of these interim condensed financial statements and the significant judgments made are consistent with those applied in the preparation of the financial statements of the Group for the year ended December 31, 2011.

5. BASIS OF CONSOLIDATION

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

5.1 Business combinations

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

5.2 Goodwill

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

6- DATE OF AUTHRISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on August 31, 2012 by the Board of Directors of the Group.

7- GENERAL

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

BankIslami Pakistan Limited

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