

Table of Contents

Corporate Information	3
Directors' Report	5
Statement of Financial Position	6
Profit and Loss Account	7
Statement of Comprehensive Income	8
Cash Flow Statement	9
Statement of Changes in Equity.....	10
Notes to the Financial Statements	11

Consolidated Financial Statements

Director's Report	20
Consolidated Statement of Financial Position	21
Consolidated Profit and Loss Account.....	22
Statement of Comprehensive Income	23
Consolidated Cash Flow Statement.....	24
Consolidated Statement of Changes in Equity	25
Notes to the Consolidated Financial Statements.....	26

CORPORATE INFORMATION

Board of Directors

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

Sharia'h Supervisory Board

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

Audit Committee

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

Executive Committee

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

Risk Management Committee

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

Human Resource & Compensation Committee

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

Company Secretary

Syed Shah Sajid Hussain

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Adviser

Haidermota & Co.
Barrister at Law



Management (in alphabetical order)

Mr. Ahmed Mustafa	Head, Branch Operations
Mr. Arsalan Vohra	Head, Risk Policy & Analytics
Mr. 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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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

On behalf of the Board, I am pleased to present the financial results of the first quarter of 2011. Following are the highlights:

	(Rs in millions)		
	March 31, 2011	December 31, 2010	Change (%)
Total Deposits	40,108	38,198	5.00%
Total Assets	47,581	45,036	5.65%
Net Financing	16,041	16,670	-3.77%
Total Investments	16,504	13,732	20.19%
Shareholders Equity	4,816	4,766	1.50%
Branches	102	102	0
	March 31, 2011	March 31, 2010	
Basic EPS (Rupees)	0.093	(0.019)	589.5%

The Bank, as stated in the annual report of 2010, continued to focus on leveraging its existing network. The focus during the year shall be to increase deposit base by approximately 36% with a similar increase in investments as well as advances. We also completed the conversion of the mortgage portfolio of citibank during the quarter. There are no plans to expand the branch net work. Despite challenging environment, we are expecting to report a healthy profit for the year with a cleaner book.

Also in the plans are to liquidate some of the real estates which the Bank feels may not be needed in near future. The CAR of Bank was in excess of 19%.

Given our network, low operating cost, competitive cost of funds, an established retail franchise and a brand which is well recognized, we are hopeful of achieving our targets inshallah.

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 State Bank of Pakistan for continued support, guidance as well as understanding.

On behalf of the Board

Hasan A. Bilgrami
Chief Executive Officer
April 27, 2011



INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011

		March 31, 2011 (Unaudited)	December 31, 2010 (Audited)
	Note	----- Rupees in `000 -----	
ASSETS			
Cash and balances with treasury banks		2,478,579	3,035,148
Balances with other banks		434,029	569,622
Due from financial institutions		5,070,228	4,513,132
Investments	5	16,504,325	13,732,132
Financings	6	16,041,416	16,670,125
Operating fixed assets		1,996,339	2,066,680
Deferred tax assets		388,518	402,183
Other assets		4,667,629	4,046,681
		<u>47,581,063</u>	<u>45,035,703</u>
LIABILITIES			
Bills payable		849,617	563,020
Due to financial institutions		550,000	353,000
Deposits and other accounts	7	40,108,483	38,198,320
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		1,257,453	1,154,977
		<u>42,765,553</u>	<u>40,269,317</u>
NET ASSETS		<u>4,815,510</u>	<u>4,766,386</u>
REPRESENTED BY			
Share capital	8	5,279,679	5,279,679
Reserves		19,134	9,310
Accumulated loss		(515,689)	(554,985)
		<u>4,783,124</u>	<u>4,734,004</u>
Surplus on revaluation of assets - net of tax	9	32,386	32,382
		<u>4,815,510</u>	<u>4,766,386</u>
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes from 1 to 15 form an integral part of these financial statements.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2011

	Note	Quarter ended March 31, 2011	Quarter ended March 31, 2010 (Restated)
		----- Rupees in ` 000 -----	
Profit/Return on financings, investments and placements earned	11	1,208,126	801,991
Return on deposits and other dues expensed		637,813	445,511
Net spread earned		<u>570,313</u>	<u>356,480</u>
Provision/(Reversal) against non-performing financings		6,335	(5,069)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
Net spread after provisions		<u>6,335</u>	<u>(5,069)</u>
		<u>563,978</u>	<u>361,549</u>
OTHER INCOME			
Fee, commission and brokerage income		17,523	24,934
Dividend income		-	-
Income from dealing in foreign currencies		5,994	30,745
Capital gain on sale of securities		-	-
Unrealized gain/(loss) on revaluation of investments classified as held-for-trading		-	-
Other income		14,506	8,214
Total other income		<u>38,023</u>	<u>63,893</u>
		<u>602,001</u>	<u>425,442</u>
OTHER EXPENSES			
Administrative expenses		525,655	439,221
Other provisions / write-offs		-	-
Other charges		1,188	920
Total other expenses		<u>526,843</u>	<u>440,141</u>
		<u>75,158</u>	<u>(14,699)</u>
Extraordinary / unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		<u>75,158</u>	<u>(14,699)</u>
TAXATION			
Current		12,373	4,289
Prior years		-	-
Deferred		13,665	(9,100)
		<u>26,038</u>	<u>(4,811)</u>
PROFIT / (LOSS) AFTER TAXATION		<u>49,120</u>	<u>(9,888)</u>
Accumulated loss brought forward		(554,985)	(592,225)
Transferred to Statutory Reserve		(9,824)	-
		<u>(564,809)</u>	<u>(592,225)</u>
Accumulated loss carried forward		<u>(515,689)</u>	<u>(602,113)</u>
Basic and diluted earnings / (loss) per share (Rupees)		<u>0.093</u>	<u>(0.019)</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011

	March 31, 2011	March 31, 2010 (Restated)
	----- Rupees in `000 -----	
Profit / (Loss) after taxation	49,120	(9,888)
Other comprehensive income	-	-
Other comprehensive income / (loss) transferred to equity	49,120	(9,888)
Components of comprehensive income not transferred to equity		
Surplus on revaluation of available for sale securities	49,821	58,615
Deferred tax on surplus on revaluation of available for sale securities	(17,435)	(20,515)
	32,386	38,100
Total comprehensive income for the quarter	81,506	28,212

The annexed notes from 1 to 15 form an integral part of these financial statements.

INTERIM CONDENSED CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2011

	March 31, 2011	March 31, 2010 (Restated)
	----- Rupees in `000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	75,158	(14,699)
Less: Dividend income	-	-
	<u>75,158</u>	<u>(14,699)</u>
Adjustments:		
Depreciation	76,201	84,614
Amortization of intangible asset	6,752	7,231
Depreciation on operating Ijarah	135,726	13,137
Provision/(Reversal)against non-performing financings	6,335	(5,069)
Gain on revaluation of investments (classified as held-for-trading)	-	-
Loss / (gain) on sale of fixed assets	(8,842)	(728)
Deferred cost amortized	4,086	4,021
	<u>220,258</u>	<u>103,206</u>
	<u>295,416</u>	<u>88,507</u>
(Increase) / decrease in operating assets		
Due from financial institutions	(557,096)	(3,295,089)
Held-for-trading securities	-	-
Financings	486,648	(487,279)
Others assets (excluding advance taxation and deferred cost)	(625,210)	(383,665)
	<u>(695,658)</u>	<u>(4,166,033)</u>
Increase / (decrease) in operating liabilities		
Bills payable	286,597	(128,934)
Repayments / Borrowings from financial institutions	197,000	506,840
Deposits and other accounts	1,910,163	864,199
Other liabilities	102,476	298,423
	<u>2,496,236</u>	<u>1,540,528</u>
	<u>2,095,994</u>	<u>(2,536,998)</u>
Income tax paid	(12,192)	(1,867)
Net cash generated from / (used in) operating activities	<u>2,083,802</u>	<u>(2,538,865)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in available-for-sale securities-net	(2,772,193)	105,990
Dividend income received	-	-
Investments in operating fixed assets	(27,986)	(21,249)
Sale proceeds of property and equipment disposed-off	24,215	1,582
Net cash (used in) / generated from investing activities	<u>(2,775,964)</u>	<u>86,323</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	-	-
Net cash flow from financing activities	-	-
Net (decrease) / increase in cash and cash equivalents	<u>(692,162)</u>	<u>(2,452,542)</u>
Cash and cash equivalents at beginning of the quarter	<u>3,604,770</u>	<u>6,277,065</u>
Cash and cash equivalents at end of the quarter	<u>2,912,608</u>	<u>3,824,523</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



**INTERIM CONDENSED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in ` 000 -----			
Balance as at January 01, 2010	5,279,679	-	(592,225)	4,687,454
Loss for the quarter ended				
March 31, 2010 (Restated)	-	-	(9,888)	(9,888)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the quarter ended March				
31, 2010(Restated)	-	-	(9,888)	(9,888)
Balance as at March 31, 2010 (Restated)	5,279,679	-	(602,113)	4,677,566
Profit for the period ended				
December 31, 2010	-	-	56,438	56,438
Other comprehensive income	-	-	-	-
Total comprehensive profit for the period ended				
December 31, 2010	-	-	56,438	56,438
Transferred to statutory reserve	-	9,310	(9,310)	-
Issue of right shares during the period	-	-	-	-
Balance as at December 31, 2010	5,279,679	9,310	(554,985)	4,734,004
Profit for the quarter ended				
March 31, 2011	-	-	49,120	49,120
Other comprehensive income	-	-	-	-
Total comprehensive income for the quarter ended				
March 31, 2011	-	-	49,120	49,120
Transferred to statutory reserve	-	9,824	(9,824)	-
Balance as at March 31, 2011	5,279,679	19,134	(515,689)	4,783,124

The annexed notes from 1 to 15 form an integral part of these financial statements.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

**NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

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 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, 2010: 102 branches) as at March 31, 2011.
- 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) as of December 31, 2009 was Rs. 6 billion and for the year ended December 31, 2010 was Rs. 7 billion. The paid up capital of the Bank (free of losses) as of March 31, 2011 amounts to Rs. 4.783 billion. In view of the above capital requirements, the Board of Directors of the Bank in their meeting held on February 07, 2011 has in principle agreed to issue right shares to increase its capital (free of losses) to Rs. 6 billion. Further, SBP vide its letter No. BSD/BAI-3/608/2773/2011 dated March 07, 2011 has granted the Bank exemption from its MCR till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raise its capital to Rs. 6 billion well before June 30, 2011.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

- 3.1 These interim condensed financial statements 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.



**NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

- 3.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS-7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.
- 3.3 The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting" and do not include all of the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2010.
- 3.4 These are separate interim condensed financial statements of the Bank in which investments in the subsidiaries and associates reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

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 Bank for the year ended December 31, 2010.

5. INVESTMENTS

	March 31, 2011 (Unaudited)			December 31, 2010 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
Available-for-sale securities						
Sukuk Bonds (Certificates)	16,278,468	-	16,278,468	13,506,277	-	13,506,277
Mutual Funds (Units)	21	-	21	21	-	21
Subsidiaries						
BankIslami Modaraba Investment Limited	191,015	-	191,015	191,015	-	191,015
Investments at cost	16,469,504	-	16,469,504	13,697,313	-	13,697,313
Less: Provision for diminution in value of investments	(15,000)	-	(15,000)	(15,000)	-	(15,000)
Investments - net of provisions	16,454,504	-	16,454,504	13,682,313	-	13,682,313
Surplus on revaluation of available-for-sale securities	49,821	-	49,821	49,819	-	49,819
Total investments	16,504,325	-	16,504,325	13,732,132	-	13,732,132

NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011

		March 31, 2011 (Unaudited)	December 31, 2010 (Audited)
6. FINANCINGS	Note	----- Rupees in `000 -----	
Financings - in Pakistan			
- Murabaha	6.1	5,727,825	6,870,285
- Istisn'a	6.1	1,658,457	1,445,000
- Diminishing Musharaka - Housing		1,456,566	946,765
- Diminishing Musharaka - Others		4,434,115	5,161,718
- Payment against documents		16,081	-
- Against Bills - Murabaha		-	9,575
- Against Bills - Musawama		-	2,640
- Against Bills-Salam		-	-
- Musawamah		940,000	-
- Financings to employees		429,376	400,381
		14,662,420	14,836,364
Housing Finance Portfolio		343,619	809,277
Net investment in Ijarah financing In Pakistan		607,059	706,358
Net assets/investment in ijarah financing under IFAS 2 in Pakistan		763,624	647,098
Financings - gross		16,376,722	16,999,097
Provision for non-performing financings			
- Specific	6.2	(300,059)	(296,681)
- General		(35,247)	(32,291)
Financings - net of provision		16,041,416	16,670,125

- 6.1 Murabaha includes financings amounting to Rs. 3.051 million (December 31, 2010: Rs. 169.186 million) against Murabaha under Islamic Export Refinance Scheme. Istisn'a Includes financings amounting to Rs. 49.999 million (December 31, 2010: Rs. 47.150 million) against Istisn'a under Islamic Export Refinance Scheme.
- 6.2 Financings include Rs. 719.247 million (December 31, 2010: Rs. 741.680 million) which have been placed under non-performing status as follows:

Category of classification	March 31, 2011				
	----- Rupees in '000 -----				
	Domestic	Overseas	Total	Provision Required	Provision Held
Substandard	42,712	-	42,712	6,379	6,379
Doubtful	50,814	-	50,814	8,591	8,591
Loss	625,721	-	625,721	285,089	285,089
	<u>719,247</u>	<u>-</u>	<u>719,247</u>	<u>300,059</u>	<u>300,059</u>
Category of classification	December 31, 2010				
	----- Rupees in '000 -----				
	Domestic	Overseas	Total	Provision Required	Provision Held
Substandard	50,553	-	50,553	5,008	5,008
Doubtful	68,635	-	68,635	8,350	8,350
Loss	622,492	-	622,492	283,323	283,323
	<u>741,680</u>	<u>-</u>	<u>741,680</u>	<u>296,681</u>	<u>296,681</u>



NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011

6.4 Particulars of provision against non-performing financings:

	March 31, 2011			December 31, 2010		
	Specific	General	Total	Specific	General	Total
In local currency	300,059	35,247	335,306	296,681	32,291	328,972
In foreign currency	-	-	-	-	-	-
	<u>300,059</u>	<u>35,247</u>	<u>335,306</u>	<u>296,681</u>	<u>32,291</u>	<u>328,972</u>

6.4.1 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.

7. DEPOSITS AND OTHER ACCOUNTS

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
Customers		
Fixed deposits	20,915,450	18,796,560
Savings deposits	10,749,201	9,982,409
Current accounts - non-remunerative	8,061,744	8,975,862
Margin accounts - non-remunerative	154,829	158,067
	<u>39,881,224</u>	<u>37,912,898</u>
Financial institutions		
Remunerative deposits	199,315	258,117
Non remunerative deposits	27,944	27,305
	<u>40,108,483</u>	<u>38,198,320</u>

8. SHARE CAPITAL

	March 31, 2011 ----- Number of shares -----	December 31, 2010 ----- Rupees in `000 -----	March 31, 2011 ----- Rupees in `000 -----	December 31, 2010 ----- Rupees in `000 -----
	Unaudited	(Audited)	Unaudited	(Audited)
Issued, subscribed and paid up capital				
	527,967,898	527,967,898	5,279,679	5,279,679
	<u>527,967,898</u>	<u>527,967,898</u>	<u>5,279,679</u>	<u>5,279,679</u>

9. SURPLUS ON REVALUATION OF ASSETS - net of tax

Surplus on revaluation of available- for-sale securities

Sukuk Bonds	49,821	49,819
Mutual Funds	-	-
	<u>49,821</u>	<u>49,819</u>
Less: Related deferred tax liability	(17,435)	(17,437)
	<u>32,386</u>	<u>32,382</u>

**NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)**
FOR THE QUARTER ENDED MARCH 31, 2011

10. CONTINGENCIES AND COMMITMENTS	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)
	----- Rupees in ` 000 -----	
10.1 Transaction-related contingent liabilities		
Guarantees favouring	-	-
- Banks	-	-
- Government	683,981	869,935
- Others	128,514	110,245
10.2 Trade-related contingent liabilities		
Import letters of credit	1,801,797	1,260,833
Acceptances	475,523	176,571
10.3 Claims not acknowledged as debt	982,606	982,606
10.4 Commitments in respect of forward exchange		
Purchase	347,939	339,270
Sale	352,635	373,661
10.5 Commitments for the acquisition of operating fixed assets	4,989	34,745
10.6 Other commitments		
Bills for collection	593,650	320,132
11. PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED	March 31, 2011 (Unaudited)	March 31, 2010 (Unaudited)
	----- Rupees in ` 000 -----	
On financings to:		
Customers	601,267	383,490
Financial institutions	141,411	192,816
	742,678	576,306
On Investments in available for sale securities	452,826	209,588
On deposits / placements with financial institutions	8,501	13,037
Others	4,121	3,060
	1,208,126	801,991



**NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

12. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The Segment analysis with respect to business activities is as follows:

<u>March 31, 2011</u>	<u>Trading & Sales</u>	<u>Retail Banking</u>	<u>Commercial Banking</u>	<u>Support Centers</u>	<u>Total</u>
----- Rupees in `000 -----					
Total income	49,494	797,798	374,860	23,997	1,246,149
Total expenses	8,033	621,639	313,022	254,335	1,197,029
Net income / (loss)	41,461	176,159	61,838	(230,338)	49,120
Segment assets (gross)	23,411,729	3,711,563	18,254,115	2,571,908	47,949,315
Segment non performing financings	(61,418)	(246,180)	(505,326)	-	(812,924)
Segment provision required	(21,418)	(143,022)	(203,812)	-	(368,252)
Segment liabilities	309,278	28,993,688	13,133,692	328,895	42,765,553

<u>December 31, 2010</u>	<u>Trading & Sales</u>	<u>Retail Banking</u>	<u>Commercial Banking</u>	<u>Support Centers</u>	<u>Total</u>
----- Rupees in `000 -----					
Total income (For the period ended March 31, 2010)(Restated)	5,584	537,860	202,042	120,398	865,884
Total expenses (For the period ended March 31, 2010)(Restated)	4,191	496,905	217,631	157,045	875,772
Net income / (loss) (For the period ended March 31, 2010)(Restated)	1,393	40,955	(15,589)	(36,647)	(9,888)
Segment assets (gross)	20,655,460	4,643,858	17,743,245	2,355,058	45,397,621
Segment non performing financings	(61,418)	(246,180)	(505,328)	-	(812,926)
Segment provision required	(21,418)	(140,065)	(200,435)	-	(361,918)
Segment liabilities	377,520	26,673,044	12,876,337	342,416	40,269,317

13. RELATED PARTY TRANSACTIONS

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

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
----- Rupees in `000 -----		
(Unaudited) (Audited)		
SUBSIDIARY		
Deposits:		
At January 1	88,555	75,727
Deposit during the quarter	188,799	880,647
Withdrawal during the quarter	(183,032)	(867,819)
At March 31	94,322	88,555
	<u>March 31, 2011</u>	<u>March 31, 2010</u>
	(Restated)	
----- Rupees in `000 -----		
(Unaudited) (Unaudited)		
Transactions, income and expenses:		
Profit earned on financing	-	-
Return on deposits expensed	2,452	1,924

**NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

	March 31, 2011	December 31, 2010
	----- Rupees in `000 -----	
	(Unaudited)	(Audited)
ASSOCIATED UNDERTAKINGS		
Financings:		
At January 1,	17,663	-
Disbursed during the quarter	-	17,663
Repaid during the quarter	(2,417)	-
At the end of the quarter	<u>15,246</u>	<u>17,663</u>
Deposits:		
At January 1	123,142	73,359
Deposit during the quarter	162,741	512,904
Withdrawal during the quarter	(208,928)	(463,121)
At March 31	<u>76,955</u>	<u>123,142</u>
	March 31, 2011	March 31, 2010 (Restated)
	----- Rupees in `000 -----	
	(Unaudited)	(Unaudited)
Transactions, income and expenses:		
Return on deposits expensed	2,070	3,114
Profit earned on Financing	1,654	-
Repair and Maintenance	10,441	-
	March 31, 2011	December 31, 2010
	----- Rupees in `000 -----	
	(Unaudited)	(Audited)
KEY MANAGEMENT PERSONNEL		
Financings:		
At January 1	61,167	48,796
Disbursed during the quarter	3,124	18,062
Repaid during the quarter	(939)	(5,691)
At March 31	<u>63,352</u>	<u>61,167</u>
Deposits:		
At January 1	2,737	731
Deposit during the quarter	17,439	69,286
Withdrawal during the quarter	(13,973)	(67,280)
At March 31	<u>6,203</u>	<u>2,737</u>
	March 31, 2011	March 31, 2010 (Restated)
	----- Rupees in `000 -----	
	(Unaudited)	(Unaudited)
Transactions, income and expenses:		
Profit earned on financing	213	493
Return on deposits expensed	96	70



**NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

14. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on April 27, 2011 by the Board of Directors of the Bank

15. GENERAL

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

Figures have been restated where ever necessary for the purpose of comparison.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

Consolidated Financial Statements
of
BankIslami Pakistan Limited
for the Quarter Ended
March 31, 2011



DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the financial results of the first quarter of 2011. Following are the highlights:

	(Rs in millions)		
	March 31, 2011	December 31, 2010	Change (%)
Total Deposits	40,014	38,110	5.00%
Total Assets	47,488	44,947	5.65%
Net Financing	16,041	16,670	-3.77%
Total Investments	16,333	13,565	20.41%
Shareholders Equity	4,815	4,764	1.07%
Branches	102	102	0
	March 31, 2011	March 31, 2010	
Basic EPS (Rupees)	0.097	(0.016)	706.3%

Our group performance remained satisfactory. The Bank has been able to post growth in its Deposits by 5%, Investments by 20.41% and Assets by 5.65%.

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 27, 2011

**CONSOLIDATED INTERIM CONDENSED
STATEMENT OF FINANCIAL POSITION**
AS AT MARCH 31, 2011

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)
	----- Rupees in ` 000 -----	
ASSETS		
Cash and balances with treasury banks	2,478,584	3,035,153
Balances with other banks	434,648	570,858
Due from financial institutions	5,070,229	4,513,132
Investments	16,332,917	13,564,654
Financings	16,041,416	16,670,125
Operating fixed assets	1,979,004	2,048,855
Deferred tax assets	396,199	409,483
Other assets	4,754,774	4,134,418
	<u>47,487,771</u>	<u>44,946,678</u>
LIABILITIES		
Bills payable	849,617	563,020
Due to financial institutions	550,000	353,000
Deposits and other accounts	40,014,252	38,109,790
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,259,276	1,156,705
	<u>42,673,145</u>	<u>40,182,515</u>
NET ASSETS	<u>4,814,626</u>	<u>4,764,163</u>
REPRESENTED BY		
Share capital	5,279,679	5,279,679
Reserves	18,461	8,232
Accumulated loss	(515,215)	(556,130)
	<u>4,782,925</u>	<u>4,731,781</u>
Surplus on revaluation of assets - net of tax	31,701	32,382
	<u>4,814,626</u>	<u>4,764,163</u>

CONTINGENCIES AND COMMITMENTS

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONSOLIDATED INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2011

	Quarter ended March 31, 2011	Quarter ended March 31, 2010 (Restated)
	----- Rupees in `000 -----	
Profit/Return on financings, investments and placements earned	1,208,843	803,004
Return on deposits and other dues expensed	635,385	443,652
Net spread earned	573,458	359,352
Provision / (Reversal) against non-performing financings	6,335	(5,069)
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
Net spread after provisions	567,123	364,421
OTHER INCOME		
Fee, commission and brokerage income	17,523	24,934
Dividend income	-	-
Income from dealing in foreign currencies	5,994	30,745
Capital gain on sale of securities	-	-
Unrealized gain/(loss) on revaluation of investments classified as held-for-trading	-	-
Other income	14,537	8,214
Total other income	38,054	63,893
OTHER EXPENSES		
Administrative expenses	526,093	439,614
Other provisions / write-offs	-	-
Other charges	1,188	920
Total other expenses	527,281	440,534
Extraordinary / unusual items	77,896	(12,220)
PROFIT/ (LOSS) BEFORE TAXATION	77,896	(12,220)
TAXATION		
Current	13,099	3,636
Prior years	-	-
Deferred	13,653	(7,668)
PROFIT/(LOSS) AFTER TAXATION	26,752	(4,032)
Accumulated loss brought forward	(556,130)	(588,218)
Transferred to Statutory Reserve	(10,229)	-
Accumulated loss carried forward	(566,359)	(588,218)
	(515,215)	(596,406)
Basic and diluted earnings / (loss) per share (Rupees)	0.097	(0.016)

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

**CONSOLIDATED INTERIM CONDENSED
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**
FOR THE QUARTER ENDED MARCH 31, 2011

	March 31, 2011	March 31, 2010 (Restated)
	----- Rupees in `000 -----	
Profit / (Loss) after taxation	51,144	(8,188)
Other comprehensive income	-	-
Other comprehensive income / (loss) transferred to equity	51,144	(8,188)
Components of comprehensive income not transferred to equity		
Surplus on revaluation of available for sale securities	48,771	46,734
Deferred tax on surplus on revaluation of available for sale securities	(17,070)	(16,357)
	31,701	30,377
Total comprehensive income for the quarter	82,845	22,189

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2011

	March 31, 2011	March 31, 2010 (Restated)
	----- Rupees in `000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	77,896	(12,220)
Less: Dividend income	-	-
	<u>77,896</u>	<u>(12,220)</u>
Adjustments:		
Depreciation	75,710	84,124
Amortization of intangible asset	6,752	7,231
Depreciation on operating Ijarah	135,726	13,137
Provision / (Reversal) against non-performing financings	6,335	(5,069)
Gain on revaluation of investments (classified as held-for-trading)	-	-
Loss / (gain) on sale of fixed assets	(8,842)	(728)
Deferred cost amortized	4,086	4,021
	<u>219,767</u>	<u>102,716</u>
	<u>297,663</u>	<u>90,496</u>
(Increase) / decrease in operating assets		
Due from financial institutions	(557,097)	(3,295,090)
Held-for-trading securities	-	-
Financings	486,648	(487,280)
Others assets (excluding advance taxation and deferred cost)	(624,960)	(384,901)
	<u>(695,409)</u>	<u>(4,167,271)</u>
Increase / (decrease) in operating liabilities		
Bills payable	286,597	(128,934)
Repayments / Borrowings from financial institutions	197,000	506,840
Deposits and other accounts	1,904,462	862,027
Other liabilities	102,572	298,553
	<u>2,490,631</u>	<u>1,538,486</u>
	<u>2,092,885</u>	<u>(2,538,289)</u>
Income tax paid	(12,579)	(1,351)
Net cash generated from / (used in) operating activities	<u>2,080,306</u>	<u>(2,539,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in available-for-sale securities-net	(2,769,315)	105,990
Dividend income received	-	-
Investments in operating fixed assets	(27,985)	(20,676)
Sale proceeds of property and equipment disposed-off	24,215	1,582
Net cash (used in) / generated from investing activities	<u>(2,773,085)</u>	<u>86,896</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	-	-
Net cash flow from financing activities	-	-
Net (decrease) / increase in cash and cash equivalents	<u>(692,779)</u>	<u>(2,452,744)</u>
Cash and cash equivalents at beginning of the quarter	<u>3,606,011</u>	<u>6,277,328</u>
Cash and cash equivalents at end of the quarter	<u>2,913,232</u>	<u>3,824,584</u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY (UNAUDITED)**
FOR THE QUARTER ENDED MARCH 31, 2011

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in ` 000 -----			
Balance as at January 01, 2010	5,279,679	-	(589,057)	4,690,622
Loss for the quarter ended March 31, 2010 (Restated)	-	-	(8,188)	(8,188)
Balance as at March 31, 2010 (Restated)	5,279,679	-	(597,245)	4,682,434
Profit for the period ended December 31, 2010	-	-	49,347	49,347
Other comprehensive income	-	-	-	-
Total Comprehensive profit for the period ended December 31, 2010			49,347	49,347
Transferred to Statutory Reserve	-	8,232	(8,232)	-
Closing Balance as at December 31, 2010	5,279,679	8,232	(556,130)	4,731,781
Profit for the quarter ended March 31, 2011	-	-	51,144	51,144
Other Comprehensive Income	-	-	-	-
Total Comprehensive profit for the quarter ended March 31, 2011	-	-	51,144	51,144
Transferred to statutory reserve	-	10,229	(10,229)	-
Closing Balance as at March 31, 2011	5,279,679	18,461	(515,215)	4,782,925

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

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 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, 2010: 102 branches) as at March 31, 2011.
- 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) as of December 31, 2009 was Rs. 6 billion and for the year ended December 31, 2010 is Rs. 7 billion. The paid up capital of the Bank (free of losses) as of March 31, 2011 amounts to Rs. 4.783 billion. In view of the above capital requirements, the Board of Directors of the Bank in their meeting held on February 07, 2011 has in principle agreed to issue right shares to increase its capital (free of losses) to Rs. 6 billion. Further, SBP vide its letter No. BSD/BAI-3/608/2773/2011 dated March 07, 2011 has granted the Bank exemption from its MCR till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raise its capital to Rs. 6 billion well before June 30, 2011.

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

**NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**
FOR THE QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

3. STATEMENT OF COMPLIANCE

- 3.1 These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or regulations / directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.
- 3.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS-7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.
- 3.3 The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting" and do not include all of the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2010.

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 Bank for the year ended December 31, 2010.

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 THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**
FOR THE QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

5.1 Business combinations

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

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

5.2 Goodwill

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

6- DATE OF AUTHORIZATION FOR ISSUE

These interim condensed consolidated financial statements were authorized for issue on April 27, 2011 by the Board of Directors of the Bank.

7- GENERAL

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director