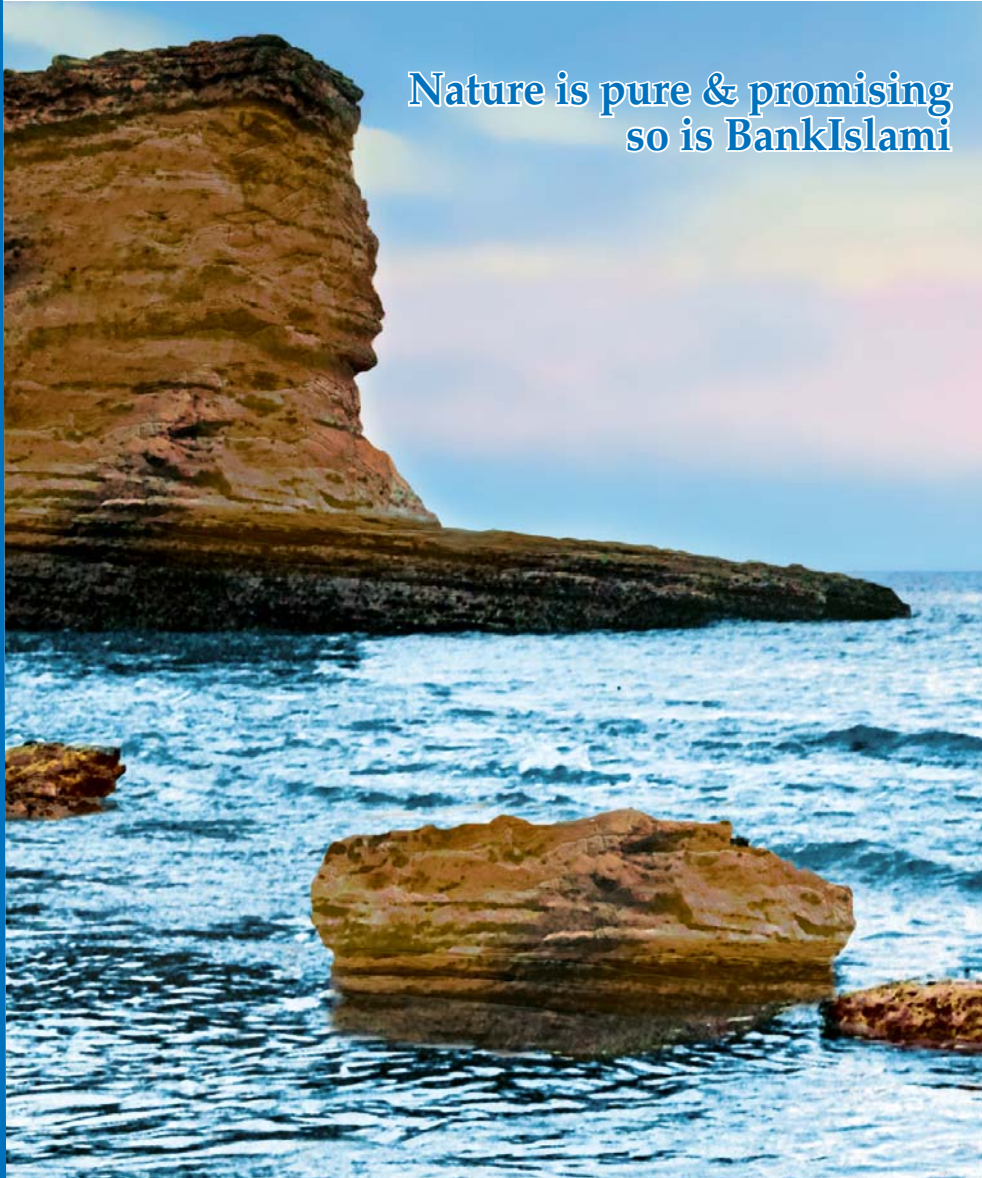


بَيْتُكَ إِسْلَامِي



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Quarterly Report March 31, 2013

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CORPORATE INFORMATION

Board of Directors

Chief Justice (Retd.) Mahboob Ahmed Chairman

Mr. Abdulhakim Habib Mansoor Binherz

Mr. Abdulla Abdulkarim Abdulla Showaiter *

Mr. Ali Hussain

Mr. Ali Raza Siddiqui

Mr. Fawad Anwar

Mr. Hasan A. Bilgrami

Mr. Shabir Ahmed Randeree

Chief Executive Officer

Sharia'h Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani ** Chairman

Professor Dr. Fazlur Rahman Acting Chairman

Mufti Irshad Ahmad Aijaz Member & Sharia'h Adviser

Chairman

Acting Chairman

Member & Sharia'h Adviser

Audit Committee

Mr. Fawad Anwar

Chairman

Mr. Abdulhakim Habib Mansoor Binherz

Member

Mr. Ali Hussain

Member

Mr. Ali Raza Siddiqui

Member

Mr. Shabir Ahmed Randeree

Member

Executive Committee

Chief Justice (Retd.) Mahboob Ahmed

Chairman

Mr. Abdulhakim Habib Mansoor Binherz

Member

Mr. Fawad Anwar

Member

Mr. Hasan A. Bilgrami

Member

Risk Management Committee

Mr. Fawad Anwar

Chairman

Mr. Abdulhakim Habib Mansoor Binherz

Member

Mr. Hasan A. Bilgrami

Member

Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui

Chairman

Mr. Ali Hussain

Member (By Invitation)

Mr. Abdulhakim Habib Mansoor Binherz

Member

Mr. Fawad Anwar

Member

Mr. Hasan A. Bilgrami

Member

Company Secretar

Mr. Khawaja Ehrar ul Hassan - Acting

* Subject to SBP approval

** Justice[®] Taqi Usmani has resigned from his position which is pending approval of the Board of Directors.

**Auditors**

A. F. Ferguson & Co.
Chartered Accountants

Legal Adviser

- 1- Haidermota & Co.
Barrister at Law
- 2- Mohsin Tayebaly & Co.
Corporate Legal Consultants / Barristers & Advocates
High Courts & Supreme Court

Management (in alphabetical order)

Mr. Ahmed Mustafa	Head, Branch Operations
Mr. Arsalan Vohra	Head, Risk Policy & Analytics
Mr. Arshad Wahab Zuberi	Head, Administration and General Service
Mr. Asad Alim	Head, Information Systems
Mr. Farooq Anwar	Head, Operations
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Khawaja Ehrar ul Hassan	Head, Compliance & Legal / Acting Head, Finance
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

Registered Office

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

Share Registrar

Technology Trade (Private) Limited
Dagja House, 241-C, Block-2
P.E.C.H.S. Off: Shakra-e-Qaideen,
Karachi
Phone: (92-21) 34387960-61
Fax: (92-21) 34391318

Website:

www.bankislami.com.pk

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the financial results of the Bank for the quarter ended March 31, 2013. Following are the highlights:

	March 31, 2013	March 31, 2012	Growth (%)
Rupees in 'millions'.....		
Total Deposits	64,786	48,716	32.99
Total Assets	74,645	58,112	28.45
Total Financing - net	26,416	22,287	18.53
Total Investments	28,714	18,662	53.86
Shareholder's Equity	5,582	5,252	6.28
Branches - Number	141	102	38.24
Basic Earnings per share - Rupees	0.026	0.174	(85.06)

Fall in profitability is mainly due to full cost allocation of 39 branches/sub-branches that were opened last year. As well, full impact of fall in spreads was also felt in this quarter. Additionally a substantial portion of revenue under Istisna/Musawama financing was not booked in this quarter though costs were expensed out. We expect the trend to reverse inshallah from the second quarter. The Bank is expected to report better profitability in 2013 compared to 2012. Further 60 branches are proposed to be added in the net work towards end of the year taking it to 200 branches and sub-branches covering almost 100 cities.

The exemption granted by State Bank of Pakistan from Minimum Capital Requirement ('MCR') expired on March 31, 2013. The Bank has applied for extension till June 30, 2013. The Board is exploring various options and hopefully will opt for one of the options once the elections are over.

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

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

On behalf of the Board,

Hasan A. Bilgrami
Chief Executive Officer
April 30, 2013



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2013

	Note	(Un-audited) March 31, 2013	Restated (Audited) December 31, 2012
----- Rupees in `000 -----			
ASSETS			
Cash and balances with treasury banks		3,827,599	4,938,707
Balances with other banks	8	492,700	806,110
Due from financial institutions	9	11,191,721	8,475,672
Investments	10	28,713,845	28,994,462
Islamic financing and related assets - net	11	26,416,286	27,433,262
Operating fixed assets		1,842,573	1,913,106
Deferred tax assets - net	13	110,460	78,896
Other assets		2,054,753	1,607,602
		74,649,937	74,247,817
LIABILITIES			
Bills payable		939,859	1,251,010
Due to financial institutions	14	1,625,885	1,621,415
Deposits and other accounts	15	64,786,265	64,216,485
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		1,756,923	1,572,412
		69,108,932	68,661,322
NET ASSETS		5,541,005	5,586,495
REPRESENTED BY			
Share capital		5,279,679	5,279,679
Reserves		173,392	173,392
Unappropriated Profit		129,323	115,383
		5,582,394	5,568,454
(Deficit) / Surplus on revaluation of assets - net of tax	16	(41,389)	18,041
		5,541,005	5,586,495
CONTINGENCIES AND COMMITMENTS	17		

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

	Note	Quarter ended	
		March 31,	Restated
		2013	March 31,
		----- Rupees in `000 -----	
Profit / return earned	18	1,437,839	1,419,778
Profit / return expensed		911,553	822,810
Net spread earned		<u>526,286</u>	<u>596,968</u>
Provision against non-performing Islamic financings and related assets - net	11.4	18,063	5,685
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		<u>18,063</u>	<u>5,685</u>
Net spread after provisions		<u>508,223</u>	<u>591,283</u>
OTHER INCOME			
Fee, commission and brokerage Income		59,661	41,940
Dividend income		-	-
Income from dealing in foreign currencies		17,001	24,290
Gain on sale of securities		6,709	-
Other income		54,176	7,683
Total other income		<u>137,547</u>	<u>73,913</u>
		<u>645,770</u>	<u>665,196</u>
OTHER EXPENSES			
Administrative expenses		610,383	524,175
Other provisions		-	-
Other charges		13,763	381
Total other expenses		<u>624,146</u>	<u>524,556</u>
		<u>21,624</u>	<u>140,640</u>
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		<u>21,624</u>	<u>140,640</u>
Taxation			
-Current		7,877	14,937
-Prior years		-	-
-Deferred		(193)	33,905
		<u>7,684</u>	<u>48,842</u>
PROFIT AFTER TAXATION		<u>13,940</u>	<u>91,798</u>
Unappropriated profit / Accumulated (losses) as brought forward		115,383	(215,131)
Transferred to statutory reserve		-	-
Unappropriated profit / Accumulated (losses) as carried forward		<u>129,323</u>	<u>(123,333)</u>
Basic / diluted earnings per share - (Rupee)	19	<u>0.026</u>	<u>0.174</u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

	Quarter ended	
	March 31, 2013	March 31, 2012
	----- Rupees in `000 -----	
Profit after taxation	13,940	91,798
Components of comprehensive income not reflected in equity		
Deficit on revaluation of available for sale securities - net of tax	(59,430)	(152,543)
Total comprehensive loss for the period	(45,490)	(60,745)

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

	March 31, 2013	March 31, 2012
	----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	21,624	140,640
Adjustments for:		
Depreciation - Own assets	67,426	69,185
Depreciation - Operating Ijara assets	117,161	88,412
Amortisation of intangible asset	7,123	7,723
Provision against non-performing Islamic financings and related assets - net	18,063	5,685
Provision against other assets	-	-
Gain on sale of fixed assets	(50,691)	(1,551)
Deferred cost amortised	-	-
	<u>159,082</u>	<u>169,454</u>
	180,706	310,094
(Increase) / decrease in operating assets		
Due from financial institutions	(2,716,049)	(5,516,764)
Islamic financings and related assets	881,753	2,323,149
Others assets (excluding advance taxation and deferred cost)	(451,243)	(143,752)
	<u>(2,285,539)</u>	<u>(3,337,367)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(311,151)	101,499
Due to financial institutions	4,470	880,000
Deposits and other accounts	569,780	(1,852,891)
Other liabilities (excluding current taxation)	184,511	222,959
	<u>447,610</u>	<u>(648,433)</u>
	<u>(1,657,223)</u>	<u>(3,675,706)</u>
Income tax paid	(3,785)	(14,784)
Net cash generated from / (used in) operating activities	<u>(1,661,008)</u>	<u>(3,690,490)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	189,815	2,170,157
Investments in operating fixed assets - net	(64,938)	(23,250)
Proceeds realised on disposal of operating fixed assets	111,613	2,426
Net cash (used in) / generated from investing activities	<u>236,490</u>	<u>2,149,333</u>
Increase / (decrease) in cash and cash equivalents	<u>(1,424,518)</u>	<u>(1,541,157)</u>
Cash and cash equivalents at beginning of the period	5,744,817	5,234,103
Cash and cash equivalents at end of the period	<u><u>4,320,299</u></u>	<u><u>3,692,946</u></u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

	Share Capital	Statutory Reserve	Unappropriated profit / (Accumulated loss)	Total
	----- Rupees in ` 000 -----			
Balance as at January 01, 2012	5,279,679	91,221	(227,340)	5,143,560
Effect of changes in accounting policy - Net of tax	-	-	12,209	12,209
Balance as at January 01, 2012 - Restated	<u>5,279,679</u>	<u>91,221</u>	<u>(215,131)</u>	<u>5,155,769</u>
Profit after taxation for the quarter ended March 31, 2012	-	-	91,798	91,798
Balance as at March 31, 2012 - Restated	<u>5,279,679</u>	<u>91,221</u>	<u>(123,333)</u>	<u>5,247,567</u>
Profit after taxation for the period ended December 31, 2012 - Restated	-	-	318,097	318,097
Transferred to statutory reserve	-	82,171	(82,171)	-
Remeasurements of the net defined benefit liability / (asset) - Net of tax - Restated	-	-	2,790	2,790
Balance as at December 31, 2012 - Restated	<u>5,279,679</u>	<u>173,392</u>	<u>115,383</u>	<u>5,568,454</u>
Profit after taxation for the quarter ended March 31, 2013	-	-	13,940	13,940
Balance as at March 31, 2013	<u><u>5,279,679</u></u>	<u><u>173,392</u></u>	<u><u>129,323</u></u>	<u><u>5,582,394</u></u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

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 141 branches including 53 sub-branches (December 31, 2012: 141 branches including 53 sub-branches) as at March 31, 2013. 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, 2012 is Rs 9 billion (2011: Rs 8 billion) and 10 percent (2011: 10 percent) respectively. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. However, the paid up capital of the Bank (free of losses) as at March 31, 2013 amounts to Rs 5.280 billion although its CAR stands at 15.9 percent.

The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. Recently, the SBP vide its letter no. BPRD/CSD/2407/13 dated March 1, 2013 has further extended the timeline for meeting the paid up capital (free of losses) of Rs 6 billion and to submit the reassessed issue price of right shares till March 31, 2013. Moreover, the Bank has also been advised by the SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements. The Bank has further applied for extension till June 30, 2013 for meeting the MCR requirement.

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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

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, 2012.
- 3.4 SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on Revaluation of Available for sale (AFS) Securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.

4 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

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, 2012 except for changes mentioned in Note 6.1 :

- 6.1 Changes in accounting policies and disclosures - Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

That have an impact on the Bank's financial statements

IAS 19 Employee Benefits (amended 2011) is effective for annual periods beginning on or after January 1, 2013. The amended IAS 19 includes the amendments that:

- Require actuarial gains and losses to be recognised immediately in "other comprehensive income" by removing corridor method which was applied previously by the Bank; and
- The expected return on plan assets recognised in profit or loss has been calculated based on the rate used to discount the defined benefit obligation, previously the expected rate of return on plan assets and discount rate used for arriving at the present value of defined benefit obligation were determined separately.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior period financial statements have been summarised below:

	December 31, 2012	December 31, 2011
	----- Rupees in `000 -----	
Impact on statement of financial position		
Increase/(decrease) in other assets	22,118	18,783
Increase/(decrease) in other liabilities	(2,254)	(241)
Increase/(decrease) in other deferred tax assets	(8,077)	(6,574)

	December 31, 2012	December 31, 2011
	----- Rupees in `000 -----	
Impact on statement of changes in equity		
Unappropriated profit / (Accumulated losses) as previously reported	101,342	(227,340)
Adjustments due to change in accounting policy	1,832	12,209
Cumulative effect from prior years	12,209	-
Unappropriated profit / (Accumulated losses) as restated	115,383	(215,131)

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2012.

		(Un-audited) March 31, 2013	(Audited) December 31, 2012
8 BALANCES WITH OTHER BANKS	Note	----- Rupees in ` 000 -----	
In Pakistan			
- Current accounts		14,573	7,915
- Deposit accounts		121	121
		14,694	8,036
Outside Pakistan			
- Current accounts		478,006	798,074
		492,700	806,110

9 DUE FROM FINANCIAL INSTITUTIONS

Sukuk Murahaba		6,418	6,418
Commodity Murahaba - local currency	9.1	8,391,721	4,975,672
		8,398,139	4,982,090
Musharaka Placement		2,800,000	3,500,000
Provision against Sukuk Murahaba		(6,418)	(6,418)
		11,191,721	8,475,672

9.1 The Bank has entered into Commodity Murahaba agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rate on the agreement ranges between 9.25% to 9.5% (DEC 2012: 6.95 % to 9.75%) per annum and the agreement have a maturity ranging from 1 day to 57 days.

10 INVESTMENTS

10.1 Investments by type

	(Un-audited) March 31, 2013			(Audited) December 31, 2012		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	----- Rupees in '000 -----					
Available for sale securities						
- Sukuk certificates	28,586,251	-	28,586,251	27,816,066	-	27,816,066
- Mutual Fund						
Open end mutual funds	15	-	15	960,015	-	960,015
Closed end mutual fund	6	-	6	6	-	6
	28,586,272	-	28,586,272	28,776,087	-	28,776,087
Subsidiary						
- Bankislami Modaraba Investment Limited - unlisted company	191,015	-	191,015	191,015	-	191,015
Investments at cost	28,777,287	-	28,777,287	28,967,102	-	28,967,102
Less : Provision For Diminution In Value Of Investments	-	-	-	-	-	-
Investments (Net of Provisions)	28,777,287	-	28,777,287	28,967,102	-	28,967,102
(Deficit) / Surplus on revaluation of available for sale securities - net	(63,442)	-	(63,442)	27,360	-	27,360
Total investments at market value	28,713,845	-	28,713,845	28,994,462	-	28,994,462

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

		(Un-audited) March 31, 2013	(Audited) December 31, 2012
	Note	----- Rupees in '000 -----	
10.2 Particulars of provision for diminution in the value of investments			
Opening balance		-	15,000
Charge for the period / year		-	-
Reversals during the period / year		-	(15,000)
Closing balance		-	-
11 ISLAMIC FINANCING AND RELATED ASSETS			
Financings- In Pakistan			
- Murabaha financing and related assets	11.1	6,681,004	7,550,602
- Istisn'a financing and related assets	11.2	5,495,370	5,573,155
- Diminishing Musharka-Housing		1,665,286	1,645,458
- Diminishing Musharka financing and related assets - Others		5,485,869	5,646,582
- Against Bills- Murabaha		-	1,505
- Payment Against Document		64,235	-
- Post Due Acceptance		9,980	38,192
- Musawama Financings and related assets		4,815,628	4,920,580
- Financings to employees		724,111	661,837
		24,941,483	26,037,911
Housing finance portfolio		153,613	153,637
Net investment in Ijara financing In Pakistan		162,083	180,591
Ijarah financing under IFAS 2 and related assets	11.3	1,677,737	1,561,690
Financing - gross		26,934,916	27,933,829
Provision for non-performing Financings and related assets			
- Specific		(484,245)	(467,002)
- General		(34,385)	(33,565)
Financing and related assets - net of provision		26,416,286	27,433,262

11.1 Murahaba financing and related assets includes financing amounting to Rs 362.005 million (2012: Rs 138.241million) against Murabaha under Islamic Export Refinance Scheme.

11.2 Istisn'a financing and related assets includes financing amounting to Rs 3.085 million (2012: Rs 255.015 million) against istisn'a under Islamic Export Refinance Scheme.

11.3 Financing includes Rs 1,208.79 million (2012: Rs 1,205.222 million) which have been placed under non-performing status as follows:

Category of Classification	March 31, 2013 (Un-audited)			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Substandard	156,192	-	156,192	2,639	2,639
Doubtful	326,095	-	326,095	70,104	70,104
Loss	798,503	-	798,503	411,502	411,502
	1,280,790	-	1,280,790	484,245	484,245

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

Category of Classification	December 31, 2012 (Audited)			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Substandard	89,171	-	89,171	560	560
Doubtful	318,084	-	318,084	57,890	57,890
Loss	797,967	-	797,967	408,552	408,552
	<u>1,205,222</u>	<u>-</u>	<u>1,205,222</u>	<u>467,002</u>	<u>467,002</u>

11.4 Particulars of provision against non-performing financings:

	March 31, 2013 (Un-audited)		
	Specific	General	Total
	Rupees in '000		
Opening balance	467,002	33,565	500,567
Charge for the period	24,294	820	25,114
Reversals	(7,051)	-	(7,051)
	17,243	820	18,063
Closing balance	<u>484,245</u>	<u>34,385</u>	<u>518,630</u>

	December 31, 2012 (Audited)		
	Specific	General	Total
	Rupees in '000		
Opening balance	360,523	28,972	389,495
Charge for the year	129,847	4,593	134,440
Reversals	(23,368)	-	(23,368)
	106,479	4,593	111,072
Closing balance	<u>467,002</u>	<u>33,565</u>	<u>500,567</u>

11.4.1 The Bank has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by the SBP and for potential losses on financings.

	(Un-audited) Quarter ended	
	March 31, 2013	March 31, 2012
	Rupees in `000	
12 OPERATING FIXED ASSETS		
12.1 Additions/ Transfer out to operating fixed assets		
Furniture and fixture	7,545	6,005
Electrical, office and computer equipments	29,115	8,295
Vehicles	166	-
Capital work-in-progress	25,919	6,140
12.2 Intangibles		
Computer Software	2,193	2,810
12.3 Disposals of operating fixed assets		
Furniture and fixture	-	-
Electrical, office and computer equipments	426	1,623
Vehicles	70	2,364
Leasehold building	82,542	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

13 DEFERRED TAX ASSET - NET

As at March 31, 2013 the Bank has recognised deferred tax asset amounting to Rs 110.460 million (December 31, 2012: Rs 78.896 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) March 31, 2013	(Audited) December 31, 2012
14 DUE TO FINANCIAL INSTITUTIONS	----- Rupees in `000 -----	
In Pakistan	1,625,885	1,621,415
Outside Pakistan	-	-
	<u>1,625,885</u>	<u>1,621,415</u>

15 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	32,049,519	30,186,658
Savings deposits	21,516,145	21,090,556
Current Accounts - Non - remunerative	10,503,199	11,293,914
Margin accounts - Non - remunerative	177,305	146,307
	<u>64,246,168</u>	<u>62,717,435</u>

Financial institutions

Remunerative deposits	517,428	1,494,163
Non - remunerative deposits	22,669	4,887
	<u>540,097</u>	<u>1,499,050</u>
	<u>64,786,265</u>	<u>64,216,485</u>

	(Un-audited) March 31, 2013	(Audited) December 31, 2012
16 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX	----- Rupees in `000 -----	

(Deficit) / Surplus on revaluation of available-for-sale securities

Federal Government securities

- Ijara Sukuk Bonds	(64,125)	23,955
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Sukuk Certificates

-Sukuk Certificates unlisted	1117	2,670
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Sukuk Certificates

-Central Bank of Bahrain	(461)	-
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Fully paid up ordinary shares/units

- Mutual Fund	27	735
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	<u>(63,442)</u>	<u>27,360</u>
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Less: Related deferred tax liability	22,053	9,319
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	<u>(41,389)</u>	<u>18,041</u>
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

	(Un-audited) March 31, 2013	(Audited) December 31, 2012
	----- Rupees in ` 000 -----	
17 CONTINGENCIES AND COMMITMENTS		
17.1 Transaction-related Contingent Liabilities		
Guarantees favouring		
Others	827,798	1,511,868
Government	916,162	127,797
	<u>1,743,960</u>	<u>1,639,665</u>
17.2 Trade-related contingent liabilities		
Import letters of Credit	3,777,246	4,114,677
Acceptances	338,585	562,913
	<u>4,115,831</u>	<u>4,677,590</u>
17.3 Claim not acknowledged as debt	<u>846,391</u>	846,391
17.4 Commitments in respect of promises		
Purchase	<u>677,695</u>	459,197
Sale	<u>90,127</u>	209,861
17.5 Commitments for the acquisition of operating fixed assets	<u>44,225</u>	128,883
17.6 The Deputy Commissioner Inland Revenue (DCIR) has passed certain assessment orders against the Bank vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69,431,000 was raised against the Bank mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government.		
The Bank has duly filed appeals for stay of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment orders were confirmed by the Commissioner Inland Revenue (Appeals). The stay applications were heard on February 23, 2013. The ATIR has accepted the stay application of the Bank and has verbally directed that no recovery of demand should be initiated against the Bank till the decision of the main case by the ATIR.		
17.7 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, 2013	(Audited) December 31, 2012
	----- Rupees in ` 000 -----	
17.8 Other commitments		
Bills for collection	<u>91,867</u>	276,575

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

	(Un-audited) Quarter ended	
	March 31, 2013	March 31, 2012
	----- Rupees in `000 -----	
18 PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED		
On Financings to:		
- Customers	626,482	661,816
- Financial Institutions	180,958	140,179
	<u>807,440</u>	<u>801,995</u>
On Investments - available for sale securities	622,570	600,980
On deposits / placements with financial institutions	288	11,186
Others	7,541	5,617
	<u>1,437,839</u>	<u>1,419,778</u>

	(Un-audited) Quarter ended.	
	March 31, 2013	March 31, 2012
	----- Rupees in `000 -----	
19 EARNINGS PER SHARE - Basic / Diluted		
Profit after taxation for the quarter	13,940	91,798
	----- Number of shares -----	
Weighted average number of ordinary shares	527,967,898	527,967,898
	----- Rupees -----	
Basic / diluted earnings per share	0.026	0.174

There were no convertible / dilutive potential ordinary shares outstanding as at March 31, 2013 and March 31, 2012.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

20 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
Rupees in '000					
For the period ended March 31, 2013 (Un-audited)					
Total Income	5,829	985,258	522,585	61,714	1,575,386
Total Expenses	22,845	831,075	438,922	260,920	1,553,762
Net income/(loss) before tax	(17,016)	154,183	83,663	(199,206)	21,624
As at March 31, 2013 (Un-audited)					
Segment Assets (Gross)	43,064,594	4,466,255	25,280,302	2,394,817	75,205,968
Segment Non Performing Assets	74,790	405,219	893,184	-	1,373,193
Segment Provision Required	19,790	193,375	342,866	-	556,031
Segment Liabilities	1,344,617	43,175,569	23,641,073	947,673	69,108,932
Segment Return on Assets (ROA) (%)	-0.16%	14.00%	1.34%	-	-
Segment Cost of funds (%)	9.43%	5.61%	6.72%	-	-
For the period ended March 31, 2012 (Un-audited)					
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
As at December 31, 2012 (Audited)					
Segment Assets (Gross)	41,268,569	4,992,045	26,216,312	2,297,073	74,773,999
Segment Non Performing Financing	74,790	405,223	817,610	-	1,297,623
Segment Provision Required	19,790	186,718	331,461	-	537,969
Segment Liabilities	1,048,876	42,197,845	25,234,017	182,838	68,663,576
Segment Return on Assets (ROA) (%)	1.53%	8.88%	1.50%	-	-
Segment Cost of funds (%)	10.14%	6.54%	7.69%	-	-

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, principal shareholders, retirement benefit funds, directors and their close family members, and key management personnel.

The related parties of the Bank comprise related group companies, principal shareholders, key management personnel, companies where directors of the Bank also hold directorship, directors and their close family members and staff retirement funds.

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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

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

	(Un-audited) March 31, 2013	(Audited) December 31, 2012
	----- Rupees in `000 -----	
SUBSIDAIARY		
Deposits:		
Opening balance	105,868	99,434
Deposit during the period	413,562	2,836,209
Withdrawal during the period	(412,496)	(2,829,774)
Closing balance	106,934	105,869
	(Un-audited) Quarter ended	
	March 31, 2013	March 31, 2012
	----- Rupees in `000 -----	
Transactions, income and expenses:		
Return on deposits expensed	2,016	1,854
	(Un-audited) March 31, 2013	(Audited) December 31, 2012
	----- Rupees in `000 -----	
ASSOCIATES		
Financings:		
Opening balance	30,047	18,946
Accrued / disbursed during the period	8,799	42,556
Repayments	(7,763)	(31,455)
Closing balance	31,083	30,047
Deposits:		
Opening balance	89,674	127,794
Deposit during the period	157,999	620,651
Withdrawal during the period	(149,535)	(658,771)
Closing balance	98,825	88,674
Balance with other Banks:		
Opening balance	-	-
Deposit during the period	3,207	-
Withdrawal during the period	-	-
Closing balance	3,207	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

	(Un-audited) Quarter ended	
	March 31, 2013	March 31, 2012
	----- Rupees in `000 -----	
Transactions, income and expenses:		
Profit earned on financing	8,799	8,361
Return on deposits expensed	760	1,933
Administrative Expense	18,054	19,739

Adjustment have been made in respect of entity regarded as "Related Party".

	(Un-audited) March 31, 2013	(Audited) December 31, 2012
	----- Rupees in `000 -----	
KEY MANAGEMENT PERSONNEL		

Financings:

Opening balance	112,399	76,944
Disbursed during the period	-	29,020
Repaid during the period	(1,688)	(5,718)
Closing balance	110,711	100,246

Deposits:

Opening balance	5,517	4,525
Deposit during the period	15,476	71,975
Withdrawal during the period	(17,672)	(71,442)
Closing balance	3,321	5,058

	(Un-audited) Quarter ended	
	March 31, 2013	March 31, 2012
	----- Rupees in `000 -----	
Transactions, income and expenses:		

Profit earned on financing	867	808
Return on deposits expensed	37	86
Remuneration	12,368	12,931

Employee Benefit plans

Contribution to Employees Gratuity Fund	6,840	5,562
Contribution to Employees Provident Fund	7,919	7,060

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

22 GENERAL

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

23 Corresponding figures

The State Bank of Pakistan (SBP) vide BSD Circular letter No.3 of 2013 dated January 22, 2013 had made certain changes to the 'Revised Forms of Annual Financial Statements', which were effective from December 31, 2012. As required under the said directives, the Bank had changed its accounting policy in respect of presentation and disclosure of Islamic financings and related assets. The said change in accounting policy was applied retrospectively in accordance with the treatment specified in International Accounting Standard (IAS) 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Therefore, cash flow statement for the comparative period has been restated to comply with the said circular.

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.

24 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 30, 2013 by the Board of Directors of the Bank.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



Consolidated Financial Statements
of
BankIslami Pakistan Limited
for the Period Ended
March 31, 2013

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, 2013. Following are the highlights:

	March 31, 2013	March 31, 2012	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	64,678	48,615	33.04
Total Assets	74,543	58,007	28.51
Total Financing-net	26,416	22,287	18.53
Total Investments	28,535	18,486	54.36
Shareholder's Equity	5,541	5,247	5.60
Branches	141	102	38.24
Basic Earnings per share - rupees	0.03	0.176	(82.9)

Our group performance remained satisfactory. The group has been able to post growth in its deposit by 33.04% and Assets by 28.51%.

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 30, 2013



CONDENSED INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS AT MARCH 31, 2013

	(Un-audited) March 31, 2013	Restated (Audited) December 31, 2012
	----- Rupees in `000 -----	
ASSETS		
Cash and balances with treasury banks	3,827,604	4,938,712
Balances with other banks	492,963	806,282
Due from financial institutions	11,191,721	8,475,672
Investments	28,534,500	28,817,928
Islamic financing and related assets-net	26,416,286	27,433,262
Operating fixed assets	1,849,273	1,919,513
Deferred tax assets	110,595	79,262
Other assets	2,120,256	1,653,671
	74,543,198	74,124,302
LIABILITIES		
Bills payable	939,859	1,251,010
Due to financial institutions	1,625,885	1,621,415
Deposits and other accounts	64,677,903	64,110,616
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,758,154	1,554,373
	69,001,801	68,537,414
NET ASSETS	5,541,397	5,586,888
REPRESENTED BY		
Share capital	5,279,679	5,279,679
Reserves	173,392	173,392
Unappropriated profit	129,258	114,324
	5,582,329	5,567,395
(Deficit) / Surplus on revaluation of assets-net of tax	(40,932)	19,493
	5,541,397	5,586,888

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 8 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

	Quarter ended	
	March 31, 2013	Restated March 31, 2012
	----- Rupees in `000 -----	
Profit / return earned	1,438,092	1,420,231
Profit / return expensed	909,538	820,306
Net spread earned	528,554	599,925
Provision against non-performing financings	18,063	5,685
Provision against investments and lending	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	18,063	5,685
Net spread after provisions	510,491	594,240
OTHER INCOME		
Fee, commission and brokerage Income	59,661	41,940
Dividend income	-	-
Income from dealing in foreign currencies	17,001	24,290
Gain on sale of securities	6,709	-
Other income	54,176	7,683
Total other income	137,547	73,913
	648,038	668,153
OTHER EXPENSES		
Administrative expenses	611,318	525,711
Other provisions	-	-
Other charges	13,781	381
Total other expenses	625,099	526,092
	22,939	142,061
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	22,939	142,061
Taxation		
-Current	8,214	15,304
-Prior years	-	-
-Deferred	(209)	33,888
	8,005	49,192
PROFIT AFTER TAXATION	14,934	92,869
Unappropriated profit / (Accumulated losses) brought forward	114,324	(220,996)
Transferred to statutory reserve	-	-
Unappropriated profit / (Accumulated losses) carried forward	129,258	(128,127)
	0.030	0.174
Basic / diluted earnings per share - (Rupees)		

The annexed notes 1 to 8 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, 2013

	Quarter ended	
	March 31, 2013	March 31, 2012
	----- Rupees in ` 000 -----	
Profit after taxation	14,934	92,869
Components of comprehensive income not reflected in equity		
(Deficit) / Surplus on revaluation of available for sale securities - net of tax	(60,425)	16,535
Total comprehensive income / loss for the period	(45,491)	<u>109,404</u>

The annexed notes 1 to 8 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, 2013**

	March 31, 2013	March 31, 2012
	----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	22,939	142,061
Adjustments for:		
Depreciation - Own assets	67,133	68,909
Amortisation of intangible asset	7,123	7,723
Depreciation - Operating Ijara assets	117,161	88,412
Provision against non-performing Islamic financings and related assets - net	18,063	5,685
Provision against investment and lending	-	-
Provision against other assets	-	-
Gain on sale of fixed assets	(50,691)	(1,551)
Deferred cost amortised	-	-
	<u>158,789</u>	<u>169,178</u>
	181,728	311,239
(Increase) / decrease in operating assets		
Due from financial institutions	(2,716,049)	(5,516,764)
Islamic financings and related assets	881,753	2,323,149
Others assets (excluding advance taxation and deferred cost)	(450,825)	(144,191)
	<u>(2,285,121)</u>	<u>(3,337,806)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(311,151)	101,499
Due to financial institutions	4,470	880,000
Deposits and other accounts	567,287	(1,853,800)
Other liabilities (excluding current taxation)	183,917	222,877
	<u>444,523</u>	<u>(649,424)</u>
	(1,658,870)	(3,675,991)
Income tax paid	(4,109)	(15,537)
Net cash generated from / (used in) operating activities	<u>(1,662,979)</u>	<u>(3,691,528)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	191,877	2,171,119
Investments in operating fixed assets - net	(64,938)	(23,250)
Proceeds realised on disposal of operating fixed assets	111,613	2,426
Net cash (used in) / generated from investing activities	<u>238,552</u>	<u>2,150,295</u>
Increase / (decrease) in cash and cash equivalents	<u>(1,424,427)</u>	<u>(1,541,233)</u>
Cash and cash equivalents at beginning of the period	5,744,994	5,234,242
Cash and cash equivalents at end of the period	<u><u>4,320,567</u></u>	<u><u>3,693,009</u></u>

The annexed notes 1 to 8 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

	Share Capital	Statutory Reserve	Unappropriated profit / (Accumulated loss)	Total
	----- Rupees in `000 -----			
Balance as at January 01, 2012	5,279,679	91,221	(233,205)	5,137,695
Effect of changes in accounting policy - Net of tax	-	-	12,209	12,209
Balance as at January 01, 2012 - Restated	<u>5,279,679</u>	<u>91,221</u>	<u>(220,996)</u>	<u>5,149,904</u>
Profit after taxation for the quarter ended March 31, 2012	-	-	92,869	92,869
Transferred to statutory reserve	-	-	-	-
Balance as at March 31, 2012 - Restated	<u>5,279,679</u>	<u>91,221</u>	<u>(128,127)</u>	<u>5,242,773</u>
Profit after taxation for the period ended December 31, 2012-Restated	-	-	321,832	321,832
Transferred to statutory reserve	-	82,171	(82,171)	-
Remasurements of the net defined benefit liability / (asset) - Net of tax - Restated	-	-	2,790	2,790
Other comprehensive income	-	-	-	-
Balance as at December 31, 2012 - Restated	<u>5,279,679</u>	<u>173,392</u>	<u>114,324</u>	<u>5,567,395</u>
Profit after taxation for the quarter ended March 31, 2013	-	-	14,934	14,934
Balance as at March 31, 2013	<u>5,279,679</u>	<u>173,392</u>	<u>129,258</u>	<u>5,582,329</u>

The annexed notes 1 to 8 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

**NOTES TO AND FORMING PART OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

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 forty one branches including fifty three sub-branches (December 31, 2012: 141 branches) as at March 31, 2013.
- 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, 2012 is Rs 9 billion (2011: Rs 8 billion) and 10 percent (2011: 10 percent) respectively. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. However, the paid up capital of the Bank (free of losses) as at March 31, 2013 amounts to Rs 5.280 billion although its CAR stands at 15.9 percent.

The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. Recently, the SBP vide its letter no. BPRD/CSD/2407/13 dated March 1, 2013 has further extended the timeline for meeting the paid up capital (free of losses) of Rs 6 billion and to submit the reassessed issue price of right shares till March 31, 2013. Moreover, the Bank has also been advised by the SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements. The Bank has further applied for extension till June 30, 2013 for meeting the MCR requirement.

- 1.3 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 modaraba management company. BankIslami Modaraba Investment Limited was incorporated in Pakistan on January 22, 1986 as a public unquoted company under the Companies Ordinance, 1984. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modarabas, under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980. The registered office of the company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

2. BASIS OF PRESENTATION

- 2.1 These 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 CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

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 interim condensed financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2012.

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, 2012. except for changes made in note 4.2
- 4.2 Changes in accounting policies and disclosures - Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

That have an impact on the Bank's financial statements

IAS 19 Employee Benefits (amended 2011) is effective for annual periods beginning on or after January 1, 2013. The amended IAS 19 includes the amendments that:

**NOTES TO AND FORMING PART OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

- require actuarial gains and losses to be recognised immediately in "other comprehensive income" by removing corridor method which was applied previously by the Bank; and
- the expected return on plan assets recognised in profit or loss has been calculated based on the rate used to discount the defined benefit obligation, previously the expected rate of return on plan assets and discount rate used for arriving at the present value of defined benefit obligation were determined separately.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior period financial statements have been summarised below:

	December 31, 2012	December 31, 2011
	----- Rupees in ` 000 -----	
Impact on statement of financial position		
Increase/(decrease) in other assets	19,864	18,542
Increase/(decrease) in other liabilities	(2,254)	(241)
Increase/(decrease) in other deferred tax assets	(8,077)	(6,574)
Impact on statement of changes in equity		
Unappropriated profit / (Accumulated losses) as previously reported	100,283	(233,205)
Adjustments due to change in accounting policy	1,832	12,209
Cumulative effect from prior years	12,209	-
Unappropriated profit / (Accumulated losses) as restated	114,324	(220,996)

5 BASIS OF CONSOLIDATION

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

5.1 Business combinations

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

NOTES TO AND FORMING PART OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013

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- GENERAL

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

7- CORRESPONDING FIGURES

The State Bank of Pakistan (SBP) vide BSD Circular letter No.3 of 2013 dated January 22, 2013 had made certain changes to the 'Revised Forms of Annual Financial Statements', which were effective from December 31, 2012. As required under the said directives, the Bank had changed its accounting policy in respect of presentation and disclosure of Islamic financings and related assets. The said change in accounting policy was applied retrospectively in accordance with the treatment specified in International Accounting Standard (IAS) 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Therefore, cash flow statement for the comparative period has been restated to comply with the said circular.

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilities comparisons.

8- DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on April 30, 2013 by the Board of Directors of the Group.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

BankIslami Pakistan Limited

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CORPORATE