

بینک اسلامی



BankIslami



Serving you,  
the Right way

Quarterly Report  
March 31, **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. Hicham Hammoud	
Mr. Shabir Ahmed Randeree	
** Mr. Abdulhakim Habib Mansoor Binherz	

### 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. Hicham 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. Hicham Hammoud	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. Hicham Hammoud	Member
Mr. Hasan A. Bilgrami	Member

### Company Secretar

Syed Shah Sajid Hussain

### Auditors

A. F. Ferguson & Co.  
Chartered Accountants

### Legal Adviser

Haidermota & Co.  
Barrister at Law

\* resigned on April 26, 2012

\*\* 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
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**

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Dolmen City, Marine Drive,  
Block -4, Clifton, Karachi.  
Phone: (92-21) 111-247(BIP)-111  
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Email: info@bankislami.com.pk

**Share Registrar**

Technology Trade (Private) Limited,  
Dagia House, 241-C, Block-2,  
P.E.C.H.S. off Shahra-e-Quaideen, Karachi.  
Phone: (92-21) 34387960-61 Fax: (92-21) 34391318

**Website**

www.bankislami.com.pk

## DIRECTORS' REPORT

By the Grace of Allah (SWT), I am pleased to present on behalf of the Board the financial results for the period ended March 31, 2012. Following are the highlights:

	March-12	March-11	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	48,716	40,108	21.46%
Total Assets	58,112	47,581	22.13%
Total Financing - net	17,655	16,041	10.06%
Total Investments	18,662	16,504	13.07%
Shareholder's Equity	5,252	4,816	9.05%
Branches	102	102	
Profit after tax (PAT)	91.798	49.120	86.88%
Basic Earnings per share - rupees	0.174	0.093	87.1%

Earnings improved on the back of larger balance sheet as well as increase in earnings assets. The decline in deposits in the first quarter is due to re-balancing of the depository mix. Expenses remained almost flat while portfolio quality has started showing further signs of improvement. The quality of earnings remained high as almost entire profitability was attributed to sustainable operations.

As a part of growth strategy in 2012, we are all set to take our Mortgage product to 10 more cities. Additionally, atleast 20 more branches across the country will also be added. Eight branches are expected in the second quarter. Pakistan Remittance Initiative was also launched towards the end of first quarter while Money Gram link also became operational. We expect to see healthy results from these channels. The Bank expects to substantially improve its profitability in 2012.

To meet the Minimum Capital Requirement of State Bank, the Board approved a rights issue of Rs. 800M at a discounted price of Rs. 3.92/share subject to approval of SBP as well as SECP and the shareholders. The Bank has applied for permission which we expect will be forth coming soon. Meanwhile, SBP has granted exemption to BIPL till June 30, 2012 for meeting the MCR. The CAR of the Bank remained at 17.44% against a regulatory requirement of 10%.

The Bank 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.

On behalf of the Board,

**Hasan A Bilgrami**  
Chief Executive Officer  
April 26, 2012

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

		(Un-audited) March 31, 2012	(Audited) December 31, 2011
Note		----- Rupees in `000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		2,892,220	4,684,826
Balances with other banks	8	800,726	549,277
Due from financial institutions	9	9,953,028	4,436,264
Investments	10	18,662,243	21,067,082
Financings-net	11	17,654,856	20,110,401
Operating fixed assets		1,757,095	1,811,628
Deferred tax assets - net	13	236,362	188,130
Other assets		6,155,365	5,973,706
		<b>58,111,895</b>	<b>58,821,314</b>
<b>LIABILITIES</b>			
Bills payable		900,352	798,853
Due to financial institutions	14	1,680,000	800,000
Deposits and other accounts	15	48,715,894	50,568,785
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		1,563,756	1,341,038
		<b>52,860,002</b>	<b>53,508,676</b>
<b>NET ASSETS</b>		<b>5,251,893</b>	<b>5,312,638</b>
<b>REPRESENTED BY</b>			
Share capital		5,279,679	5,279,679
Reserves		91,221	91,221
Accumulated losses		(135,542)	(227,340)
		5,235,358	5,143,560
Surplus on revaluation of assets - net of tax	16	16,535	169,078
		<b>5,251,893</b>	<b>5,312,638</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	17		

The annexed notes 1 to 23 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 ENDED MARCH 31, 2012

Note	Quarter ended		
	March 31, 2012	March 31, 2011	
----- Rupees in `000 -----			
Profit / return on financings, investments and placements earned	18	1,419,778	1,208,391
Return on deposits and other dues expensed		<u>822,810</u>	<u>637,813</u>
Net spread earned		<u>596,968</u>	<u>570,578</u>
Provision against non-performing financings	11.4	<u>5,685</u>	6,335
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		<u>5,685</u>	<u>6,335</u>
Net spread after provisions		<u>591,283</u>	<u>564,243</u>
<b>OTHER INCOME</b>			
Fee, commission and brokerage Income		<u>41,940</u>	19,389
Dividend income		-	-
Income from dealing in foreign currencies		<u>24,290</u>	5,009
Other income		<u>7,683</u>	<u>13,360</u>
<b>Total other income</b>		<u>73,913</u>	<u>37,758</u>
		<u>665,196</u>	<u>602,001</u>
<b>OTHER EXPENSES</b>			
Administrative expenses		<u>524,175</u>	525,655
Other provisions		-	-
Other charges		<u>381</u>	1,188
<b>Total other expenses</b>		<u>524,556</u>	<u>526,843</u>
		<u>140,640</u>	<u>75,158</u>
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		<u>140,640</u>	<u>75,158</u>
<b>Taxation</b>			
-Current		<u>14,937</u>	12,373
-Prior years		-	-
-Deferred		<u>33,905</u>	<u>13,665</u>
		<u>48,842</u>	<u>26,038</u>
<b>PROFIT AFTER TAXATION</b>		<u>91,798</u>	<u>49,120</u>
Accumulated losses brought forward		<u>(227,340)</u>	<u>(554,985)</u>
Transferred to statutory reserve		-	<u>(9,824)</u>
Accumulated losses carried forward		<u>(135,542)</u>	<u>(515,689)</u>
<b>Basic / diluted earnings per share - (Rupees)</b>	19	<u>0.174</u>	<u>0.093</u>

The annexed notes 1 to 23 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 ENDED MARCH 31, 2012

	Quarter ended	
	March 31, 2012	March 31, 2011
	----- Rupees in `000 -----	
<b>Profit after taxation</b>	<b>91,798</b>	<b>49,120</b>
<b>Components of comprehensive income not reflected in equity</b>		
Surplus on revaluation of available for sale securities - net of tax	<b>16,535</b>	169,078
<b>Total comprehensive income for the period</b>	<b>108,333</b>	<b>218,198</b>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2012

	March 31, 2012	March 31, 2011
	----- Rupees in ` 000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	140,640	75,158
<b>Adjustments for:</b>		
Depreciation - Own assets	69,185	76,201
Depreciation - Operating Ijara assets	88,412	135,726
Amortisation of intangible asset	7,723	6,752
Provision against non-performing financings	5,685	6,335
Provision against other assets	-	-
Gain on sale of fixed assets	(1,551)	(8,842)
Deferred cost amortised	-	4,086
	169,454	220,258
	310,094	295,416
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	(5,516,764)	(557,096)
Financings	2,361,448	486,648
Others assets (excluding advance taxation and deferred cost)	(181,810)	(625,210)
	(3,337,126)	(695,658)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	101,499	286,597
Due to financial institutions	880,000	197,000
Deposits and other accounts	(1,852,891)	1,910,163
Other liabilities (excluding current taxation)	222,718	102,476
	(648,674)	2,496,236
	(3,675,706)	2,095,994
Income tax paid	(14,784)	(12,192)
<b>Net cash generated from / (used in) operating activities</b>	(3,690,490)	2,083,802
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	2,170,157	(2,772,193)
Investments in operating fixed assets - net	(23,250)	(27,986)
Proceeds realised on disposal of operating fixed assets	2,426	24,215
<b>Net cash (used in) / generated from investing activities</b>	2,149,333	(2,775,964)
<b>Increase / (decrease) in cash and cash equivalents</b>	(1,541,157)	(692,162)
Cash and cash equivalents at beginning of the period	5,234,103	3,604,770
<b>Cash and cash equivalents at end of the period</b>	3,692,946	2,912,608

The annexed notes 1 to 23 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 QUARTER ENDED MARCH 31, 2012

	Share Capital	Statutory Reserve	Accumulated Losses	Total
	----- Rupees in ` 000 -----			
<b>Balance as at January 01, 2011</b>	5,279,679	9,310	(554,985)	4,734,004
Profit after taxation for the quarter ended March 31, 2011	-	-	49,120	49,120
Transferred to statutory reserve	-	9,824	(9,824)	-
<b>Balance as at March 31, 2011</b>	<u>5,279,679</u>	<u>19,134</u>	<u>(515,689)</u>	<u>4,783,124</u>
Transferred to statutory reserve	-	72,087	(72,087)	-
Profit after tax for the period ended December 31, 2011	-	-	360,436	360,436
<b>Balance as at December 31, 2011</b>	<u>5,279,679</u>	<u>91,221</u>	<u>(227,340)</u>	<u>5,143,560</u>
Profit after tax for the quarter ended March 31, 2012	-	-	91,798	91,798
<b>Balance as at March 31, 2012</b>	<u><u>5,279,679</u></u>	<u><u>91,221</u></u>	<u><u>(135,542)</u></u>	<u><u>5,235,358</u></u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

## 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 shares of the Bank are quoted on the Karachi Stock Exchange (Guarantee) Limited. The Bank is operating with 102 branches including 32 sub-branches (December 31, 2011: 102 branches including 32 sub-branches) as at March 31, 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. 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 MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2011 is Rs 8 billion (2010: Rs 7 billion) and 10 percent (2010: 10 percent) respectively. However, the paid up capital of the Bank (free of losses) as of March 31, 2012 amounts to Rs 5.144 billion although its CAR stands at 17.44 percent.

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 has 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.

## 2 BASIS OF PRESENTATION

- 2.1 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 utilized 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 recognized 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 shall 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.

**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 JUDGEMENTS**

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) (Audited)  
March 31, December 31,  
2012 2011  
Note ----- Rupees in `000 -----

**8 BALANCES WITH OTHER BANKS**

In Pakistan		
- Current accounts	34,636	15,206
- Deposit accounts	300,113	113
	<u>334,749</u>	<u>15,319</u>
Outside Pakistan		
- Current accounts	465,977	533,958
	<u>800,726</u>	<u>549,277</u>

**9 DUE FROM FINANCIAL INSTITUTIONS**

Sukuk Murabaha		6,418	6,418
Commodity Murabaha - local currency	9.1	9,953,028	3,911,264
		<u>9,959,446</u>	<u>3,917,682</u>
Musharaka Placement		-	525,000
Provision against Sukuk Murabaha		(6,418)	(6,418)
		<u>9,953,028</u>	<u>4,436,264</u>

9.1 The Bank has entered into Commodity Murabaha agreements under which the Bank purchases an underlying commodity from open market through an agent and sales it to a financial institution on credit with profit. The profit rate on the agreement ranges between 11.60 to 11.9% (2011: 10.75% to 12.5%) per annum and the agreement have a maturity ranging from 3 days to 38 days.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012

10 INVESTMENTS	(Un-audited)			(Audited)		
	March 31, 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	18,460,769	-	18,460,769	20,630,926	-	20,630,926
- Mutual Fund						
Open end mutual funds	15	-	15	15	-	15
Closed end mutual fund	6	-	6	6	-	6
	18,460,790	-	18,460,790	20,630,947	-	20,630,947
Subsidiary						
- BanksIslami Modaraba Investment Limited - unlisted company	191,015	-	191,015	191,015	-	191,015
Investments at cost	18,651,805	-	18,651,805	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)	18,636,805	-	18,636,805	20,806,962	-	20,806,962
Surplus on revaluation of available for sale securities - net	25,438	-	25,438	260,120	-	260,120
Total investments at market value	18,662,243	-	18,662,243	21,067,082	-	21,067,082

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

11 FINANCINGS		(Un-audited)	(Audited)
		March 31, 2012	December 31, 2011
		Rupees in `000	
Financings- In Pakistan			
- Murabaha	11.1	6,323,386	6,343,955
- Istisn'a	11.2	1,178,862	2,630,000
- Diminishing Musharka-Housing		1,457,604	1,562,950
- Diminishing Musharka-Others		5,470,084	6,280,778
- Against Bills- Musawama		-	-
- Payment Against Document		4,361	65,452
- Post Due Acceptance		-	53,397
- Musawama Financings		1,374,297	1,427,500
- Financings to employees		546,080	511,687
		16,354,674	18,875,719
Housing finance portfolio		196,755	156,111
Net investment in Ijara financing In Pakistan		329,872	371,701
Net book value of assets / investment in ijarah under IFAS 2	11.3	1,129,635	1,057,265
Financing - gross		18,010,936	20,460,796
Provision for non-performing Financings			
- Specific		(326,562)	(321,423)
- General		(29,518)	(28,972)
Financing - net of provision		17,654,856	20,110,401

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012

- 11.1 Murabaha includes financings amounting to Rs 499.999 million (2011: Rs 99.999million) against Murabaha under Islamic Export Refinance Scheme.
- 11.2 Istisn'a includes financing amounting to Rs 100 million (2011: Rs 350 million) against istisn'a under Islamic Export Refinance Scheme.
- 11.3 Financing includes Rs 826.428million (2011: Rs 799.001million) which have been placed under non-performing status as follows:

March 31, 2012 (Un-audited)					
	Domestic	Overseas	Total	Provision required	Provision held
Rupees in '000					
Category of Classification					
Substandard	78,770	-	78,770	1,183	1,183
Doubtful	94,054	-	94,054	1,793	1,793
Loss	653,604	-	653,604	323,586	323,586
	<u>826,428</u>	<u>-</u>	<u>826,428</u>	<u>326,562</u>	<u>326,562</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:

March 31, 2012 (Un-audited)			
	Specific	General	Total
Rupees in '000			
Opening balance	321,423	28,972	350,395
Charge for the period	16,991	546	17,537
Reversals	(11,852)	-	(11,852)
	5,139	546	5,685
Closing balance	<u>326,562</u>	<u>29,518</u>	<u>356,080</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)
	24,742	(3,319)	21,423
Closing balance	<u>321,423</u>	<u>28,972</u>	<u>350,395</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012

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)  
Quarter ended  
March 31,      March 31,  
2012              2011  
----- Rupees in `000 -----

**12 OPERATING FIXED ASSETS**

**12.1 Additions/ Transferred to operating fixed assets**

Furniture and fixture	6,005	777
Electrical, office and computer equipments	8,295	21,193
Vehicles	-	-
Capital work-in-progress	6,140	-

**12.2 Intangibles**

Computer Software	2,810	6,014
-------------------	-------	-------

**12.3 Disposals of operating fixed assets**

Furniture and fixture	-	-
Electrical, office and computer equipments	1,623	-
Vehicles	2,364	30,536

**13 DEFERRED TAX ASSET - NET**

As at March 31, 2012 the Bank has recognised deferred tax asset amounting to Rs 236.362 million (December 31, 2011: Rs 188.130 million) based on financial projections for future years as the management expects to generate sufficient taxable profits to utilize the deferred tax asset.

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

**14 DUE TO FINANCIAL INSTITUTIONS**

In Pakistan	1,680,000	800,000
Outside Pakistan	-	-
	<u>1,680,000</u>	<u>800,000</u>



	(Un-audited) March 31, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
<b>15 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	24,691,977	24,541,027
Savings deposits	14,445,978	14,257,250
Current Accounts - Non-remunerative	8,848,650	10,101,628
Margin accounts - Non-remunerative	86,794	97,270
	<u>48,073,399</u>	<u>48,997,175</u>
<b>Financial institutions</b>		
Remunerative deposits	634,160	1,524,716
Non-remunerative deposits	8,335	46,894
	<u>642,495</u>	<u>1,571,610</u>
	<u>48,715,894</u>	<u>50,568,785</u>
	(Un-audited) March 31, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
<b>16 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>		
Surplus on revaluation of available-for-sale securities		
Sukuk Certificates	25,429	260,113
Mutual Fund	9	7
	<u>25,438</u>	<u>260,120</u>
Less: Related deferred tax liability	8,903	91,042
	<u>16,535</u>	<u>169,078</u>
<b>17 CONTINGENCIES AND COMMITMENTS</b>		
<b>17.1 Transaction-related Contingent Liabilities</b>		
Guarantees favouring		
Others	650,920	631,196
Government	671,058	689,949
	<u>1,321,978</u>	<u>1,321,145</u>
<b>17.2 Trade-related contingent liabilities</b>		
Import letters of Credit	2,726,960	1,725,823
Acceptances	521,125	235,229
	<u>3,248,085</u>	<u>1,961,052</u>
<b>17.3 Claim not acknowledged as debt</b>	<u>842,707</u>	<u>842,707</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012

	(Un-audited) March 31, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
<b>17.4 Commitments in respect of promises</b>		
Purchase	<u>579,560</u>	<u>93,574</u>
Sale	<u>572,210</u>	<u>127,607</u>
<b>17.5 Commitments for the acquisition of operating fixed assets</b>	<u>40,646</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) March 31, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
<b>17.7 Other commitments</b>		
Bills for collection	<u>123,510</u>	<u>244,596</u>

	(Un-audited) Quarter ended	
	March 31, 2012	March 31, 2011
	----- Rupees in `000 -----	
<b>18 PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED</b>		
On Financings to:		
Customers	661,816	601,267
Financial Institutions	<u>140,179</u>	<u>141,411</u>
	801,995	742,678
On Investments - available for sale securities	600,980	453,091
On deposits / placements with financial institutions	11,186	8,501
Others	<u>5,617</u>	<u>4,121</u>
	<u>1,419,778</u>	<u>1,208,391</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012

	(Un-audited) Quarter ended.	
	March 31, 2012	March 31, 2011
	----- Rupees in ` 000 -----	
<b>19 EARNINGS PER SHARE - Basic / Diluted</b>		
Profit after taxation for the quarter	91,798	49,120
	----- Number of shares -----	
Weighted average number of ordinary shares	527,967,898	527,967,898
	----- Rupees -----	
Basic / diluted earnings per share	0.174	0.093

There were no convertible / dilutive potential ordinary shares outstanding as at March 31, 2012 and March 31, 2011.

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

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
	----- Rupees in `000 -----				
<b>For the period ended March 31,2012 (Un-audited)</b>					
Total Income	152,435	870,812	463,226	7,218	1,493,691
Total Expenses	5,004	791,394	343,749	212,904	1,353,051
Net income/(loss) before tax	147,431	79,418	119,477	(205,686)	140,640
<b>As at March 31, 2012 (Un-audited)</b>					
Segment Assets (Gross)	33,488,208	6,697,352	16,235,150	2,143,521	58,564,231
Segment Non Performing Assets	74,790	339,724	548,156	12	962,682
Segment Provision Required	34,790	183,926	233,608	12	452,336
Segment Liabilities	1,721,417	35,872,041	15,209,404	57,140	52,860,002
Segment Return on Assets (ROA) (%)	1.76%	4.74%	2.94%	-	-
Segment Cost of funds (%)	9.90%	6.82%	9.94%	-	-
<b>For the period ended March 31,2011 (Un-audited)</b>					
Total Income	49,494	797,798	374,860	23,997	1,246,149
Total Expenses	8,033	621,639	313,022	228,297	1,170,991
Net income/(loss) before tax	41,461	176,159	61,838	(204,300)	75,158
<b>As at December 31, 2011 (Audited)</b>					
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%	-	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012

**21 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 deposits transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

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

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

	(Un-audited) March 31, 2012	(Audited) December 31, 2011
	----- Rupees in ` 000 -----	
<b>SUBSIDIARY</b>		
<b>Deposits:</b>		
Opening balance	99,434	88,555
Deposit during the period	796,889	1,433,972
Withdrawal during the period	(795,219)	(1,423,093)
Closing balance	<u>101,104</u>	<u>99,434</u>
	(Un-audited) Quarter ended	
	March 31, 2012	March 31, 2011
	----- Rupees in ` 000 -----	
<b>Transactions, income and expenses:</b>		
Return on deposits expensed	1,854	2,452

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012

	(Un-audited) March 31, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
<b>ASSOCIATES</b>		
<b>Financings:</b>		
Opening balance	221,842	167,663
Disbursed during the period	9,215	66,122
Repaid during the period	(14,774)	(11,943)
Closing balance	216,283	221,842
<b>Deposits:</b>		
Opening balance	118,676	123,065
Deposit during the period	146,667	598,059
Withdrawal during the period	(229,607)	(602,448)
Closing balance	35,736	118,676
<b>(Un-audited) Quarter ended</b>		
	March 31, 2012	March 31, 2011
	----- Rupees in `000 -----	
<b>Transactions, income and expenses:</b>		
Profit earned on financing	11,283	7,532
Return on deposits expensed	1,933	1,654
Repair and Maintenance	19,739	10,441
<b>(Un-audited) (Audited) March 31, December 31, 2012 2011</b>		
----- Rupees in `000 -----		
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Financings:</b>		
Opening balance	78,084	61,167
Disbursed during the period	9,520	21,149
Repaid during the period	(1,343)	(4,232)
Closing balance	86,261	78,084
<b>Deposits:</b>		
Opening balance	4,565	16,563
Deposit during the period	18,623	94,531
Withdrawal during the period	(19,144)	(106,529)
Closing balance	4,044	4,565

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012

	(Un-audited) Quarter ended	
	March 31, 2012	March 31, 2011
	----- Rupees in `000 -----	
<b><u>Transactions, income and expenses:</u></b>		
Profit earned on financing	808	213
Return on deposits expensed	86	96
Remuneration	12,931	11,099
<b><u>Employee Benefit plans</u></b>		
Contribution to Employees Gratuity Fund	5,562	5,113
Contribution to Employees Provident Fund	7,060	6,387

**22 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information were authorised for issue on April 26, 2012 by the Board of Directors of the Bank.

**23 GENERAL**

- 23.1** 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.
- 23.2** Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

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Consolidated Financial Statements  
of  
**BankIslami Pakistan Limited**  
for the Period Ended  
March 31, 2012





## DIRECTORS' REPORT (CONSOLIDATED)

On behalf of the Board, I am pleased to present the financial results of the group for the period ended March 31, 2012. Following are the highlights:

	March-12	March-11	Growth (%)
	.....Rupees in 'millions'.....		
Total Deposits	48,615	40,014	21.49%
Total Assets	58,007	47,488	22.15%
Total Financing-net	17,655	16,041	10.06%
Total Investments	18,486	16,333	13.19%
Shareholder's Equity	5,247	4,815	9.00%
Branches	102	102	
Profit after tax	92.869	51.144	81.58%
Basic Earnings per share - rupees	0.176	0.097	81.44%

Our group performance remained satisfactory. The group has been able to post growth in its deposit by 21.49%, Investment by 13.19% and Assets by 22.15%.

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  
April 26, 2012

## CONDENSED INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT MARCH 31, 2012

	(Un-Audited) March 31, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	2,892,225	4,684,831
Balances with other banks	800,784	549,411
Due from financial institutions	9,953,028	4,436,264
Investments	18,486,107	20,891,908
Financings-net	17,654,856	20,110,401
Operating fixed assets	1,762,606	1,816,863
Deferred tax assets	236,691	188,442
Other assets	6,220,897	6,038,413
	<b>58,007,194</b>	<b>58,716,533</b>
<b>LIABILITIES</b>		
Bills payable	900,352	798,853
Due to financial institutions	1,680,000	800,000
Deposits and other accounts	48,614,874	50,468,674
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,564,869	1,342,233
	<b>52,760,095</b>	<b>53,409,760</b>
<b>NET ASSETS</b>	<b>5,247,099</b>	<b>5,306,773</b>
<b>REPRESENTED BY</b>		
Share capital	5,279,679	5,279,679
Reserves	91,221	91,221
Accumulated losses	(140,336)	(233,205)
	<b>5,230,564</b>	<b>5,137,695</b>
Surplus on revaluation of assets-net of tax	16,535	169,078
	<b>5,247,099</b>	<b>5,306,773</b>

### 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 STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012

	Quarter ended	
	March 31, 2012	March 31, 2011
	----- Rupees in ` 000 -----	
<b>Profit after taxation</b>	92,869	51,144
<b>Components of comprehensive income not reflected in equity</b>		
Surplus on revaluation of available for sale securities - net of tax	16,535	169,078
<b>Total comprehensive income for the period</b>	<b>109,404</b>	<b>220,222</b>

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 QUARTER ENDED MARCH 31, 2012

	March 31, 2012	March 31, 2011
	----- Rupees in `000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	142,061	77,896
<b>Adjustments for:</b>		
Depreciation - Own assets	68,909	75,710
Amortisation of intangible asset	7,723	6,752
Depreciation - Operating Ijara assets	88,412	135,726
Provision against non-performing financings	5,685	6,335
Provision against investment and lending	-	-
Provision against other assets	-	-
Gain on sale of fixed assets	(1,551)	(8,842)
Deferred cost amortised	-	4,086
	<u>169,178</u>	<u>219,767</u>
	311,239	297,663
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	(5,516,764)	(557,097)
Financings	2,361,448	486,648
Others assets (excluding advance taxation and deferred cost)	(182,249)	(624,960)
	<u>(3,337,565)</u>	<u>(695,409)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	101,499	286,597
Due to financial institutions	880,000	197,000
Deposits and other accounts	(1,853,800)	1,904,462
Other liabilities (excluding current taxation)	222,636	102,572
	<u>(649,665)</u>	<u>2,490,631</u>
	(3,675,991)	2,092,885
Income tax paid	(15,537)	(12,579)
<b>Net cash generated from / (used in) operating activities</b>	<u>(3,691,528)</u>	<u>2,080,306</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	2,171,119	(2,769,315)
Investments in operating fixed assets - net	(23,250)	(27,985)
Proceeds realised on disposal of operating fixed assets	2,426	24,215
<b>Net cash (used in) / generated from investing activities</b>	<u>2,150,295</u>	<u>(2,773,085)</u>
<b>Increase / (decrease) in cash and cash equivalents</b>	<u>(1,541,233)</u>	<u>(692,779)</u>
Cash and cash equivalents at beginning of the period	<u>5,234,242</u>	<u>3,606,011</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>3,693,009</u></u>	<u><u>2,913,232</u></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 STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
FOR THE QUARTER ENDED MARCH 31, 2012

	Share Capital	Statutory Reserve	Accumulated Losses	Total
	----- Rupees in ` 000 -----			
<b>Balance as at January 01, 2011</b>	5,279,679	8,232	(556,130)	4,731,781
Transferred to statutory reserve	-	10,229	(10,229)	-
Profit after taxation for the quarter ended March 31, 2011	-	-	51,144	51,144
<b>Balance as at March 31, 2011</b>	<u>5,279,679</u>	<u>18,461</u>	<u>(515,215)</u>	<u>4,782,925</u>
Profit after tax for the period ended December 31, 2011	-	-	354,770	354,770
Transferred to statutory reserve	-	72,760	(72,760)	-
<b>Balance as at December 31, 2011</b>	<u>5,279,679</u>	<u>91,221</u>	<u>(233,205)</u>	<u>5,137,695</u>
Profit after tax for the quarter ended March 31, 2012	-	-	92,869	92,869
Transferred to statutory reserve	-	-	-	-
<b>Balance as at March 31, 2012</b>	<u><u>5,279,679</u></u>	<u><u>91,221</u></u>	<u><u>(140,336)</u></u>	<u><u>5,230,564</u></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

**NOTES TO AND FORMING PART OF CONTENTS INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2012**

**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, 2011: 102 branches) as at March 31, 2012.

**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 MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2011 is Rs 8 billion (2010: Rs 7 billion) and 10 percent (2010: 10 percent) respectively. However, the paid up capital of the Bank (free of losses) as of March 31, 2012 amounts to Rs 5.144 billion although its CAR stands at 17.44 percent.

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 has 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.

The Bank has acquired 100 percent shares of BankIslami Modaraba Investment Limited (an 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 condensed interim consolidated financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.

**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.

**NOTES TO AND FORMING PART OF CONTENTS INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2012**

**3. STATEMENT OF COMPLIANCE**

- 3.1 These condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated 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.



**NOTES TO AND FORMING PART OF CONTENTS INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2012**

**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 AUTHORISATION FOR ISSUE**

These condensed interim consolidated financial statements were authorised for issue on April 26, 2012 by the Board of Directors of the Group.

**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

**BankIslami Pakistan Limited**

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CORPORATE