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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	President & CEO
Mr. Mohamed Abdulla Amer Al Nahdi	
Mr. Shabir Ahmed Randeree	

Shariah Supervisory Board

Justice (Retd) Muhammad Taqi Usmani	Chairman
Professor Dr Fazlur Rahman	Member
Mufti Irshad Ahmad Aijaz	Member & Shariah 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 Aziz 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 Aziz Bilgrami	Member

Company Secretary

Mr. Gohar Iqbal Shaikh

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Adviser

Haidermota & Co.
Barrister at Law

Directors' Report



On behalf of the Board of Directors' I am pleased to present the Directors' Report for the third quarter of 2007.

The Bank continued its steady growth in this quarter as well, increasing the Deposit base by almost Rs. 2 billion (69 %), Advances by Rs. 1.3 billion (91%) and Investments by Rs. 1.3 billion (305%). Additionally, three new branches were added in the network taking it to 16. Another source of achievement was launch of our Investment Banking service, which in a short span of time has established ourselves as one of the leading providers of such service in the industry. We will insha Allah continue to strengthen our foothold in this initiative in the coming quarters. Expect some more news from us!

Some of the worth mentioning initiatives taken during the period under review were; establishing of Financial Advisory Unit to tap into Privatization and Project Finance business; putting in place a complete consumer banking team and acquisition of another 20 branches to take our network to 36 by the end of the year. This would be the fastest expansion by any Bank in the history of Pakistan. We were also quoted as a 'success story' by no one other than Novell Networks in deploying Integrated Linux Technology in Pakistan. The Bank expects to reap substantial benefits in terms of economy, efficiency and delivery from its IT infrastructure in the years to come. We also completed the acquisition of JS Finance, a registered Modarba Management Company with one operating Modarba and three permissions. This acquisition is the first step in our strategy of launching dedicated Modarbas as a fundamental part of the business.

In the coming quarter, the Bank will focus on getting the new branches operational without putting undue pressure on the bottom line. Due to political situation, we may face some delays in branch openings thereby passing on the benefits (not costs) to the coming year. This may necessitate temporarily slowing down deposit intake to keep the bottom line intact by increasing the Earning Assets to Deposits Ratio. We do not expect such a strategy to have any impact whatsoever on the business franchise or strategy of the Bank.

Lastly our gratitude to the State Bank of Pakistan for their understanding and support. We would also like to register our appreciation for the employees who have served with exemplary merit.

Hasan A. Bilgrami
President & CEO

October 22, 2007.

Balance Sheet As At September 30, 2007



BankIslami

Unaudited **Audited**
September 30, 2007 **December 31, 2006**

Note ----- Rupees in '000-----

ASSETS

Cash and balances with treasury banks		517,193	338,222
Balances with other banks		1,898,764	790,709
Due from financial institutions		519,356	412,131
Investments	6	1,919,886	493,008
Financings	7	3,485,990	959,133
Operating fixed assets	8	632,457	441,428
Deferred tax assets		50,104	27,131
Other assets		961,747	562,913
		9,985,497	4,024,674

LIABILITIES

Bills payable		119,722	23,830
Due to financial institutions		57,400	50,000
Deposits and other accounts		6,245,893	1,778,008
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		393,606	169,949
		(6,816,621)	(2,021,787)

NET ASSETS

3,168,876	2,002,887
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REPRESENTED BY:

Share capital	9	3,200,000	2,000,000
Reserves		-	-
Accumulated loss		(44,574)	(8,354)
		3,155,426	1,991,646
Surplus on revaluation of assets		13,450	11,241
		3,168,876	2,002,887

CONTINGENCIES AND COMMITMENTS 11

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

-sd-
Chairman

-sd-
President / CEO

-sd-
Director

-sd-
Director

Profit and Loss Account (Unaudited)

For the Quarter and Nine Months Period Ended September 30, 2007



BankIslami

	Quarter ended September 30, 2007	Nine months Period ended September 30, 2007	Quarter ended September 30, 2006	Nine months Period ended September 30, 2006
Note	Rupees in '000			
Profit / return on financings, investments and placements earned	158,391	363,750	35,331	53,976
Return on deposits and other dues expensed	84,378	172,709	2,041	2,112
Net spread	74,013	191,041	33,290	51,864
Provision against non-performing financings	2,631	5,726	275	286
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	2,631	5,726	275	286
Income after provisions	71,382	185,315	33,015	51,578
OTHER INCOME				
Fee, commission and brokerage income	27,326	37,570	1,244	1,341
Dividend / Income	199	18,837	-	1,991
Income from dealing in foreign currencies	494	1,520	188	332
Gain / (loss) on sale of securities	17,741	23,774	9,974	22,604
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-	(3,812)	1,222
Other income	76	477	-	-
Total other income	45,836	82,178	7,594	27,490
	117,218	267,493	40,609	79,068
OTHER EXPENSES				
Administrative expenses	116,478	307,110	46,914	77,633
Other provisions/write offs	-	-	-	-
Other charges	6,759	16,273	(28)	8,460
Total other expenses	123,237	323,383	46,886	86,093
	(6,019)	(55,890)	(6,277)	(7,025)
Extra ordinary/unusual items	-	-	-	-
LOSS BEFORE TAXATION	(6,019)	(55,890)	(6,277)	(7,025)
Taxation				
- Current	2,017	3,102	-	110
- Deferred	(9,060)	(22,772)	(5,165)	(10,697)
	(7,043)	(19,670)	(5,165)	(10,587)
PROFIT/(LOSS) AFTER TAXATION	1,024	(36,220)	(1,112)	3,562
Unappropriated/unremitted profit/(loss) brought forward	(45,598)	(8,354)	-	-
Profit available for appropriation/unremitted profit/ (loss)	(44,574)	(44,574)	(1,112)	3,562
Basic earnings / (loss) per share	0.003	(0.136)	(0.01)	(0.02)

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

-sd-
Chairman

-sd-
President / CEO

-sd-
Director

-sd-
Director

Cash Flow Statement (Un-audited)

For the Nine Months Period Ended September 30, 2007



BankIslami

	September 30, 2007	September 30, 2006
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(55,890)	(7,025)
Add: Dividend income	<u>(18,837)</u>	<u>(1,991)</u>
	(74,727)	(9,016)
Adjustments:		
Depreciation	45,563	17,093
Amortization	1,577	566
Provision against non-performing financings	5,726	286
Loss / (gain) on sale of fixed assets	14	7
Deferred cost amortized	12,663	7,700
Gain on revaluation of derivative instrument	-	245
	<u>65,543</u>	<u>25,897</u>
	(9,184)	16,881
(Increase) / decrease in operating assets		
Due from financial institutions	(107,225)	-
Held-for-trading securities	122,259	(111,170)
Financings	(2,532,583)	(672,771)
Others assets (excluding advance taxation and deferred cost)	(392,204)	(779,053)
Deferred cost incurred	-	(8,596)
	<u>(2,909,753)</u>	<u>(1,571,590)</u>
Increase / (decrease) in operating liabilities		
Bills payable	95,892	89,782
Borrowings from financial institutions	7,400	-
Deposits and other accounts	4,467,885	613,671
Other liabilities	222,746	46,672
	<u>4,793,923</u>	<u>750,125</u>
	1,874,986	(804,584)
Income tax paid	<u>(5,683)</u>	<u>(6,005)</u>
Net cash flow from operating activities	<u>1,869,303</u>	<u>(810,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(1,354,987)	(109,758)
Acquisition of subsidiaries	(191,015)	-
Dividend income received	1,224	1,991
Investments in operating fixed assets	(238,169)	(168,375)
Sale proceeds of property and equipment disposed-off	595	952
Net cash flow from investing activities	<u>(1,782,352)</u>	<u>(275,190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	<u>1,200,000</u>	<u>528,510</u>
Net cash flow from financing activities	<u>1,200,000</u>	<u>528,510</u>
Effects of exchange rate changes on cash and cash equivalents	<u>75</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>1,287,026</u>	<u>(557,269)</u>
Cash and cash equivalents at beginning of the period / year	<u>1,128,931</u>	<u>1,160,098</u>
Cash and cash equivalents at end of the period / year	<u>2,415,957</u>	<u>602,829</u>

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

-sd-
Chairman

-sd-
President / CEO

-sd-
Director

-sd-
Director

Statement of Changes in Equity (Unaudited)
For the Nine Months Period Ended September 30, 2007



	Share Capital	Accumulated Profit/(Loss)	Total
	----- Rupees in '000 -----		
Balance as of January 01, 2006	595,025	-	595,025
Profit for the period	-	3,562	3,562
Issue of share capital	1,404,975	-	1,404,975
Balance as of September 30, 2006	<u>2,000,000</u>	<u>3,562</u>	<u>2,003,562</u>
Loss for the period ended December 31, 2006	-	(11,916)	(11,916)
Balance as of December 31, 2006	<u>2,000,000</u>	<u>(8,354)</u>	<u>1,991,646</u>
Loss for the period ended September 30, 2007	-	(36,220)	(36,220)
Issue of share capital	1,200,000	-	1,200,000
Balance as of September 30, 2007	<u>3,200,000</u>	<u>(44,574)</u>	<u>3,155,426</u>

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

-sd-
Chairman

-sd-
President / CEO

-sd-
Director

-sd-
Director

Notes to the Interim Condensed Financial Statements

For the Nine Months Period Ended September 30, 2007 (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, Executive Tower, 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 sixteen branches as at September 30, 2007 (December 31, 2006: ten 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, 2006.

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.



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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 published financial statements of the Bank except for change described in note 5.1 below.

- 5.1 Unquoted securities including investments in subsidiaries are stated at cost less provision for impairment, if any.

	September 30, 2007	December 31, 2006
Note	-----	-----
	Rupees in '000-----	

6. INVESTMENTS

Held-for-trading securities	100,221	222,480
Available-for-sale securities	1,615,200	260,213
Subsidiary	191,015	-
	<u>1,906,436</u>	<u>482,693</u>
Surplus on revaluation of held-for-trading securities	-	(926)
Surplus on revaluation of available-for-sale securities	13,450	11,241
	<u>1,919,886</u>	<u>493,008</u>

6.1 Investments by types – held by Bank

Held-for-trading securities			
Ordinary shares of listed companies	100,221	222,480	
Deficit on revaluation of held-for-trading securities	-	(926)	
	<u>100,221</u>	<u>221,554</u>	
Available-for-sale securities			
Sukuks	1,540,200	250,213	
Units of mutual funds	75,000	10,000	
	<u>1,615,200</u>	<u>260,213</u>	
Surplus on revaluation of available-for-sale securities	13,450	11,241	
	<u>1,628,650</u>	<u>271,454</u>	
Subsidiary (unlisted)	191,015	-	
Total investments at market value	<u>1,919,886</u>	<u>493,008</u>	

6.1.1 Subsidiary (unlisted)

	Number of Shares	Amount	Percentage of equity holding
JS Finance Limited (Ordinary Shares)	8,000,000	191,015,000	100%



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	September 30, 2007	December 31, 2006
Note	----- Rupees in '000-----	
7. FINANCINGS In Pakistan		
-Murabaha	641,047	359,166
-Istisna	31,886	74,919
-Diminishing Musharka	1,370,566	224,233
-Bills purchased - Murabaha	937	-
-Salam	5,000	-
-House Financings	139,628	-
-Net investment in Ijara Financings	1,196,288	271,755
-Musawama Financings	7,219	-
-Qard-e-Hasna	5,093	-
-Financings to staff	95,053	30,061
Financings - gross	3,492,717	960,134
Provision for non-performing financings - General	(6,727)	(1,001)
Advances - net of provision	<u>3,485,990</u>	<u>959,133</u>
7.1 This amount includes profit free loan to a customer.		
7.2 General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.		
8. OPERATING FIXED ASSETS		
Property and equipment	8.1 530,243	417,890
Intangible assets	8.2 23,536	14,819
Capital work-in-progress	8.3 78,678	8,719
	<u>632,457</u>	<u>441,428</u>
8.1 Property and equipment		
Opening book value	417,890	23,152
Additions during the period / year	8.1.1 158,700	424,102
Disposals / adjustments during the period / year	8.1.2 (748)	(959)
Depreciation charged during the period / year	(45,599)	(28,405)
	<u>530,243</u>	<u>417,890</u>
8.1.1 Additions during the period / year		
Building	40,269	231,756
Furniture and fixture	48,343	91,097
Electrical, office and computer equipments	53,965	76,480
Vehicles	16,123	24,769
	<u>158,700</u>	<u>424,102</u>
8.1.2 Disposals / adjustments during the period / year (at book value)		
Leasehold	78	-
Vehicles	595	888
Electrical, office and computer equipments	75	71
	<u>748</u>	<u>959</u>



BankIslami

	September 30, 2007	December 31, 2006
Note	----- Rupees in '000-----	
8.2 Intangible assets		
Opening book value	14,819	6,067
Additions during the period / year	11,583	10,379
Amount charged off during the period / year	(1,289)	-
Amortisation charged during the period / year	(1,577)	(1,627)
	<u>23,536</u>	<u>14,819</u>
8.2.1 Additions during the period / year		
Computer software	11,583	10,379
8.3 Capital work-in-progress		
Balance at the beginning of the period / year	8,719	202,643
Additions during the period / year:		
Civil works	104,015	6,805
Equipments	1,106	534
Advances to suppliers and contractors	45,222	1,380
	150,343	8,719
Transferred to operating fixed assets during the period / year	(80,384)	(202,643)
	<u>78,678</u>	<u>8,719</u>
9. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10/- each fully paid in cash		
At the beginning of the period / year	2,000,000	595,025
Shares issued during the period / year	1,200,000	1,404,975
At the end of the period / year	<u>3,200,000</u>	<u>2,000,000</u>
9.1 In accordance with the Minimum Capital requirement of the State Bank of Pakistan all banks are required to increase their paid up capital to Rs. 4 billion by December 31, 2007. The Board of Directors in its meeting held on August 23, 2007 approved issue of 31.25% right share after which Bank's paid up capital will increase to Rs. 4.2 billion.		
10. SURPLUS ON REVALUATION OF ASSETS		
Balance at the beginning of the period / year	11,241	-
Gain on revaluation investments classified as available-for-sale	2,209	11,241
	<u>13,450</u>	<u>11,241</u>



BankIslami

September 30, 2007 December 31, 2006
----- Rupees in '000-----

11. CONTINGENCIES AND COMMITMENTS

11.1 Trade-related contingent liabilities

Import letters of credit	<u>315,228</u>	<u>207,002</u>
Acceptances	<u>49,667</u>	<u>113,018</u>

11.2 Transaction-related contingent liabilities

Guarantees favouring - Others	<u>444,810</u>	<u>42,910</u>
Advance payments favouring - Others	<u>2,001</u>	<u>67,901</u>

11.3 Commitments for the acquisition of operating fixed assets

	<u>63,576</u>	<u>22,560</u>
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11.4 Commitments for acquisition of investments

	<u>900,000</u>	<u>14,400</u>
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11.5 Commitments in respect of financing

	<u>3,327,814</u>	<u>172,310</u>
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11.6 Commitments for forward exchange contracts

	<u>60,772</u>	<u>-</u>
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11.7 Other commitments

Bills for collection	<u>39,892</u>	<u>4,159</u>
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12 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	542	-
Amortisation of deferred cost	12,062	3,659
Loss on fair valuation of derivative liability	-	4,690
Others	3669	139
	<u>16,273</u>	<u>8,488</u>

13 BASIC EARNINGS / (LOSS) PER SHARE

Loss for the period / year	Rupees in '000	<u>(36,220)</u>	<u>(8,354)</u>
Weighted average number of ordinary shares	Number	<u>266,920,956</u>	<u>188,979,486</u>
Basic earnings / (loss) per share		<u>Re. (0.136)</u>	<u>Re. (0.04)</u>



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14. RELATED PARTY TRANSACTIONS

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

Usual transactions with related parties include deposits, financings and provision of other banking services. Transactions with executives are undertaken at terms in accordance with employment agreements and service rules. Contributions to and accruals in respect of staff benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

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

	Associates & Subsidiary		Key management		Other related parties	
	Sept 30, 2007	Dec. 31, 2006	Sept 30, 2007	Dec. 31, 2006	Sept 30, 2007	Dec. 31, 2006
	Rs. In '000		Rs. In '000		Rs. In '000	
Financings:						
At beginning of the period / year	-	-	3,526	3,719	26,330	1,541
Disbursed during the period / year	189,000	-	15,000	-	61,215	27,809
Repaid during the period / year	-	-	3,526	193	8,031	3,020
At the end of the period / year	189,000	-	15,000	3,526	79,514	26,330
Deposits:						
At beginning of the period / year	98,350	-	431	-	10,350	-
Deposit during the period / year	440,465	485,913	5,618	1,620	192,188	68,502
Withdrawal during the period / year	480,565	387,563	5,086	1,189	173,015	58,152
At the end of the period / year	58,250	98,350	963	431	29,523	10,350
Payable to defined benefits plan	-	-	-	-	6,917	2,484

Transactions, income and expenses:

	Associates & Subsidiary		Key management		Other related parties	
	Nine month period ended September 30, 2007	Nine Month (from April 07, 2006 to September 30, 2006)	Nine month period ended September 30, 2007	Nine Month (from April 07, 2006 to September 30, 2006)	Nine month period ended September 30, 2007	Nine Month (from April 07, 2006 to September 30, 2006)
	Rs. In '000		Rs. In '000		Rs. In '000	
Profit earned on financing	4,582	-	257	109	1,381	143
Return on deposits expensed	1,784	524	6	3	3,392	-
Remuneration to key management personnel	-	-	9,275	7,771	-	-

September 30, 2007 December 31, 2006

----- Rupees in '000-----

Share capital issued to Principal Shareholders 675,806 529,975

15 DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue on October 22, 2007 by the Board of Directors of the Bank.

16 GENERAL

- 16.1 No material corresponding period figures have been re-arranged.
16.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

-sd-
Chairman

-sd-
President / CEO

-sd-
Director

-sd-
Director

Consolidated Balance Sheet (Unaudited) As At September 30, 2007



BankIslami

September 30,
2007

Rupees in '000

ASSETS

Cash and balances with treasury banks	517,194
Balances with other banks	1,899,642
Due from financial institutions	519,356
Investments	1,741,109
Good will	59,232
Financings	3,296,990
Operating fixed assets	667,935
Investment Properties	292,500
Deferred tax assets	57,892
Other assets	975,905
	10,027,755

LIABILITIES

Bills payable	119,722
Due to financial institutions	57,400
Deposits and other accounts	6,245,049
Sub-ordinated loans	-
Liabilities against assets subject to finance lease	-
Deferred tax liabilities	-
Other liabilities	440,558
	6,862,729

NET ASSETS

3,165,026

REPRESENTED BY:

Share capital	3,200,000
Reserves	-
Accumulated loss	(46,078)
	3,153,922
Surplus on revaluation of assets	11,104
	3,165,026

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

-sd-
Chairman

-sd-
President / CEO

-sd-
Director

-sd-
Director

Consolidated Profit and Loss Account (Unaudited)

For the Quarter and Nine Months Period Ended September 30, 2007



BankIslami

	Quarter ended September 30, 2007	Nine months Period ended September 30, 2007
----- Rupees in '000 -----		
Profit / return on financings, investments and placements earned	156,318	361,677
Return on deposits and other dues expensed	84,375	172,706
Net spread	71,943	188,971
Provision against non-performing financings	2,631	5,726
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	2,631	5,726
Income after provisions	69,312	183,245
OTHER INCOME		
Fee, commission and brokerage income	27,322	37,570
Dividend Income	199	18,837
Income from dealing in foreign currencies	494	1,520
Gain / (loss) on sale of securities	17,741	23,774
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-
Other income	1,068	1,469
Total other income	46,824	83,170
	116,135	266,414
OTHER EXPENSES		
Administrative expenses	116,856	307,488
Other provisions/write offs	-	-
Other charges	6,759	16,273
Total other expenses	123,615	323,761
	(7,480)	(57,347)
Extra ordinary/unusual items	-	-
LOSS BEFORE TAXATION	(7,480)	(57,347)
Taxation		
- Current	2,064	3,149
- Deferred	(9,060)	(22,772)
	(6,996)	(19,623)
LOSS AFTER TAXATION	(484)	(37,724)
Unappropriated/unremitted profit/(Loss) brought forward	(45,594)	(8,354)
Profit available for appropriation/unremitted profit/ (loss)	(46,078)	(46,078)
Basic earnings / (loss) per share	Re. (0.002)	Re. (0.124)

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

-sd-
Chairman

-sd-
President / CEO

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Director

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Director

Quarterly Report 2007

Consolidated Cash Flow Statement (Unaudited)

For the Nine Months Period Ended September 30, 2007



BankIslami

**Nine months
Period ended
September
30, 2007**

---Rupees in '000---

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation	(57,347)
Add: Dividend income	(18,837)
	<u>(76,184)</u>
Adjustments:	
Depreciation	45,574
Amortization	1,577
Provision against non-performing financings	5,726
Loss / (gain) on sale of fixed assets	14
Deferred cost amortized	12,663
	<u>65,554</u>
	(10,630)
(Increase) / decrease in operating assets	
Due from financial institutions	(107,225)
Held-for-trading securities	122,259
Financings	(2,532,583)
Others assets (excluding advance taxation and deferred cost)	(393,133)
	<u>(2,910,682)</u>
Increase / (decrease) in operating liabilities	
Bills payable	95,892
Borrowings from financial institutions	7,400
Deposits and other accounts	4,467,041
Other liabilities	235,645
	<u>4,805,978</u>
	1,884,666
Income tax paid	(5,683)
Net cash flow from operating activities	<u>1,878,983</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(1,354,987)
Acquisition of subsidiaries	(191,015)
Dividend income received	1,224
Investments in operating fixed assets	(250,169)
Sale proceeds of property and equipment disposed-off	595
Net cash flow from investing activities	<u>(1,794,352)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Issue of share capital	1,200,000
Net cash flow from financing activities	<u>1,200,000</u>
Effects of exchange rate changes on cash and cash equivalents	75
Net increase in cash and cash equivalents	<u>1,284,707</u>
Cash and cash equivalents at beginning of the period / year	<u>1,132,129</u>
Cash and cash equivalents at end of the period / year	<u>2,416,836</u>

The annexed notes from 1 to 8 form an integral part of these financial statements.

-sd-	-sd-	-sd-	-sd-
Chairman	President / CEO	Director	Director

Consolidated Statement of Changes in Equity (Unaudited)
For the Nine Months Period Ended September 30, 2007



	Share Capital	Accumulated profit/(Loss)	Total
	----- Rupees in '000 -----		
Balance as of January 01, 2006	595,025	-	595,025
Profit for the period	-	3,562	3,562
Issue of share capital	1,404,975	-	1,404,975
Balance as of September 30, 2006	<u>2,000,000</u>	<u>3,562</u>	<u>2,003,562</u>
Loss for the period ended December 31, 2006	-	(11,916)	(11,916)
Balance as of December 31, 2006	<u>2,000,000</u>	<u>(8,354)</u>	<u>1,991,646</u>
Loss for the period ended September 30, 2007	-	(37,724)	(37,724)
Issue of share capital	1,200,000	-	1,200,000
Balance as of September 30, 2007	<u><u>3,200,000</u></u>	<u><u>(46,078)</u></u>	<u><u>3,153,922</u></u>

The annexed notes from 1 to 8 form an integral part of these financial statements.

-sd-
Chairman

-sd-
President / CEO

-sd-
Director

-sd-
Director

Notes to the Interim Consolidated Condensed Financial Statements For the Nine Months Period Ended September 30, 2007 (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, Executive Tower, 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 sixteen branches as at September 30, 2007 (December 31, 2006: ten branches).
- 1.3 The Bank has acquired 100 percent shares of JS Finance Limited (a unquoted public company) on August 31, 2007. The principal activity of the company is to act as modaraba management company. JS Finance 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 consolidated 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 consolidated 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, 2006.

3. BASIS OF PRESENTATION

- 3.1 These interim condensed consolidated financial statements have been prepared in accordance with requirement of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and are being submitted to the share holders as required by section 237(7) of the Companies Ordinance, 1984.
- 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 consolidated 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.

6 Basis of consolidation

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

6.1 Business combinations

Acquisitions of subsidiary is accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Bank in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised 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 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 consolidated financial statements were authorised for issue on October 22, 2007 by the Board of Directors of the Bank.

8 GENERAL

8.1 No corresponding figures have been presented as group was formed on August 31, 2007 i.e. date of acquisition.

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

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Chairman	President / CEO	Director	Director



Vision:

To be recognized as the leading authentic Islamic Bank.

Mission:

The Mission of BankIslami is to create value for our stakeholders by offering Authentic, Shariah Compliant and technologically advanced products and services. We differentiate ourselves through:

- i. Authenticity
- ii. Innovation
- iii. Understanding our clients' needs
- iv. Commitment to excellence
- v. Fast, Efficient and seamless delivery of solution. As a growing institution, the foundation for our performance lies on our human capital and BankIslami remains committed to becoming an employer of choice, attracting, nurturing and developing talent in a transparent and performance driven culture.