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## CORPORATE INFORMATION

### Board of Directors

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Ahmed Goolam Mahomed Randeree	
Mr. Ali Hussain	
Mr. Ali Raza Siddiqui	
Mr. Hicham Hammoud	
Mr. Marwan Hassan Ali Elkhatib	
Mr. Shabir Ahmed Randeree	
Mr. Hasan A. Bilgrami	Chief Executive Officer

### Sharia'h Supervisory Board

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

### Audit Committee

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

### Executive Committee

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

### Risk Management Committee

Mr. Ahmed Goolam Mahomed Randeree	Chairman
Mr. Hasan A. Bilgrami	Member
Mr. Marwan Hassan Ali Elkhatib	Member

### Human Resource & Compensation Committee

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

### Company Secretary

Syed Shah Sajid Hussain

### Auditors

A. F. Ferguson & Co.  
Chartered Accountants

### Legal Adviser

Haidermota & Co.  
Barrister at Law

**Management (in alphabetical order)**

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

**Registered Office**

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

**Share Registrar**

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

**Website**

www.bankislami.com.pk



## DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the financial results of the half year ended June 30, 2011. Following are the highlights:

	(Rs in millions)		
	June 30, 2011	December 31, 2010	Change (%)
Total Deposits	44,474	38,198	16.43%
Total Assets	51,898	45,036	15.24%
Net Financing	15,490	16,670	-7.08%
Total Investments	17,976	13,732	30.91%
Shareholders Equity	4,878	4,766	2.35%
Branches	102	102	-
	June 30, 2011	June 30, 2010	
Basic EPS (Rupees)	0.241	(0.031)	877.4 %

The Bank has continued to focus on leveraging its existing network. The focus during the year shall continue towards growing the existing business with a view to reaching approximately Rs.500m per branch. This will set the base for a profitable and sustainable expansion going forward.

Despite a very challenging political and economic environment, we expect to increase for the remainder of the year.

The Bank also had a soft launch of its Sharia Compliant Visa Debit Card. Given the customer base of BIPL, by the end of the first quarter BIPL shall InshAllah have the second largest market share in Sharia Compliant Visa Debit Cards in Pakistan. In addition to this, we also have completed the preparatory work as part of the Pakistan Remittance Initiative ('PRI') for 2011.

BIPL has been granted an extension by the SBP to meet its MCR requirements to September 30, 2011. The major shareholders of the Bank are due to meet with the SBP to formalize a strategy to meet with the regulatory requirement and as soon this is finalized, the necessary public announcements shall be made. The CAR (Capital Adequacy Ratio) of the Bank, however, remained at 18% as against a prescribed requirement of only 10%.

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

Finally, we would like to place on record our appreciation to The State Bank of Pakistan for their continued support, guidance and understanding. We are very grateful to The Almighty for the success we have enjoyed, especially in such difficult market conditions.

On behalf of the Board

**Hasan A. Bilgrami**  
Chief Executive Officer  
September 26, 2011

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

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of BankIslami Pakistan Limited as at June 30, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2011. The financial statements of the bank for the year ended December 31, 2010 and half year ended June 30, 2010 were audited and reviewed respectively by another auditor. Their audit report dated March 7, 2011 and review report dated August 25, 2010 contained an emphasis of matter paragraph on the same issue as described below.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of matter paragraph

We draw attention to in note 1.2 to the condensed interim financial information which describes the matter relating to exemption granted by the State Bank of Pakistan in respect of meeting the minimum capital requirement upto September 30, 2011. Our conclusion is not qualified in respect of this matter.

**A. F. Ferguson & Co.**  
Chartered Accountants  
Dated: September 28, 2011  
Karachi



## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2011

		June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
		----- Rupees in `000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		3,523,871	3,035,148
Balances with other banks	8	492,049	569,622
Due from financial institutions	9	7,512,234	4,513,132
Investments	10	17,976,485	13,732,132
Financings-net	11	15,490,156	16,670,125
Operating fixed assets	12	1,943,238	2,066,680
Deferred tax assets - net	13	386,489	402,183
Other assets		4,573,333	4,046,681
		<b>51,897,855</b>	<b>45,035,703</b>
<b>LIABILITIES</b>			
Bills payable		601,982	563,020
Due to financial institutions	14	600,000	353,000
Deposits and other accounts	15	44,474,132	38,198,320
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		1,343,710	1,154,977
		<b>47,019,824</b>	<b>40,269,317</b>
<b>NET ASSETS</b>		<b>4,878,031</b>	<b>4,766,386</b>
<b>REPRESENTED BY</b>			
Share capital		5,279,679	5,279,679
Reserves		9,310	9,310
Accumulated loss		(427,660)	(554,985)
		<b>4,861,329</b>	<b>4,734,004</b>
Surplus on revaluation of assets - net of tax	16	16,702	32,382
		<b>4,878,031</b>	<b>4,766,386</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	17		

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2011



	Quarter ended		Half year ended		
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	
Note	Rupees in `000				
Profit / return on financings, investments and placements earned	18	1,364,595	921,379	2,572,721	1,723,370
Return on deposits and other dues expensed		702,003	494,565	1,339,816	940,076
Net spread earned		662,592	426,814	1,232,905	783,294
Provision / (Reversal) against non-performing financings	11.4	64,445	(3,962)	70,780	(9,031)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
Net spread after provisions		598,147	430,776	1,162,125	792,325
<b>Other income</b>					
Fee, commission and brokerage Income		23,485	20,213	41,008	45,147
Dividend income		-	-	-	-
Income from dealing in foreign currencies		29,820	9,706	35,814	40,451
Other income		8,829	15,380	23,335	23,594
<b>Total other income</b>		62,134	45,299	100,157	109,192
<b>Other expenses</b>					
Administrative expenses		554,562	482,439	1,080,217	921,660
Other provisions		250	-	250	-
Other charges		1,265	1,693	2,453	2,613
<b>Total other expenses</b>		556,077	484,132	1,082,920	924,273
Extra ordinary / unusual items		-	-	-	-
<b>Profit / (loss) before taxation</b>		104,204	(8,057)	179,362	(22,756)
<b>TAXATION</b>					
-Current		15,525	13,801	27,898	18,090
-Prior years		-	-	-	-
-Deferred		10,474	(15,616)	24,139	(24,716)
		25,999	(1,815)	52,037	(6,626)
<b>Profit / (loss) after taxation</b>		78,205	(6,242)	127,325	(16,130)
Accumulated loss brought forward		(515,689)	(602,113)	(554,985)	(592,225)
Transferred to statutory reserve		9,824	-	-	-
Accumulated loss carried forward		(427,660)	(608,355)	(427,660)	(608,355)
<b>Basic / diluted earnings / (loss) per share - (Rupees)</b>	19	0.148	(0.012)	0.241	(0.031)

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2011

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	----- Rupees in `000 -----			
<b>Profit / (loss) after taxation</b>	<b>78,205</b>	<b>(6,242)</b>	<b>127,325</b>	<b>(16,130)</b>
<b>Components of comprehensive income not reflected in equity</b>				
(Deficit) / surplus on revaluation of available for sale securities - net of tax	<b>(15,684)</b>	<b>-</b>	<b>(15,680)</b>	<b>240</b>
<b>Total comprehensive income / (loss) for the period</b>	<b><u>62,521</u></b>	<b><u>(6,242)</u></b>	<b><u>111,645</u></b>	<b><u>(15,890)</u></b>

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



**CONDENSED INTERIM  
CASH FLOW STATEMENT (UN-AUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2011

	June 30, 2011	June 30, 2010
	----- Rupees in `000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	179,362	(22,756)
<b>Adjustments for:</b>		
Depreciation - Own assets	153,598	168,242
Depreciation - Operating Ijara assets	107,931	33,020
Amortisation of intangible asset	14,213	14,518
Provision / (Reversal) against non-performing financings	70,780	(9,031)
Provision against other assets	250	-
Gain on sale of fixed assets	(10,075)	(2,141)
Deferred cost amortised	4,086	8,041
	<u>340,783</u>	<u>212,649</u>
	520,145	189,893
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	(2,999,102)	(6,571,690)
Financings	1,001,258	(2,378,949)
Others assets (excluding advance taxation and deferred cost)	(531,649)	(169,112)
	<u>(2,529,493)</u>	<u>(9,119,751)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	38,962	83,179
Due to financial institutions	247,000	1,015,040
Deposits and other accounts	6,275,812	5,151,482
Other liabilities (excluding current taxation)	188,733	293,366
	<u>6,750,507</u>	<u>6,543,067</u>
	4,741,159	(2,386,791)
Income tax paid	(27,237)	(3,353)
<b>Net cash generated from / (used in) operating activities</b>	<u>4,713,922</u>	<u>(2,390,144)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(4,268,476)	241,313
Investments in operating fixed assets - net	(60,824)	(41,936)
Proceeds realised on disposal of operating fixed assets	26,528	5,427
<b>Net cash (used in) / generated from investing activities</b>	<u>(4,302,772)</u>	<u>204,804</u>
<b>Increase / (decrease) in cash and cash equivalents</b>	<u>411,150</u>	<u>(2,185,340)</u>
Cash and cash equivalents at beginning of the period	3,604,770	6,277,065
<b>Cash and cash equivalents at end of the period</b>	<u>4,015,920</u>	<u>4,091,725</u>

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in `000 -----			
<b>Balance as at January 01, 2010</b>				
- restated	5,279,679	-	(592,225)	4,687,454
Loss after taxation for the half year ended June 30, 2010	-	-	(16,130)	(16,130)
<b>Balance as at June 30, 2010</b>	<u>5,279,679</u>	<u>-</u>	<u>(608,355)</u>	<u>4,671,324</u>
Profit after tax for the half year ended December 31, 2010	-	-	62,680	62,680
Transferred to statutory reserve	-	9,310	(9,310)	-
<b>Balance as at December 31, 2010</b>	<u>5,279,679</u>	<u>9,310</u>	<u>(554,985)</u>	<u>4,734,004</u>
Profit after tax for the half year ended June 30, 2011	-	-	127,325	127,325
<b>Balance as at June 30, 2011</b>	<u><u>5,279,679</u></u>	<u><u>9,310</u></u>	<u><u>(427,660)</u></u>	<u><u>4,861,329</u></u>

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

**1 STATUS AND NATURE OF BUSINESS**

- 1.1** BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

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

The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange (Guarantee) Limited. The Bank is operating with 102 branches including 32 sub-branches (December 31, 2010: 102 branches including 32 sub-branches) as at June 30, 2011. 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 BSD Circular No. 7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks up to Rs 10 billion to be achieved in a phased manner by December 31, 2013. The required MCR (net of losses) and Capital Adequacy Ratio (CAR) requirements as of December 31, 2010 was Rs 7 billion and 10% respectively. The paid-up capital of the Bank (net of losses) as of December 31, 2010 amounted to Rs 4.734 billion while its CAR stood at 19.50%. In view of the capital requirements, the Board of Directors of the Bank in their meeting held on February 7, 2011 had in principle agreed to issue right shares to increase its capital (net of losses) to Rs 6 billion. The State Bank of Pakistan vide its letter No. BSD/ BA 1-3/608/2773/2011 granted exemption to the Bank till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raise its capital to Rs 6 billion well before June 30, 2011.

Subsequent to June 30, 2011 the Bank has obtained further extension from the State Bank of Pakistan for meeting the MCR upto September 30, 2011.

**2 BASIS OF PRESENTATION**

- 2.1** The Bank provides financing through Shariah compliant financial products. The transactions of purchases, sales and leases executed arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. However, Murabaha transactions are accounted for under the Islamic Financial Accounting Standard – 1. Income, if any, received which does not comply with the principles of Shariah is segregated and recognized as charity payable if so directed by the Sharia Advisory / Sharia Supervisory Board.

**3 STATEMENT OF COMPLIANCE**

- 3.1** This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2011

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

#### 4 BASIS OF MEASUREMENT

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

#### 5 FUNCTIONAL AND PRESENTATION CURRENCY

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

#### 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2010.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2010.

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
<b>8 BALANCES WITH OTHER BANKS</b>	Note	Rupees in `000
In Pakistan		
- Current accounts	10,854	19,221
- Deposit accounts	455	355
	<b>11,309</b>	19,576
Outside Pakistan		
- Current accounts	480,740	550,046
	<b>492,049</b>	569,622

9 DUE FROM FINANCIAL INSTITUTIONS

Sukuk Murahaba		6,418	6,418
Commodity Murahaba - local currency	9.1	7,512,234	4,513,132
		<b>7,518,652</b>	4,519,550
Provision against Sukuk Murahaba		(6,418)	(6,418)
		<b>7,512,234</b>	4,513,132

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 Commodity Murahaba ranges between 13.35% to 13.90% (December 31, 2010: 12.75% to 13%) per annum. These Commodity Murabahas have a maturity ranging from 2 days to 32 days (December 31, 2010: 3 days to 14 days).

10. INVESTMENTS	June 30, 2011 (Unaudited)			December 31, 2010 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
<b>10.1 Investments by type</b>	Rupees in `000					
Available for sale securities						
- Sukuk certificates	17,774,753	-	17,774,753	13,506,277	-	13,506,277
- Mutual Fund						
Open end mutual funds	15	-	15	15	-	15
Closed end mutual fund	6	-	6	6	-	6
	17,774,774	-	17,774,774	13,506,298	-	13,506,298
Subsidiary						
- Bankislami modaraba - unlisted company	191,015	-	191,015	191,015	-	191,015
<b>Investments at cost</b>	<b>17,965,789</b>	<b>-</b>	<b>17,965,789</b>	13,697,313	-	13,697,313
Less : Provision For Diminution						
In Value Of Investments	(15,000)	-	(15,000)	(15,000)	-	(15,000)
<b>Investments (Net of Provisions)</b>	<b>17,950,789</b>	<b>-</b>	<b>17,950,789</b>	13,682,313	-	13,682,313
Surplus on revaluation of available for sale securities - net	25,696	-	25,696	49,819	-	49,819
<b>Total investments at market value</b>	<b>17,976,485</b>	<b>-</b>	<b>17,976,485</b>	13,732,132	-	13,732,132



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Note	----- Rupees in `000 -----	
<b>10.2 Particulars of provision for diminution in the value of investments</b>		
Opening balance	15,000	15,000
Charge for the period / year	-	-
Reversals during the period / year	-	-
Closing balance	<u>15,000</u>	<u>15,000</u>
<b>11 FINANCINGS</b>		
Financings- In Pakistan		
- Murabaha	11.1 5,500,871	6,870,285
- Istisna	11.2 1,636,259	1,445,000
- Diminishing Musharka-Housing	1,507,457	946,765
- Diminishing Musharka-Others	4,826,299	5,161,718
- Against Bills- Musawama	22,440	2,640
- Payment Against Document	3,528	9,575
- Post Due Acceptance	28,300	-
- Musawama Financings	425,000	-
- Financings to employees	434,920	400,381
	<u>14,385,074</u>	<u>14,836,364</u>
Housing finance portfolio	154,777	809,277
Net investment in Ijara financing In Pakistan	497,260	706,358
Net book value of assets / investment in ijarah under IFAS 2	<u>850,791</u>	<u>647,098</u>
Financing - gross	<u>15,887,902</u>	<u>16,999,097</u>
Provision for non-performing Financings		
- Specific	(368,472)	(296,681)
- General	(29,274)	(32,291)
Financing - net of provision	<u>15,490,156</u>	<u>16,670,125</u>

- 11.1 Murahaba includes financings amounting to Rs. 362.492 million (2010: Rs. 390.761 million) against Murabaha under Islamic Export Refinance Scheme.
- 11.2 Istisna includes financing amounting to Rs. 300 million (2010: Rs. 50 million) against istisna under Islamic Export Refinance Scheme.
- 11.3 Financing includes Rs. 851.634 million (2010: Rs. 741.680 million) which have been placed under non-performing status as follows:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011

Category of Classification	June 30, 2011 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	59,483	-	59,483	6,086	6,086
Doubtful	121,577	-	121,577	18,755	18,755
Loss	670,574	-	670,574	343,631	343,631
	<u>851,634</u>	<u>-</u>	<u>851,634</u>	<u>368,472</u>	<u>368,472</u>
Category of Classification	December 31, 2010 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	50,553	-	50,553	5,008	5,008
Doubtful	68,635	-	68,635	8,350	8,350
Loss	622,492	-	622,492	283,323	283,323
	<u>741,680</u>	<u>-</u>	<u>741,680</u>	<u>296,681</u>	<u>296,681</u>

11.4 Particulars of provision against non-performing financings:

	June 30, 2011 (Un-audited)		
	Specific	General	Total
	Rupees in '000		
Opening balance	296,681	32,291	328,972
Charge for the period	77,064	-	77,064
Reversals	(4,824)	(1,460)	(6,248)
	72,240	(1,460)	70,780
Transferred from Citibank, N.A. -Pakistan branches	(449)	(1,557)	(2,006)
Closing balance	<u>368,472</u>	<u>29,274</u>	<u>397,746</u>
	December 31, 2010 (Audited)		
	Specific	General	Total
	Rupees in '000		
Opening balance	230,928	18,781	249,709
Charge for the year	69,599	2,049	71,648
Reversals	(79,072)	-	(79,072)
	(9,473)	2,049	(7,424)
Transferred from Citibank, N.A. -Pakistan branches	75,226	11,461	86,687
Closing balance	<u>296,681</u>	<u>32,291</u>	<u>328,972</u>



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

**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.

	<b>Half year ended (Un-audited)</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	<b>----- Rupees in `000 -----</b>	
<b>12 OPERATING FIXED ASSETS</b>		
<b>12.1 Additions to operating fixed assets</b>		
Furniture and fixture	3,331	10,656
Electrical, office and computer equipments	37,329	22,834
Vehicles	-	3,359
Capital work-in-progress	46	-
<b>12.2 Intangibles</b>		
Computer Software	20,118	2,162
<b>12.3 Disposals of operating fixed assets</b>		
Furniture and fixture	201	-
Electrical, office and computer equipments	125	-
Vehicles	16,126	6,611

**13 DEFERRED TAX ASSET - NET**

As at June 30, 2011 the Bank has recognised deferred tax asset amounting to Rs. 539.140 million on unabsorbed tax losses (December 31, 2010: Rs. 605.233 million) based on financial projections for future years as the management expects to generate sufficient taxable profits to utilize the deferred tax asset.

	<b>June 30, 2011 (Unaudited)</b>	<b>December 31, 2010 (Audited)</b>
	<b>----- Rupees in `000 -----</b>	
<b>14 DUE TO FINANCIAL INSTITUTIONS</b>		
In Pakistan	600,000	353,000
Outside Pakistan	-	-
	<u>600,000</u>	<u>353,000</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
<b>15 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	22,211,041	18,796,560
Savings deposits	11,616,614	9,982,409
Current Accounts - Non-remunerative	10,209,292	8,975,862
Margin accounts-Non-remunerative	77,050	158,067
	<u>44,113,997</u>	<u>37,912,898</u>
<b>Financial institutions</b>		
Remunerative deposits	344,653	258,117
Non-remunerative deposits	15,482	27,305
	<u>360,135</u>	<u>285,422</u>
	<u>44,474,132</u>	<u>38,198,320</u>
<b>16 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>		
Surplus on revaluation of available-for-sale securities		
Sukuk Certificates	25,689	49,819
Mutual Fund	7	-
	<u>25,696</u>	<u>49,819</u>
Less: Related deferred tax liability	8,994	17,437
	<u>16,702</u>	<u>32,382</u>
<b>17 CONTINGENCIES AND COMMITMENTS</b>		
<b>17.1 Transaction-related Contingent Liabilities</b>		
Guarantees favouring		
Others	135,636	110,245
Government	815,197	869,935
	<u>950,833</u>	<u>980,180</u>
<b>17.2 Trade-related contingent liabilities</b>		
Import letters of Credit	1,760,412	1,260,833
Acceptances	442,261	176,571
	<u>2,202,673</u>	<u>1,437,404</u>
<b>17.3 Claim not acknowledged as debt</b>	<u>982,606</u>	<u>982,606</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
<b>17.4 Commitments in respect of promises</b>		
Purchase	<u>742,537</u>	<u>339,270</u>
Sale	<u>768,342</u>	<u>373,661</u>
<b>17.5 Commitments for the acquisition of operating fixed assets</b>	<u>4,882</u>	<u>34,745</u>

**17.6 Commitments in respect of financing facilities**

The Bank makes commitments to extend financings in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
<b>17.7 Other commitments</b>		
Bills for collection	<u>309,770</u>	<u>320,132</u>

	Half year ended (Un-audited)	
	June 30, 2011	June 30, 2010
	----- Rupees in `000 -----	
<b>18 PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED</b>		
On Financings to:		
Customers	1,243,876	872,756
Financial Institutions	<u>301,384</u>	<u>416,750</u>
	1,545,260	1,289,506
On Investments - available for sale securities	1,009,937	413,696
On deposits / placements with financial institutions	8,609	13,679
Others	8,915	6,489
	<u>2,572,721</u>	<u>1,723,370</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2011

**19 EARNINGS PER SHARE - Basic / Diluted**

	Quarter ended June 30, 2011	Quarter ended June 30, 2010	Half-year ended June 30, 2011	Half-year ended June 30, 2010
	Rupees in '000			
Profit / (Loss) after taxation for the year	78,205	(6,242)	127,325	(16,130)
	Number of share			
Weighted average number of ordinary shares	527,967,898	527,967,898	527,967,898	527,967,898
	Rupees			
Basic / diluted earnings / (loss) per share	0.148	(0.012)	0.241	(0.031)

19.1 There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2011 and June 30, 2010.

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

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
	Rupees in '000				
<b>For the half year ended June 30, 2011 (Un-audited)</b>					
Total income	168,898	1,674,163	806,673	23,144	2,672,878
Total expenses	17,154	1,371,600	656,613	448,149	2,493,516
Net income / (loss) before tax	151,744	302,563	150,060	(425,005)	179,362
<b>As at June 30, 2011 (Un-audited)</b>					
Segment Assets (Gross)	29,737,268	6,226,256	14,147,501	2,217,771	52,328,796
Segment Non Performing Assets	61,418	337,983	523,727	-	923,128
Segment Provision Required	21,418	170,073	239,450	-	430,941
Segment Liabilities	651,678	32,087,443	14,215,666	65,037	47,019,824
Segment Return on Assets (ROA) (%)	1.02%	2.00%	1.75%	-	-
Segment Cost of funds (%)	13.39%	7.12%	8.64%	-	-
<b>For the half year ended June 30, 2010 (Un-audited)</b>					
Total income	17,883	1,057,953	562,006	203,751	1,841,593
Total expenses	15,722	1,025,602	457,350	365,675	1,864,349
Net income / (loss) before tax	2,161	32,351	104,656	(161,924)	(22,756)
<b>As at December 31, 2010 (Audited)</b>					
Segment Assets (Gross)	20,655,460	4,643,858	17,743,245	2,355,058	45,397,621
Segment Non Performing Financing	61,418	246,180	505,328	-	812,926
Segment Provision Required	21,418	140,065	200,435	-	361,918
Segment Liabilities	377,520	26,673,044	12,876,337	342,416	40,269,317
Segment Return on Assets (ROA) (%)	0.21%	4.55%	1.82%	-	-
Segment Cost of funds (%)	13.81%	6.63%	8.74%	-	-



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011

**21 RELATED PARTY TRANSACTIONS**

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

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

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposits transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

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

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

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	----- Rupees in ` 000 -----	
<b>SUBSIDIARY</b>		
<b>Deposits:</b>		
Opening balance	88,555	75,727
Deposit during the period / year	562,783	880,647
Withdrawal during the period / year	(557,295)	(867,819)
Closing balance	<u>94,043</u>	<u>88,555</u>
<b>Half year ended (Unaudited)</b>		
	June 30, 2011	June 30, 2010
	----- Rupees in ` 000 -----	
<b>Transactions, income and expenses:</b>		
Return on deposits expensed	4,912	3,838

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
<b>ASSOCIATES</b>		
<b>Financings:</b>		
Opening balance	167,663	150,000
Disbursed during the period / year	7,000	17,663
Repaid during the period / year	3,364	-
Closing balance	<u>171,299</u>	<u>167,663</u>
<b>Deposits:</b>		
Opening balance	123,065	76,177
Deposit during the period / year	343,508	811,835
Withdrawal during the period / year	(307,490)	(764,947)
Closing balance	<u>159,083</u>	<u>123,065</u>
<b>Half year ended (Unaudited)</b>		
	June 30, 2011	June 30, 2010
	----- Rupees in `000 -----	
<b>Transactions, income and expenses:</b>		
Profit earned on financing	14,271	11,898
Return on deposits expensed	3,866	2,782
Repair and Maintenance	28,381	19,222
	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Financings:</b>		
Opening balance	61,167	48,796
Disbursed during the period / year	4,399	18,062
Repaid during the period / year	(2,056)	(5,691)
Closing balance	<u>63,510</u>	<u>61,167</u>
<b>Deposits:</b>		
Opening balance	2,737	731
Deposit during the period / year	61,583	69,286
Withdrawal during the period / year	(63,867)	(67,280)
Closing balance	<u>453</u>	<u>2,737</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011

	Half year ended (Unaudited)	
	June 30, 2011	June 30, 2010
	----- Rupees in `000 -----	
<b><u>Transactions, income and expenses:</u></b>		
Profit earned on financing	1,343	1,126
Return on deposits expensed	207	164
Remuneration	33,903	22,238
<b><u>Employee Benefit plans</u></b>		
Contribution to Employees Gratuity Fund	11,337	10,401
Contribution to Employees Provident Fund	12,254	12,386

**22 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on September 26, 2011 by the Board of Directors of the Bank.

**23 GENERAL**

**23.1** Corresponding information has been re-classified, re-arranged or additionally incorporated in this condensed interim financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. There were no significant reclassifications during the current period.

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

Consolidated Financial Statements  
of  
**BankIslami Pakistan Limited**  
for the Half Year Ended  
June 30, 2011



## DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the consolidated financial results of the half year ended June 30, 2011. Following are the highlights:

	(Rs in millions)		
	June 30, 2011	December 31, 2010	Change (%)
Total Deposits	44,380	38,110	16.45%
Total Assets	51,798	44,947	15.24%
Net Financing	15,490	16,670	-7.08%
Total Investments	17,805	13,565	31.26%
Shareholders Equity	4,872	4,764	2.26%
Branches	102	102	-
	June 30, 2011	June 30, 2010	
Basic EPS (Rupees)	0.233	(0.024)	1070.83%

The Bank has continued to focus on leveraging its existing network. The focus during the year shall continue towards growing the existing business with a view to reaching approximately Rs.500m per branch. This will set the base for a profitable and sustainable expansion going forward.

Despite a very challenging political and economic environment, we expect to increase for the remainder of the year.

The Bank also had a soft launch of its Sharia Compliant Visa Debit Card. Given the customer base of BIPL, by the end of the first quarter BIPL shall InshAllah have the second largest market share in Sharia Compliant Visa Debit Cards in Pakistan. In addition to this, we also have completed the preparatory work as part of the Pakistan Remittance Initiative ('PRI') for 2011.

**HALF YEARLY REPORT 2011** BIPL has been granted an extension by the SBP to meet its MCR requirements to September 30, 2011. The major shareholders of the Bank are due to meet with the SBP to formalize a strategy to meet with the regulatory requirement and as soon this is finalized, the necessary public announcements shall be made. The CAR (Capital Adequacy Ratio) of the Group, however, remained at 18.46%.

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

Finally, we would like to place on record our appreciation to The State Bank of Pakistan for their continued support, guidance and understanding. We are very grateful to The Almighty for the success we have enjoyed, especially in such difficult market conditions.

On behalf of the Board

**Hasan A Bilgrami**  
Chief Executive Officer  
September 26, 2011



**CONDENSED INTERIM STATEMENT OF  
CONSOLIDATED FINANCIAL POSITION**  
AS AT JUNE 30, 2011

	June 30, 2011 (Unaudited)	December 30, 2010 (Audited)
	----- Rupees in ` 000 -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	3,523,870	3,035,153
Balances with other banks	492,243	570,858
Due from financial institutions	7,512,234	4,513,132
Investments	17,804,936	13,564,654
Financings-net	15,490,156	16,670,125
Operating fixed assets	1,926,395	2,048,855
Deferred tax assets	386,859	409,483
Other assets	4,661,658	4,134,418
	<b>51,798,351</b>	<b>44,946,678</b>
<b>LIABILITIES</b>		
Bills payable	601,982	563,020
Due to financial institutions	600,000	353,000
Deposits and other accounts	44,380,089	38,109,790
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,344,773	1,156,705
	<b>46,926,844</b>	<b>40,182,515</b>
<b>NET ASSETS</b>	<b>4,871,507</b>	<b>4,764,163</b>
<b>REPRESENTED BY</b>		
Share capital	5,279,679	5,279,679
Reserves	8,232	8,232
Accumulated loss	(433,109)	(556,130)
	<b>4,854,802</b>	<b>4,731,781</b>
Surplus on revaluation of assets-net of tax	16,705	32,382
	<b>4,871,507</b>	<b>4,764,163</b>

**CONTINGENCIES AND COMMITMENTS**

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**CONDENSED INTERIM CONSOLIDATED  
PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2011

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	----- Rupees in `000 -----			
Profit / return on financings, investments and placements earned	1,365,303	922,241	2,574,146	1,725,246
Return on deposits and other dues expensed	699,439	492,513	1,334,824	936,165
Net spread earned	665,864	429,728	1,239,322	789,081
Provision / (Reversal) against non-performing financings	64,445	(3,962)	70,780	(9,031)
Provision against investments and lending	1,195	-	1,195	-
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	65,640	(3,962)	71,975	(9,031)
Net spread after provisions	600,224	433,690	1,167,347	798,112
<b>OTHER INCOME</b>				
Fee, Commission and Brokerage Income	23,485	20,213	41,008	45,147
Dividend Income	-	-	-	-
Income from dealing in foreign currencies	29,820	9,706	35,814	40,451
Other Income	8,734	15,380	23,271	23,594
<b>Total other income</b>	<b>62,039</b>	<b>45,299</b>	<b>100,093</b>	<b>109,192</b>
	662,263	478,989	1,267,440	907,304
<b>OTHER EXPENSES</b>				
Administrative expenses	555,181	483,096	1,081,274	922,710
Other provisions	250	-	250	-
Other charges	1,265	1,693	2,453	2,613
<b>Total other expenses</b>	<b>556,696</b>	<b>484,789</b>	<b>1,083,977</b>	<b>925,323</b>
	105,567	(5,800)	183,463	(18,019)
Extra ordinary/unusual items (to be specified)	-	-	-	-
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>105,567</b>	<b>(5,800)</b>	<b>183,463</b>	<b>(18,019)</b>
<b>Taxation</b>				
- Current	16,275	14,399	29,374	19,364
- Prior years	-	-	-	-
- Deferred	17,415	(15,625)	31,068	(24,734)
	33,690	(1,226)	60,442	(5,370)
<b>PROFIT / (LOSS) AFTER TAXATION</b>	<b>71,877</b>	<b>(4,574)</b>	<b>123,021</b>	<b>(12,649)</b>
Accumulated Loss brought forward	(515,215)	(597,508)	(556,130)	(589,070)
Transferred to Statutory Reserve	10,229	363	-	-
	(504,986)	(597,145)	(556,130)	(589,070)
Accumulated Loss carried forward	(433,109)	(601,719)	(433,109)	(601,719)
<b>Basic / diluted earnings / (loss) per share - (Rupees)</b>	<b>0.136</b>	<b>(0.009)</b>	<b>0.233</b>	<b>(0.024)</b>

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



CONDENSED INTERIM CONSOLIDATED  
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2011

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	----- Rupees in `000 -----			
<b>Profit /(Loss) after taxation</b>	<b>71,877</b>	<b>(4,574)</b>	<b>123,021</b>	<b>(12,649)</b>
<b>Components of comprehensive income not reflected in equity</b>				
(Deficit) / surplus on revaluation of available for sale securities - net of tax	<b>(15,775)</b>	<b>(1,914)</b>	<b>(15,677)</b>	<b>(1,314)</b>
<b>Total comprehensive income / (loss) for the period</b>	<b><u>56,102</u></b>	<b><u>(6,488)</u></b>	<b><u>107,344</u></b>	<b><u>(13,963)</u></b>

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**CONDENSED INTERIM CONSOLIDATED  
CASH FLOW STATEMENT (UN-AUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2011

	June 30, 2011	June 30, 2010
----- Rupees in ` 000 -----		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	183,463	(18,019)
<b>Adjustments for:</b>		
Depreciation - Own assets	152,617	167,260
Amortisation of intangible asset	14,213	14,518
Depreciation - Operating Ijara assets	187,891	33,020
Provision / (Reversal) against non-performing financings	70,780	(9,031)
Provision against investment and lending	1,195	-
Provision against other assets	250	-
Gain on sale of fixed assets	(10,075)	(2,141)
Deferred cost amortised	4,086	8,041
	<u>420,957</u>	<u>211,667</u>
	604,420	193,648
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	(2,999,102)	(6,571,691)
Financings	921,298	(2,378,949)
Others assets (excluding advance taxation and deferred cost)	(532,890)	(399,425)
	<u>(2,610,694)</u>	<u>(9,350,065)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	38,962	83,179
Due to financial institutions	247,000	1,015,040
Deposits and other accounts	6,270,299	5,143,318
Other liabilities (excluding current taxation)	188,068	524,219
	<u>6,744,329</u>	<u>6,765,756</u>
	4,738,055	(2,390,661)
Income tax paid	(28,058)	(3,738)
<b>Net cash generated from / (used in) operating activities</b>	<u>4,709,997</u>	<u>(2,394,399)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(4,265,600)	245,438
Investments in operating fixed assets - net	(60,823)	(41,938)
Proceeds realised on disposal of operating fixed assets	26,528	5,427
<b>Net cash (used in) / generated from investing activities</b>	<u>(4,299,895)</u>	<u>208,927</u>
<b>Increase / (decrease) in cash and cash equivalents</b>	<u>410,102</u>	<u>(2,185,472)</u>
Cash and cash equivalents at beginning of the period	<u>3,606,011</u>	<u>6,277,328</u>
<b>Cash and cash equivalents at end of the period</b>	<u>4,016,113</u>	<u>4,091,856</u>

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY (UN-AUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2011

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in `000 -----			
<b>Balance as at January 01, 2010 - restated</b>	5,279,679	-	(589,057)	4,690,622
Loss after taxation for the half year ended June 30, 2010	-	-	(12,662)	(12,662)
<b>Balance as at June 30, 2010</b>	5,279,679	-	(601,719)	4,677,960
Profit after tax for the half year ended December 31, 2010	-	-	53,821	53,821
Transferred to statutory reserve	-	8,232	(8,232)	-
<b>Balance as at December 31, 2010</b>	5,279,679	8,232	(556,130)	4,731,781
Profit after tax for the half year ended June 30, 2011	-	-	123,021	123,021
<b>Balance as at June 30, 2011</b>	<u>5,279,679</u>	<u>8,232</u>	<u>(433,109)</u>	<u>4,854,802</u>

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)

### 1. STATUS AND NATURE OF BUSINESS

- 1.1** BankIslami Pakistan Limited was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The Bank commenced its operations from April 07, 2006. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with one hundred and two branches including thirty two sub-branches (December 31, 2010: 102 branches) as at June 30, 2011.
- 1.2** The State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks up to Rs 10 billion to be achieved in a phased manner by December 31, 2013. The required MCR (net of losses) and Capital Adequacy Ratio (CAR) requirements as of December 31, 2010 was Rs 7 billion and 10% respectively. The paid-up capital of the Bank (net of losses) as of December 31, 2010 amounted to Rs 4.732 billion while its CAR stood at 20.01%. In view of the capital requirements, the Board of Directors of the Bank in their meeting held on February 7, 2011 had in principle agreed to issue right shares to increase its capital (net of losses) to Rs 6 billion. The State Bank of Pakistan vide its letter No. BSD/ BA 1-3/608/2773/2011 granted exemption to the Bank till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raise its capital to Rs 6 billion well before June 30, 2011.

Subsequent to June 30, 2011, the Bank has obtained further extension from the State Bank of Pakistan for meeting the MCR upto September 30, 2011.

The Bank has acquired 100 percent shares of BankIslami Modaraba Investment Limited (a unquoted public company) on August 31, 2007. The principal activity of the company is to act as 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 interim condensed financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)

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

### 3. STATEMENT OF COMPLIANCE

**3.1** These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or regulations / directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.

**3.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS-7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.

**3.3** The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting" and do not include all of the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2010.

### 4. SIGNIFICANT ACCOUNTING POLICIES

**4.1** The accounting policies adopted in preparation of these interim condensed financial statements and the significant judgments made are consistent with those applied in the preparation of the financial statements of the Group for the year ended December 31, 2010.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)

### 5 BASIS OF CONSOLIDATION

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

#### 5.1 Business combinations

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

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

#### 5.2 Goodwill

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

### 6- DATE OF AUTHORIZATION FOR ISSUE

These condensed interim consolidated financial statements were authorized for issue on September 26, 2011 by the Board of Directors of the Bank.

### 7- GENERAL

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

-Sd-  
Chairman

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Chief Executive Officer

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Director

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Director