

# BankIslami



BankIslami



Quarterly Report  
March 31, 2009

Serving you, the Right way

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## CORPORATE INFORMATION

### Board of Directors

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Ahmed Goolam Mahomed Randeree	
Mr. Ahmed Mohammed El Shall	
Mr. Ali Raza Siddiqui	
Mr. Hasan A. Bilgrami	Chief Executive Officer
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. Ahmed Mohammed El Shall	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. Ahmed Mohammed El Shall	Member
Mr. Hasan A. Bilgrami	Member

### Human Resource & Compensation Committee

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

### Company Secretary

Mr. Syed Shah Sajid Hussain

### Auditors

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

### Legal Adviser

Haidermota & Co.  
Barrister at Law

\* subject to SBP's approval

**Management (in alphabetical order)**

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

**Registered Office**

11th Floor, Executive Tower,  
Dolmen City, Marine Drive,  
Block -4, Clifton, Karachi.  
Phone: (92-21) 111-247(BIP)-111  
Fax: (92-21) 5378373  
Email: info@bankislami.com.pk

**Share Registrar**

Technology Trade (Private) Limited,  
Dagia House, 241-C, Block-2,  
P.E.C.H.S. off Shahra-e-Quaideen, Karachi.  
Phone: (92-21) 4387960-61 Fax: (92-21) 4391318

**Website**

www.bankislami.com.pk



## DIRECTORS' REPORT

On behalf of the Board of the Director's I am pleased to present the Directors Report for the first Quarter of 2009.

The Bank reported a net loss of Rs. 84.50m which was anticipated due to fully allocating the cost of the 66 branches opened last year. This quarter was the first in which the Bank was absorbing the cost of its expansion, whilst earnings were to follow in the coming months.

By the Grace of Allah , operationally, the Bank did exceptionally well. There has been a 32% growth in deposits which has come almost entirely from the retail segment. 74% of the increase has been in Current and Savings Accounts and even with the Term Deposits, the majority of increase has been in deposit schemes of five and ten year tenures, directed towards individuals and households. BankIslami, I am pleased to report, has probably the highest concentration of retail deposits in the Industry today. The increase in deposits is also well reflected by the growth in the number of customer accounts which grew by a hefty 39%. Asset deployment remained slow mainly due to slower credit off take, however, the pipe- line is healthy. Overall the quality of assets remains good and the Bank has not yet taken entirely the benefit of Forced Sale Values in its provisioning. We expect the Bank to break-even in the third quarter and is expected to report positive earnings for the year 2009. There are no plans to open any new branches this year as was stated in the annual report.

In other areas, deployment of the core banking IT system remained on track. The first stage is expected to be completed by end of August giving BankIslami a distinctive edge in technology. The selected system, iMal, is the only Shariah compliant core banking system available in the market.

PACRA has maintained long term entity rating of 'A-' and short term rating of 'A2' .

Our sincere gratitude to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for all their kind support and guidance. The Board would also like to place on record its appreciation to all our employees for their continued commitment and hard work.

For and on behalf of the Board

**Hasan A Bilgrami**  
Chief Executive Officer.  
April 27, 2009



## BALANCE SHEET (UNAUDITED)

AS AT MARCH 31, 2009

		March 31, 2009	December 31, 2008
	Note	(Unaudited)	(Audited)
----- Rupees in ` 000 -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		2,075,538	2,175,413
Balances with other banks		3,650,163	2,207,490
Due from financial institutions		10,663	40,351
Investments	6	7,089,495	5,019,525
Financings	7	6,704,231	6,527,531
Operating fixed assets	8	2,000,576	1,910,648
Deferred tax assets		308,414	265,257
Other assets		1,095,936	942,385
		22,935,016	19,088,600
<b>LIABILITIES</b>			
Bills payable		323,448	353,646
Due to financial institutions		179,846	245,939
Deposits and other accounts	9	16,514,235	12,477,955
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		807,339	819,239
		17,824,868	13,896,779
<b>NET ASSETS</b>		5,110,148	5,191,821
<b>REPRESENTED BY:</b>			
Share capital	10	5,279,679	5,279,679
Reserves		-	-
Accumulated loss		(182,811)	(98,307)
		5,096,868	5,181,372
Surplus on revaluation of assets-net of tax	11	13,280	10,449
		5,110,148	5,191,821
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

The annexed notes 1 to 16 form an integral part of these accounts.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

## PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2009

	Quarter ended March 31, 2009	Quarter ended March 31, 2008
Note	----- Rupees in `000 -----	
Profit/return on financings, investments and placements earned	518,784	283,004
Return on deposits and other dues expensed	246,211	148,277
Net spread earned	272,573	134,727
Provision against non-performing financings-net	23,901	12,299
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	23,901	12,299
Net Spread after provisions	248,672	122,428
<b>OTHER INCOME</b>		
Fee, Commission and Brokerage Income	10,983	28,929
Dividend Income	-	1,812
Income from dealing in foreign currencies	9,977	220
Gain / (Loss) on sale of securities	-	7,230
Unrealized Gain / (Loss) on revaluation of investments classified as held for trading	-	-
Other Income	4,065	934
Total other income	25,025	39,125
	273,697	161,553
<b>OTHER EXPENSES</b>		
Administrative expenses	397,109	184,634
Other provisions/write offs	-	-
Other charges	5,773	4,625
Total other expenses	402,882	189,259
	(129,185)	(27,706)
Extra ordinary/unusual items	-	-
<b>LOSS BEFORE TAXATION</b>	(129,185)	(27,706)
Taxation - Current	-	1,421
- Prior years	-	-
- Deferred	(44,681)	-
	(44,681)	1,421
<b>LOSS AFTER TAXATION</b>	(84,504)	(29,127)
Accumulated loss brought forward	(98,307)	(45,377)
Transferred to Statutory Reserve	-	-
	(98,307)	(45,377)
Accumulated loss carried forward	(182,811)	(74,504)
<b>Basic &amp; Diluted Earnings/(Loss) per share</b>	(0.160)	(0.076)

The annexed notes 1 to 16 form an integral part of these accounts.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

## CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2009

Note	March 31, 2009 Rupees in `000	March 31, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (Loss) before taxation	(129,185)	(27,706)
Add: Dividend income	-	(1,812)
	<u>(129,185)</u>	<u>(29,518)</u>
Adjustments:		
Depreciation	72,002	31,824
Amortisation	1,653	5,423
Depreciation on operating Ijara assets	4,764	
Provision against non-performing financings	23,901	12,299
Surplus / (deficit) on revaluation of investments (classified as held-for-trading)	-	-
Loss / (gain) on sale of fixed assets	-	12
Deferred cost amortized	3,981	3,313
Gain on revaluation of derivative instrument	-	-
	<u>106,301</u>	<u>52,871</u>
	<u>(22,884)</u>	<u>23,353</u>
(Increase) / decrease in operating assets		
Due from financial institutions	29,688	(503,275)
Held-for-trading securities	-	-
Financings	(205,365)	(641,138)
Others assets (excluding advance taxation and deferred cost)	(155,772)	(192,219)
	<u>(331,449)</u>	<u>(1,336,632)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(30,198)	63,804
Borrowings from financial institutions	(66,093)	-
Deposits and other accounts	4,036,280	(128,103)
Other liabilities	(11,901)	149,188
	<u>3,928,088</u>	<u>84,889</u>
	<u>3,573,755</u>	<u>(1,228,390)</u>
Income tax paid	(1,761)	(4,295)
Net cash flow from operating activities	<u>3,571,994</u>	<u>(1,232,685)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(2,065,613)	(285,470)
Acquisition of subsidiaries	-	-
Dividend income received	-	-
Investments in operating fixed assets	(163,583)	(134,916)
Sale proceeds of property and equipment disposed-off	-	390
Net cash flow from investing activities	<u>(2,229,196)</u>	<u>(419,996)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of share capital	-	318,591
Advance against future issue of share capital - net off issue of shares	-	-
Net cash flow from financing activities	<u>-</u>	<u>318,591</u>
Effects of exchange rate changes on cash and cash equivalents	-	-
<b>Net cash and cash equivalents</b>	<u>1,342,798</u>	<u>(1,334,090)</u>
<b>Cash and cash equivalents at beginning of the period / year</b>	<u>4,382,903</u>	<u>4,010,657</u>
<b>Cash and cash equivalents at end of the period / year</b>	<u>5,725,701</u>	<u>2,676,567</u>

The annexed notes 1 to 16 form an integral part of these accounts.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
FOR THE QUARTER ENDED MARCH 31, 2009

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in ` 000 -----			
Opening Balance January 01,2008	3,200,000	-	(45,377)	3,154,623
Loss for the period ended March 31,2008	-	-	(29,127)	(29,127)
Issue of right share during the year	1,000,000	-	-	1,000,000
<b>Balance as of March 31, 2008</b>	<b>4,200,000</b>	<b>-</b>	<b>(74,504)</b>	<b>4,125,496</b>
Loss for the period ended December 31,2008	-	-	(23,803)	(23,803)
Issue of right share during the year	79,679	-	-	79,679
Allotment of right shares during the year pending issuance	1,000,000	-	-	1,000,000
<b>Closing Balance December 31,2008</b>	<b>5,279,679</b>	<b>-</b>	<b>(98,307)</b>	<b>5,181,372</b>
Loss for the period ended March 31,2009	-	-	(84,504)	(84,504)
Issue of share capital	-	-	-	-
<b>Closing Balance March 31,2009</b>	<b>5,279,679</b>	<b>-</b>	<b>(182,811)</b>	<b>5,096,868</b>

The annexed notes 1 to 16 form an integral part of these accounts.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009 (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 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.
- 1.2. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with 102 branches including 32 sub branches as at March 31, 2009 (December 31, 2008: 102 branches including 32 sub branches).

### 2. STATEMENT OF COMPLIANCE

- 2.1. These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives take precedence.
- 2.2. The State Bank of Pakistan 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 No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 2.3. The disclosures made in these interim condensed financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and these interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

### 3. BASIS OF PRESENTATION

- 3.1. These interim condensed financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.
- 3.2. The Bank provides financing mainly through shariah compliant financial products. Except for Murabaha and Musawamah transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), the purchases, sales and rentals arising under these arrangements are not reflected in these interim condensed financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon.

### 4. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared on the historical cost convention except for certain financial instruments which have been stated at fair value.



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED)**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2008, except for accounting of Ijarah under IFAS – 2, the accounting policy of which is stated as follows:

The State Bank of Pakistan has notified for adoption of “Islamic financial Accounting Standard – 2 Ijarah” (IFAS – 2), which is applicable for accounting period beginning on or after January 01, 2009. Consequent to the adoption of IFAS-2, all Ijarahs on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment if any are shown under 'Financings'. are stated at cost less accumulated depreciation and impairment if any and are shown under 'Financings'.

The rentals received / receivable on above Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period.

The Bank charge depreciation from the date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.

	March 31, 2009	December 31, 2008
Note	----- Rupees in ` 000 -----	
<b>6. INVESTMENTS</b>		
Held-for-trading securities	-	-
Available-for-sale securities	6,878,048	4,812,435
Subsidiary	191,015	191,015
	<u>7,069,063</u>	<u>5,003,450</u>
Surplus on revaluation of held-for-trading securities	-	-
Surplus on revaluation of available-for-sale securities	20,432	16,075
	<u>7,089,495</u>	<u>5,019,525</u>

**6.1 Investments by types – held by Bank**

**Available-for-sale securities**

Sukuks	6,878,048	4,812,435
Units of mutual funds	-	-
	<u>6,878,048</u>	<u>4,812,435</u>
Surplus on revaluation of available-for-sale securities	20,432	16,075
	<u>6,898,480</u>	<u>4,828,510</u>
Subsidiary (unlisted)	191,015	191,015
Total investments at market value	<u>7,089,495</u>	<u>5,019,525</u>

6.1.1

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

6.1.1 Subsidiary (unlisted)

	Number of Shares	Amount	Percentage of Equity Holding
	----- Rupees in `000 -----		
BankIslami Modaraba Investment Limited (Formerly JS Finance Limited)	(Ordinary Shares) 8,000,000	191,015	100%

	March 31, 2009	December 31, 2008
	----- Rupees in `000 -----	
Note		

7. FINANCINGS

In Pakistan		
- Murabaha financings		1,883,024
- Net Investment in Ijarah Financing		2,109,192
- Net assets/ investment in Ijarah financing under IFAS 2	7.1	1,791,430
- Export refinance under Islamic scheme		64,780
- Istisna financings		-
- Diminishing Musharka financings - Housing		165,005
- Payment Against Document		254,544
- Diminishing Musharka-Others		534,931
Financings against Bills - Murabaha		672,966
- Musawama Financings		1,639
- Financings to employees		-
Financings - gross		1,630,211
Provision for non-performing financing		1,457,729
- Specific	7.2	-
- General		3,576
Financings - net of provision		-
		3,387
		234,132
		200,664
		6,888,061
		6,687,460
		(165,854)
		(141,687)
		(17,976)
		(18,242)
		6,704,231
		6,527,531

7.1 This includes Ijarah operating assets under IFAS 2 net of accumulated depreciation.

7.2 Financing include Rs 256.611 million ( 2008: 186.093 million) which have been placed under non-performing status as detailed below:-

Category of Classification	March 2009				December 2008		
	Classified Advances Domestic	Total Domestic	Provision Required Domestic	Provision Held Domestic	Classified Advances Total	Provision Required Domestic	Provision Held Domestic
Substandard	107,641	107,641	26,910	26,910	51,168	12,792	12,792
Doubtful	12,446	12,446	6,223	6,223	12,059	6,029	6,029
Loss	136,524	136,524	132,721	132,721	122,866	122,866	122,866
	256,611	256,611	165,854	165,854	186,093	141,687	141,687

Particulars of provisions against non-performing financings- local currency

	Specific	General	Total	Specific	General	Total
Opening Balance	141,687	18,242	159,929	20,285	9,088	29,373
Charge for the year	32,021	-	32,021	137,961	9,154	147,115
Reversal	(7,854)	(266)	(8,120)	(16,559)	-	(16,559)
Closing balance	165,854	17,976	183,830	141,687	18,242	159,929

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

	March 31, 2009	December 31, 2008
	----- Rupees in `000 -----	
<b>8 OPERATING FIXED ASSETS</b>	<b>Note</b>	
Capital work-in-progress	163,385	230,240
Property and equipment	1,819,471	1,661,035
Intangible assets	17,720	19,373
	<u>2,000,576</u>	<u>1,910,648</u>
<b>8.1 Capital work-in-progress</b>		
Civil works	-	-
Equipments	43,680	39,648
Advances to suppliers and contractors	119,705	190,592
	<u>163,385</u>	<u>230,240</u>
<b>9 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	7,677,215	6,500,115
Savings deposits	4,547,135	2,846,686
Current Accounts - Non-remunerative	4,138,456	2,865,180
Others -Margin accounts	76,927	190,461
	<u>16,439,733</u>	<u>12,402,442</u>
<b>Financial Institutions</b>		
Remunerative deposits	74,418	75,268
Non-remunerative deposits	84	245
	<u>74,502</u>	<u>75,513</u>
	<u>16,514,235</u>	<u>12,477,955</u>
<b>9.1 Particulars of deposits</b>		
In local currency	16,185,263	12,265,687
In foreign currencies	328,972	212,268
	<u>16,514,235</u>	<u>12,477,955</u>

**10. SHARE CAPITAL**

**10.1 Authorized Capital**

March 31, 2009	December 31, 2008		March 31, 2009	December 31, 2008
			----- Rupees in `000 -----	
<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs.10 each	<u>6,000,000</u>	<u>6,000,000</u>

**10.2 Issued, subscribed and paid up Capital**

March 31, 2009	December 31, 2008		March 31, 2009	December 31, 2008
			----- Rupees in `000 -----	
		<b>Ordinary shares</b>		
		<b>Fully paid in cash</b>		
527,967,898	320,000,000	Opening Balance	5,279,679	3,200,000
-	107,967,898	Issued during the period/ year	-	1,079,679
-	100,000,000	Shares Pending Issuance	-	1,000,000
<u>527,967,898</u>	<u>527,967,898</u>		<u>5,279,679</u>	<u>5,279,679</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

	March 31, 2009	December 31, 2008
Note	----- Rupees in ` 000 -----	
<b>11. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS</b>		
<b>11.1 Surplus / (Deficit) on revaluation of Available-for-sale securities</b>		
Sukuk Certificates	20,432	16,075
Less: Related Deferred Tax Liability	7,152	(5,626)
	<u>13,280</u>	<u>10,449</u>
<b>12. CONTINGENCIES AND COMMITMENTS</b>		
<b>12.1 Transaction-related Contingent Liabilities</b>		
Guarantees favouring Government	355,752	426,740
Financial Institutions	245,000	245,000
Others	200,071	104,597
<b>12.2 Trade-related Contingent Liabilities</b>		
Import letter of Credit	397,127	405,055
Acceptances	359,895	426,982
	<u>757,022</u>	<u>832,037</u>
<b>12.3 Commitments in respect of Forward Exchange Contracts</b>		
Purchase	86,448	3,670
Sale	1,616,132	-
<b>12.4 Commitments for the acquisition of operating Fixed Assets</b>	<u>46,652</u>	<u>32,744</u>
<b>12.5</b> 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		
<b>12.6 Other commitments</b>		
Bills for collection	<u>168,003</u>	<u>107,126</u>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

### 13 Segment Details with respect to Business Activities

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

	Trading & Sales	Retail Banking	Commercial Banking
	-----Rupees in '000-----		
<b>March 31, 2009</b>			
Total income	215,748	156,359	171,701
Total expenses	212,769	253,275	162,266
Net income/(loss)	2,979	(96,916)	9,435
Segment Assets (Gross)	8,215,851	8,901,352	6,001,643
Segment Non Performing Financing	-	168,796	84,012
Segment Provision Required	-	126,479	57,352
Segment Liabilities	6,042,804	6,990,652	4,791,410

	Trading & Sales	Retail Banking	Commercial Banking
	-----Rupees in '000-----		
<b>December 31, 2008</b>			
Total income (For the period ended 31st March 2008)	131,853	100,453	89,823
Total expenses (For the period ended 31st March 2008)	87,381	141,023	122,852
Net income (loss) (For the period ended 31st March 2008)	44,472	(40,568)	(33,031)
Segment Assets (Gross)	11,202,263	2,460,237	5,585,941
Segment Non Performing Financing	-	122,471	63,622
Segment Provision Required	-	107,513	52,417
Segment Liabilities	7,418,504	2,173,229	4,305,045

### 14 RELATED PARTY TRANSACTIONS

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

Note	March 31, 2009	December 31, 2008
	----- Rupees in `000 ----- (Unaudited)	Audited
<b>SUBSIDIARY</b>		
<b>Financings:</b>		
At January 1, 2009	-	189,000
Disbursed during the period	-	-
Repaid during the period	-	(189,000)
At March 31, 2009	<u>-</u>	<u>-</u>
<b>Deposits:</b>		
At January 1, 2009	357	315,355
Deposit during the period	69,101	244,823
Withdrawal during the period	(67,044)	(559,821)
At March 31, 2009	<u>2,414</u>	<u>357</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

	March 31, 2009	March 31, 2008
	----- Rupees in `000 ----- (Unaudited)	(Unaudited)
<b>Transaction, income and expenses</b>		
Profit earned on financing	-	801
Return on deposits expensed	2,794	137

**ASSOCIATES**

**Deposits:**

	March 31, 2009	December 31, 2008
	----- Rupees in `000 ----- (Unaudited)	(Audited)
At January 1, 2009	35,386	36,649
Deposit during the period	52,709	493,484
Withdrawal during the period	(50,441)	(494,747)
At March 31, 2009	37,654	35,386

**Transaction, income and expenses**

	March 31, 2009	March 31, 2008
	----- Rupees in `000 ----- (Unaudited)	(Unaudited)
Return on deposits expensed	542	191

**KEY MANAGEMENT PERSONNEL**

**Financings:**

	March 31, 2009	December 31, 2008
	----- Rupees in `000 ----- (Unaudited)	(Audited)
At January 1, 2009	43,871	40,230
Disbursed during the period	15,000	19,101
Repaid during the period	(8,140)	(15,460)
At March 31, 2009	50,731	43,871

**Deposits:**

	March 31, 2009	March 31, 2008
	----- Rupees in `000 ----- (Unaudited)	(Unaudited)
At January 1, 2009	323	205
Deposit during the period	1,650	6,930
Withdrawal during the period	(1,686)	(6,812)
At March 31, 2009	287	323

**Transaction, income and expenses**

	March 31, 2009	March 31, 2008
	----- Rupees in `000 ----- (Unaudited)	(Unaudited)
Profit earned on financing	439	400
Return on deposits expensed	2	1



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

### 15 DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue on April 27, 2009 by the Board of Directors of the Bank.

### 16 GENERAL

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



Consolidated Financial Statements  
of  
**BankIslami Pakistan Limited**  
for the Quarter Ended  
March 31, 2009

Q u a r t e r l y R e p o r t 2 0 0 9





## CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT MARCH 31, 2009

	March 31, 2009	December 31, 2008
Note	(Unaudited)	(Audited)
----- Rupees in ` 000 -----		
<b>ASSETS</b>		
Cash and balances with treasury banks	2,075,543	2,175,418
Balances with other banks	3,650,302	2,207,640
Due from financial institutions	10,663	40,351
Investments	6,931,594	4,861,883
Financings	6,704,231	6,527,531
Operating fixed assets	1,980,190	1,889,543
Deferred tax assets	319,390	276,283
Other assets	1,188,221	1,032,375
	22,860,134	19,011,024
<b>LIABILITIES</b>		
Bills payable	323,448	353,646
Due to financial institutions	179,846	245,939
Deposits and other accounts	16,446,893	12,412,598
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	808,400	818,421
	17,758,587	13,830,604
<b>NET ASSETS</b>	5,101,547	5,180,420
<b>REPRESENTED BY:</b>		
Share capital	5,279,679	5,279,679
Reserves	-	-
Accumulated loss	(182,902)	(101,364)
	5,096,777	5,178,315
Advance against future issue of share capital	-	-
Surplus on revaluation of assets-net of tax	4,770	2,105
	5,101,547	5,180,420

The annexed notes 1 to 8 form an integral part of these accounts.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
FOR THE QUARTER ENDED MARCH 31, 2009

	Quarter ended March 31, 2009	Quarter ended March 31, 2008
	----- Rupees in `000 -----	
Profit / return on financings, investments and placements earned	520,141	282,867
Return on deposits and other dues expensed	244,311	147,476
Net spread	<u>275,830</u>	<u>135,391</u>
Provision against non-performing financings	23,901	12,299
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>23,901</u>	<u>12,299</u>
Net Spread after provisions	<u>251,929</u>	<u>123,092</u>
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	10,983	28,930
Dividend Income	-	1,812
Income from dealing in foreign currencies	9,977	220
Gain / (loss) on sale of securities	-	7,230
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-
Other income	4,065	2,274
Total other income	<u>25,025</u>	<u>40,466</u>
	<u>276,954</u>	<u>163,558</u>
<b>OTHER EXPENSES</b>		
Administrative expenses	396,985	185,427
Other provisions/write offs	-	-
Other charges	5,773	4,625
Total other expenses	<u>402,758</u>	<u>190,052</u>
	<u>(125,804)</u>	<u>(26,494)</u>
Extra ordinary/unusual items	-	-
<b>LOSS BEFORE TAXATION</b>	<u>(125,804)</u>	<u>(26,494)</u>
Taxation		
- Current	275	1,425
- Deferred	(44,541)	425
	<u>(44,266)</u>	<u>1,850</u>
<b>LOSS AFTER TAXATION</b>	<u>(81,538)</u>	<u>(28,344)</u>
Accumulated / (Loss) brought forward	(101,364)	(53,481)
Transferred to Statutory Reserve	-	-
	<u>(101,364)</u>	<u>(53,481)</u>
Profit available for appropriation/unremitted profit/ (loss)	<u>(182,902)</u>	<u>(81,825)</u>
Basic earnings / (loss) per share	<u>(0.154)</u>	<u>(0.074)</u>

The annexed notes 1 to 8 form an integral part of these accounts.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2009

	Quarter Ended March 31, 2009	Quarter Ended March 31, 2008
	----- Rupees in `000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(125,804)	(26,494)
Add: Deferred cost incurred - net	-	-
Add: Dividend income	-	(1,812)
	(125,804)	(28,306)
Adjustments:		
Depreciation	69,266	31,862
Amortization	1,653	5,423
Depreciation on operating Ijarah assets	4,764	-
Financial charges	-	-
Provision against non-performing financings	23,901	12,299
Loss / (gain) on sale of fixed assets	-	12
Deferred cost amortized	3,981	3,313
	103,565	52,909
	(22,239)	24,603
(Increase) / decrease in operating assets		
Due from financial institutions	29,688	(503,275)
Held-for-trading securities	-	-
Financings	(205,365)	(830,138)
Others assets (excluding advance taxation and deferred cost)	(158,017)	(195,229)
	(333,694)	(1,528,642)
Increase / (decrease) in operating liabilities		
Bills payable	(30,198)	63,804
Borrowings from financial institutions	(66,093)	-
Deposits and other accounts	4,034,295	110,249
Other liabilities	(10,021)	122,423
	3,927,983	296,476
	3,572,050	(1,207,563)
Income tax paid	(2,085)	(4,824)
Net cash flow from operating activities	3,569,965	(1,212,387)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(2,065,612)	(306,181)
Dividend income received	-	-
Investments in operating fixed assets	(161,566)	(134,915)
Sale proceeds of property and equipment disposed-off	-	390
Net cash flow from investing activities	(2,227,178)	(440,706)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of share capital	-	318,591
Net cash flow from financing activities	-	318,591
Effects of exchange rate changes on cash and cash equivalents	-	-
<b>Net increase in cash and cash equivalents</b>	1,342,787	(1,334,502)
<b>Cash and cash equivalents at beginning of the period / year</b>	4,383,058	4,011,255
<b>Cash and cash equivalents at end of the period / year</b>	5,725,845	2,676,753

The annexed notes from 1 to 8 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, 2009

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in ` 000 -----			
Opening Balance January 01,2008	3,200,000	-	(53,481)	3,146,519
(Loss)/Profit for the quarter ended	-	-	(28,344)	(28,344)
Transfer to statutory reserve	-	-	-	-
Issue of share capital	1,000,000	-	-	1,000,000
<b>Balance as at March 31,2008</b>	<b>4,200,000</b>	<b>-</b>	<b>(81,825)</b>	<b>4,118,175</b>
(Loss)/Profit for the quarter ended	-	-	(19,539)	(19,539)
Allotment of right shares during the year pending issuance	1,000,000	-	-	1,000,000
Issue of share capital	79,679	-	-	79,679
<b>Closing Balance December 31,2008</b>	<b>5,279,679</b>	<b>-</b>	<b>(101,364)</b>	<b>5,178,315</b>
(Loss)/Profit for the quarter ended	-	-	(81,538)	(81,538)
Transfer to statutory reserve	-	-	-	-
Issue of share capital	-	-	-	-
<b>Closing Balance March 31,2009</b>	<b>5,279,679</b>	<b>-</b>	<b>(182,902)</b>	<b>5,096,777</b>

The annexed notes 1 to 8 form an integral part of these accounts.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2009 (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 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.
- 1.2 The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with 102 branches including 32 sub branches as at March 31, 2009 (December 31, 2008: 102 including 32 sub-branches).
- 1.3 The Bank has acquired 100 percent shares of BankIslami Modaraba Investment Limited (Formerly JS Finance 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 STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives take precedence.
- 2.2 The State Bank of Pakistan 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 No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 2.3 The disclosures made in these interim condensed financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and these interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

### 3. BASIS OF PRESENTATION

- 3.1 These interim condensed financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.
- 3.2 The Bank provides financing mainly through shariah compliant financial products. Except for Murabaha and Musawamah transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), the purchases, sales and rentals arising under these arrangements are not reflected in these interim condensed financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon.

### 4. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared on the historical cost convention except for certain financial instruments which have been stated at fair value.

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these interim condensed financial statements are the same as those applied in the preparation of the preceding annual financial statements of the Bank & its subsidiary respectively, except for accounting of Ijarah under IFAS – 2, the accounting policy of which is stated as follows:

The State Bank of Pakistan has notified for adoption of "Islamic financial Accounting Standard – 2 Ijarah" (IFAS – 2), which is applicable for accounting period beginning on or after January 01, 2009. Consequent to the adoption of IFAS-2, all Ijarahs on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment if any are shown under 'Financings'. are stated at cost less accumulated depreciation and impairment if any and are shown under 'Financings'.

The rentals received / receivable on above Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period.

The Bank charge depreciation from the date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.

### 6. BASIS OF CONSOLIDATION

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

#### 6.1 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 Combination are recognised at their fair values at the acquisition date.





**NOTES TO THE INTERIM CONDENSED  
FINANCIAL STATEMENTS**  
FOR THE QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

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 recognised. 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 recognised immediately in profit or loss.

**6.2 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 recognised 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 recognised for goodwill is not reversed in a subsequent period.

**7 DATE OF AUTHORISATION FOR ISSUE**

These interim condensed financial statements were authorised for issue on April 27 2009 by the Board of Directors of the Bank.

**8 GENERAL**

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

**We are Growing fast  
to serve you better...**

31<sup>st</sup> December 2008  
102\* Branches in 49 Cities

31<sup>st</sup> December 2007  
36 Branches in 23 Cities

31<sup>st</sup> December 2006  
10 Branches in 2 Cities

7<sup>th</sup> April 2006  
1<sup>st</sup> Branch, Karachi



\* Including sub branches

## **BankIslami Pakistan Limited**

11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton Block-4, Karachi.  
Tel: (92-21) 111-247-111(111-BJP-111) Fax: (92-21) 5378373  
[www.bankislami.com.pk](http://www.bankislami.com.pk)