

Table of Contents

<u>Corporate Information</u>	2
<u>Directors' Report</u>	3
<u>Review Report to the Members on Interim Financial Information</u>	5
<u>Balance Sheet</u>	6
<u>Profit and Loss Account</u>	7
<u>Cash Flow Statement</u>	8
<u>Statement of Changes in Equity</u>	9
<u>Notes to the Financial Statements</u>	10
<u>Consolidated Financial Statements</u>	
<u>Consolidated Balance Sheet</u>	18
<u>Consolidated Profit and Loss Account</u>	19
<u>Consolidated Cash Flow Statement</u>	20
<u>Consolidated Statement of Changes in Equity</u>	21
<u>Notes to the Consolidated Financial Statements</u>	22



CORPORATE INFORMATION

<p>Board of Directors Chief Justice (Retd.) Mahboob Ahmed Mr. Ahmed Goolam Mahomed Randeree Mr. Ahmed Mohammed El Shall Mr. Ali Raza Siddiqui Mr. Hasan A. Bilgrami Mr. Mohamed Abdulla Amer Al Nahdi Mr. Shabir Ahmed Randeree</p>	<p>Chairman</p> <p>Chief Executive Officer</p>
<p>Sharia'h Supervisory Board Justice (Retd.) Muhammad Taqi Usmani Professor Dr. Fazlur Rahman Mufti Irshad Ahmad Aijaz</p>	<p>Chairman Member Member & Sharia'h Adviser</p>
<p>Audit Committee Mr. Ahmed Mohammed El Shall Mr. Ali Raza Siddiqui Mr. Shabir Ahmed Randeree</p>	<p>Chairman Member Member</p>
<p>Executive Committee Chief Justice (Retd.) Mahboob Ahmed Mr. Ahmed Goolam Mahomed Randeree Mr. Ahmed Mohammed El Shall Mr. Hasan A. Bilgrami</p>	<p>Chairman Member Member Member</p>
<p>Human Resource & Compensation Committee Mr. Ali Raza Siddiqui Mr. Ahmed Goolam Mahomed Randeree Mr. Ahmed Mohammed El Shall Mr. Hasan A. Bilgrami</p>	<p>Chairman Member Member Member</p>
<p>Auditors Ford Rhodes Sidat Hyder & Co. Chartered Accountants</p>	
<p>Legal Adviser Haidermota & Co. Barrister at Law</p>	
<p>Management (in alphabetical order) Mr. Arsalan Vohra Mr. Asad Alim Mr. Faisal Shaikh Mr. Farooq Anwar Mr. Hasan A. Bilgrami Mr. Muhammad Imran Mr. Muhammad Shoaib Khan Mr. Muhammad Zahir Esmail Mr. Rehan Shuja Zaidi Ms. Sheba Matin Khan Mr. Syed Akhtar Ausaf Mr. Syed Mujtaba H. Kazmi</p>	<p>Head, Risk Management Head, Information Systems Head, Corporate & Product Development Head, Operations Chief Executive Officer Head, Consumer Banking Head, Treasury & Financial Institutions Head, Corporate & Retail Banking Head, Internal Audit Head, Human Resources Head, Credit Head, Investment Banking</p>
<p>Registered Office 11th Floor, Executive Tower, Dolmen City, Marine Drive, Block -4, Clifton, Karachi. Phone: (92-21) 111-247(BIP)-111 Fax: (92-21) 5378373 Email: info@bankislami.com.pk</p>	
<p>Share Registrar Technology Trade (Private) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S. off Shahra-e-Quaideen, Karachi. Phone: (92-21) 4387960-61 Fax: (92-21) 4391318</p>	
<p>Website www.bankislami.com.pk</p>	

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the second quarterly accounts along with half yearly accounts of Bank for the period ended June 30, 2008. Highlights of the period under review are as follows:

	(Rs. in m)		
	Jun-08	Jun-07	Growth (%)
Total Deposits	11,353	4,196	171%
Total Assets	16,581	7,824	112%
Total Financing-net	5,387	2,188	110%
Total Investments	3,841	645	496%
Share Capital	4,280	2,975	44%
Shareholder's Equity	4,232	3,171	33%
Net Spread Earned	289	117	147%
Fee, Commission & Brokerage Income	81	10	690%
Operating Expense to Gross Income (%)	56.70	82.81	-32%
Loss Before Tax	-12.53	-49.87	-75%
Loss After Tax	-9.92	-37.24	-73%
EPS (Rs.)	-0.02	-0.13	82%
Employees	722	413	75%
Branches	36	14	157%

It is a matter of immense satisfaction for us that the Bank has reported its first operating profit during a period when Pakistan's economy was confronted with un-precedented challenges. The Bank reported improved performance in all areas. This is despite of 157% and 75% growth respectively in the number of branches and employees respectively.

Since the beginning of the year, anticipating tighter liquidity and economic conditions, BankIslami opted to re-profile its liability base to cater to the challenges ahead. In other words we preferred to lower the cost of deposits as against growing the balance sheet without any adverse impact on the Profit and Loss Account. I am glad to report that today 86% of deposits have come from Individuals and Sole Proprietors and are largely not rate sensitive. We shall continue to focus on retail deposits in the remaining part of the year to steer through this seemingly difficult period.

BankIslami is positioned well to achieve its target of opening 66 branches and sub-branches. As of now, the Bank has acquired 57 of them. Bulk of the expansion will come in the fourth quarter. By the end of the year the Bank shall have 102 branches and sub-branches making it the second largest Islamic Bank in terms of net work covering 42 cities. It is again a source of immense satisfaction to us that despite of this massive expansion and a solid deposit franchise, the losses have been contained to mere Rs. 55m.

We look forward to 2009 as the year of consolidation and optimization of the net work with solid growth in earnings. PACRA has maintained the rating of the Bank at A-

To meet the minimum Capital Requirement of the State Bank and fund the growth, the Board has approved a Rights Issue of Rs. 1 billion.

On behalf of the Board, I would like to place on record our appreciation of the assistance we have received from the State Bank and Securities and Exchange Commission of Pakistan. Our appreciation to the employees as well for their dedication and commitment.

Hasan A Bilgrami
Chief Executive Officer
August 27, 2008



REVIEW REPORT TO THE MEMBERS ON INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying interim condensed balance sheet of **BankIslami Pakistan Limited as at June 30, 2008** and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity, together with the notes forming part thereof (herein after referred to as 'interim financial information') for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

KARACHI:
August 27, 2008

CHARTERED ACCOUNTANTS



INTERIM CONDENSED BALANCE SHEET

AS AT JUNE 30, 2008

(Unaudited) (Audited)
June 30, December 31,
Note 2008 2007
----- Rupees in `000 -----

ASSETS

Cash and balances with treasury banks		1,450,512	1,433,166
Balances with other banks		1,936,801	2,577,491
Due from financial institutions		-	625,037
Investments	5	3,841,437	3,864,027
Financings	6	5,386,997	3,962,867
Operating fixed assets		1,231,676	1,093,324
Deferred tax assets		102,672	90,418
Other assets	7	2,631,137	801,143
		16,581,232	14,447,473

LIABILITIES

Bills payable		234,667	84,998
Due to financial institutions		72,345	70,000
Deposits and other accounts		11,352,868	9,934,282
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		689,248	513,467
		12,349,128	10,602,747
NET ASSETS		4,232,104	3,844,726

REPRESENTED BY

Share capital	8	4,279,679	3,200,000
Reserves		-	-
Accumulated loss		(55,294)	(45,377)
		4,234,022	3,154,623
Advance against future issue of share capital		-	681,409
Surplus on revaluation of assets - net of tax	9	7,719	8,694
		4,232,104	3,844,726

CONTINGENCIES AND COMMITMENTS 10

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

	Note	Quarter ended June 30, 2008	Half-year ended June 30, 2008	Quarter ended June 30, 2007	Half-year ended June 30, 2007
----- Rupees in `000 -----					
Profit / return on financings, investments and placements earned		329,916	612,920	124,028	205,359
Return on deposits and other dues expensed		(175,754)	(324,031)	(52,685)	(88,331)
Net spread earned		154,162	288,889	71,343	117,028
Provision against non-performing financings		756	(11,543)	(2,871)	(3,095)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		756	(11,543)	(2,871)	(3,095)
Net spread after provisions		154,918	277,346	68,472	113,933
OTHER INCOME					
Fee, commission and brokerage income		52,049	80,978	7,864	10,244
Dividend income		-	1,812	9,493	18,638
Income from dealing in foreign currencies		14,331	14,551	312	1,026
Capital gain on sale of securities		19,805	27,035	4,383	6,033
Unrealized gain/loss on revaluation of investments classified as held-for-trading		62	62	(747)	(747)
Other income		7,816	8,750	1,005	1,148
Total other income		94,063	133,188	22,310	36,342
		248,981	410,534	90,782	150,275
OTHER EXPENSES					
Administrative expenses		227,530	412,164	101,651	190,632
Other provisions / write-offs		-	-	-	-
Other charges		6,273	10,898	4,648	9,514
Total other expenses		233,803	423,062	106,299	200,146
		15,178	(12,528)	(15,517)	(49,871)
Extraordinary / unusual items		-	-	-	-
PROFIT/(LOSS) BEFORE TAXATION		15,178	(12,528)	(15,517)	(49,871)
TAXATION - Current		(8,222)	(9,643)	(205)	(1,085)
- Prior		-	-	-	-
- Deferred		12,254	12,254	(2,685)	13,712
		4,032	2,611	(2,890)	12,627
PROFIT / (LOSS) AFTER TAXATION		19,210	(9,917)	(18,407)	(37,244)
Accumulated loss brought forward		(74,504)	(45,377)	(27,191)	(8,354)
Accumulated loss carried forward		(55,294)	(55,294)	(45,598)	(45,598)
Basic earnings / (loss) per share	13	Re 0.047	Re. (0.024)	(Re. 0.06)	(Re. 0.15)
Diluted earnings / (loss) per share	13	Re. 0.047	Re. (0.024)	(Re. 0.05)	(Re. 0.13)

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

	June 30, 2008	June 30, 2007
Note	Rupees in `000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(12,528)	(49,871)
Less: Dividend income	(1,812)	(18,638)
	<u>(14,340)</u>	<u>(68,509)</u>
Adjustments:		
Depreciation	69,199	28,295
Amortization of intangible asset	2,511	943
Provision against non-performing financings	11,543	3,095
Gain on revaluation of investments (classified as held-for-trading)	(62)	(179)
Gain on sale of fixed assets	(69)	-
Intangible charged off during the year	-	1,289
Deferred cost amortized	8,041	8,042
Gain on revaluation of derivative instrument	-	829
	<u>91,163</u>	<u>42,314</u>
	<u>76,823</u>	<u>(26,195)</u>
(Increase) / decrease in operating assets		
Due from financial institutions	625,037	(829,578)
Held-for-trading securities	(20,188)	(20,730)
Financings	(1,435,673)	(1,231,569)
Others assets (excluding advance taxation and deferred cost)	(1,062,848)	(392,389)
	<u>(1,893,672)</u>	<u>(2,474,266)</u>
Increase / (decrease) in operating liabilities		
Bills payable	149,669	65,341
Borrowings from financial institutions	2,345	50,000
Deposits and other accounts	1,418,586	2,417,998
Other liabilities	175,781	97,707
	<u>1,746,381</u>	<u>2,631,046</u>
	<u>(70,468)</u>	<u>130,585</u>
Income tax paid	(4,418)	(4,680)
Net cash (used in) generated from operating activities	<u>(74,886)</u>	<u>125,905</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in available-for-sale securities	(738,547)	(124,975)
Dividend income received	1,812	13,344
Investments in operating fixed assets	(212,350)	(125,348)
Sale proceeds of property and equipment disposed-off	2,357	-
Net cash used in from investing activities	<u>(946,728)</u>	<u>(236,979)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	398,270	975,000
Advance against future issue of share capital - net off issue of shares	-	225,000
Net cash flow from financing activities	<u>398,270</u>	<u>1,200,000</u>
Effect of exchange rate change in cash and cash equivalent	-	16
Net (decrease)/increase in cash and cash equivalents	<u>(623,344)</u>	<u>1,088,942</u>
Cash and cash equivalents at beginning of the period	<u>4,010,657</u>	<u>1,128,931</u>
Cash and cash equivalents at end of the period	<u>3,387,313</u>	<u>2,217,873</u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

	Share Capital	Accumulated Loss	Total
	----- Rupees in ` 000 -----		
Balance as at January 01, 2007	2,000,000	(8,354)	1,991,646
Loss for the period	-	(37,244)	(37,244)
Issue of right shares during the period	975,000	-	975,000
Balance as of June 30, 2007	2,975,000	(45,598)	2,929,402
Profit for the period	-	221	221
Issue of right shares during the period	225,000	-	225,000
Balance as of December 31, 2007	3,200,000	(45,377)	3,154,623
(Loss)/ Profit for the period	-	(9,917)	(9,917)
Issue of right shares during the period	1,079,679	-	1,079,679
Balance as of June 30, 2008	4,279,679	(55,294)	4,224,385

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

1. STATUS AND NATURE OF BUSINESS

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 thirty six branches (2007: 36 branches) as at June 30, 2008.

2. BASIS OF PRESENTATION

- 2.1 These interim condensed financial statements are unaudited but subject to limited scope review by the auditors and have been prepared in accordance with the requirements of State Bank of Pakistan.
- 2.2 The Bank provides financing mainly through shariah compliant financial products. Except for Murabaha 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 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 recognised as charity payable.
- 2.3 These financial statements are separate financial statements of the Bank in which investments in subsidiaries are accounted for on the basis of direct equity interest and are not consolidated.

3. STATEMENT OF COMPLIANCE

- 3.1 These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) except IFAS - 2, issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan 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 directives take precedence.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

- 3.2 The State Bank of Pakistan as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40) for Banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified 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 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, 2007.
- 3.4 The Securities and Exchange Commission of Pakistan has notified for adoption "Islamic Financial Accounting Standard 2 - Ijara (IFAS-2)" issued by the Institute of Chartered Accountants of Pakistan (ICAP) which is applicable for accounting period beginning 1 January 2008. Consequent to the issuance of IFAS-2 Islamic Banks approached ICAP to seek certain clarifications on its implementation especially regarding the methods of applicability of prudential regulation for corporate and consumer banking issued by the State Bank of Pakistan (SBP). Consequently ICAP has approached SBP seeking necessary clarifications. Pending above clarifications, the bank has continued recognizing Ijara transactions consistent with policy used for the preparation of audited financial statements for the year ended December 31, 2007. During the half year ended 30 June 2008, the bank has disbursed the Ijara financing aggregating to Rs. 332 million.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in preparation of these interim condensed financial statements and the significant judgements made are consistent with those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2007.

5. INVESTMENTS

	30 June 2008, (Unaudited)			31 December 2007 (Audited)		
	Held by Bank	Givens as collateral	Total	Held by Bank	Givens as collateral	Total
	Rupees in `000					
Held-for-trading securities						
Listed companies (ordinary shares)	20,188	-	20,188	-	-	-
Available-for-sale securities						
Sukuk Bonds (Certificates)	3,618,297	-	3,618,297	3,510,162	-	3,510,162
Mutual Funds (Units)	-	-	-	150,000	-	150,000
Subsidiaries						
JS Finance (Private) Limited	191,015	-	191,015	191,015	-	191,015
Investments at cost	3,829,500	-	3,829,500	3,851,177	-	3,851,177
Less: Provision for diminution in value of investments	-	-	-	-	-	-
Investments - net of provisions	3,829,500	-	3,829,500	3,851,177	-	3,851,177
Surplus on revaluation of held-for-trading securities	62	-	62	-	-	-
Surplus on revaluation of available-for-sale securities	11,875	-	11,875	12,850	-	12,850
Total investments	3,841,437	-	3,841,437	3,864,027	-	3,864,027

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

	June 30, 2008	December 31, 2007
Note	----- Rupees in `000 -----	
6. FINANCINGS		
Financings - in Pakistan		
- Murabaha	6.1 1,644,579	581,505
- Istisna	130,302	31,886
- Diminishing Musharaka - Housing	458,851	179,213
- Against Bills Salam	12,169	-
- Diminishing Musharaka - Others	1,518,653	1,576,705
- Against Bills - Murabaha	2,122	6,158
- Salam	-	105,000
- Musawamah	5,750	66,362
	<u>3,772,426</u>	<u>2,546,829</u>
Net investment in Ijarah financing		
In Pakistan	1,476,763	1,332,819
Financings to employees	178,724	112,592
	<u>5,427,913</u>	<u>3,992,240</u>
Financings - gross		
Provision for non-performing financings		
- Specific	(26,680)	(20,285)
- General	(14,236)	(9,088)
Financings - net of provision	<u>5,386,997</u>	<u>3,962,867</u>

- 6.1 Includes financings amounting to Rs. 103 million (December 31, 2007: Rs. 100 million) against Murabaha under Islamic Export Refinance Scheme.
- 6.2 Financings include Rs. 65,316 thousand (December 31, 2007: Rs. 78,371 thousand) which have been placed under non-performing status as follows:

Category of classification	June 30, 2008				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- Rupees in `000 -----				
Substandard	25,323	-	25,323	6,331	6,331
Doubtful	39,287	-	39,287	19,643	19,643
Loss	706	-	706	706	706
	<u>65,316</u>	<u>-</u>	<u>65,316</u>	<u>26,680</u>	<u>26,680</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

6.3 Particulars of provision against non-performing financings:

	June 30, 2008			December 31, 2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	26,680	14,236	40,916	20,285	9,088	29,373
In foreign currency	-	-	-	-	-	-
	<u>26,680</u>	<u>14,236</u>	<u>40,916</u>	<u>20,285</u>	<u>9,088</u>	<u>29,373</u>

6.3.1 The Bank has maintained a general reserve (provision) in accordance with the applicable requirements of the prudential regulations for consumer financing issued by the SBP and for potential losses on financings.

7 Other assets includes advance given in respect of murabaha and ijarah Rs. 1,099,678 thousands (December 31 2007: 132,938 thousands) and an advance against purchase of investment amounting to Rs.780,413 thousands (December 31, 2007: Nil).

8. SHARE CAPITAL

June 30, 2008	December 31, 2007		June 30, 2008 ----- Rupees in `000 ----- (Unaudited)	December 31, 2007 ----- Rupees in `000 ----- (Audited)
Number of shares				
Issued, subscribed and paid up				
		Ordinary shares		
		Fully paid in cash		
320,000,000	200,000,000	- Opening balance	3,200,000	2,000,000
107,967,898	120,000,000	- Issued during the period / year	1,079,679	1,200,000
<u>427,967,898</u>	<u>320,000,000</u>		<u>4,279,679</u>	<u>3,200,000</u>

	June 30, 2008 ----- Rupees in `000 ----- (Unaudited)	December 31, 2007 ----- Rupees in `000 ----- (Audited)
9 SURPLUS ON REVALUATION OF ASSETS - net of tax		

Surplus on revaluation of available-for-sale securities

Sukuk Bonds	11,875	11,875
Mutual Funds	-	975
	11,875	12,850
Less: Related deferred tax liability	4,156	4,156
	7,719	8,694

10 CONTINGENCIES AND COMMITMENTS

10.1 Transaction-related contingent liabilities

Guarantees favouring		
- Banks	245,000	245,000
- Government	316,857	168,072
- Others	87,859	82,442

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

	June 30, 2008	December 31, 2007
Note	Rupees in `000	
10.2 Trade-related contingent liabilities		
Import letters of credit	<u>1,216,384</u>	455,681
Acceptances	<u>418,114</u>	65,477
10.3 Commitments in respect of forward exchange promises		
Purchase	<u>66,210</u>	164,140
Sale	<u>73,003</u>	9,121
10.4 Commitments for the acquisition of operating fixed assets	<u>8,214</u>	146,687
10.5 Commitments for acquisition of investments	<u>275,000</u>	710,000
10.6 Commitments in respect of financing	<u>336,270</u>	4,385,126
10.7 Other commitments		
Bills for collection	<u>213,729</u>	109,685

	Half-year		Quarter	
	Ended June 30, 2008	Ended June 30, 2007	Ended June 30, 2008	Ended June 30, 2007
	Rupees in `000			
11. (LOSS) / EARNINGS PER SHARE				
11.1 Basic				
Net (loss) / profit for the period after tax	<u>(9,917)</u>	<u>(37,244)</u>	<u>19,210</u>	<u>(18,407)</u>
	No. of shares			
Weighted average number of ordinary shares in issue during the period	<u>415,756,225</u>	<u>247,941,989</u>	<u>403,237,974</u>	<u>295,357,143</u>
	Rupee			
(Loss) / earnings per share - basic	<u>(0.024)</u>	<u>(0.15)</u>	<u>0.047</u>	<u>(0.06)</u>
11.2 Diluted				
Net (loss) / profit for the period after tax	<u>(9,917)</u>	<u>(37,244)</u>	<u>19,210</u>	<u>(18,407)</u>
	No. of shares			
Weighted average number of ordinary shares in issue during the period adjusted for the effect of dilution on account of contingent shares	<u>415,756,225</u>	<u>282,983,056</u>	<u>403,237,974</u>	<u>337,012,563</u>
	Rupee			
(Loss) / earnings per share - diluted	<u>(0.024)</u>	<u>(0.13)</u>	<u>0.047</u>	<u>(0.05)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

12. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Total
-----Rupees in '000-----				
June 30, 2008				
Total income	364,570	116,605	264,933	746,108
Total expenses	419,136	93,653	243,236	756,025
Net income / (loss)	(54,565)	22,952	21,696	(9,917)
Segment assets (gross)	9,326,650	1,997,689	5,297,809	16,622,148
Segment non performing loans	-	(17,415)	(47,901)	(65,316)
Segment provision required	-	(14,236)	(26,680)	(40,916)
Segment liabilities	6,406,510	1,816,691	4,125,927	12,349,128

	Trading & Sales	Retail Banking	Commercial Banking	Total
-----Rupees in '000-----				
December 31, 2007				
Total income	369,438	147,429	225,475	742,342
Total expenses	558,528	77,800	206,476	842,804
Net income / (loss)	(189,090)	69,630	18,999	(100,461)
Segment assets (gross)	9,872,696	1,281,760	3,322,390	14,476,846
Segment non performing loans	-	(40,978)	(37,393)	(78,371)
Segment provision required	-	(9,088)	(20,285)	(29,373)
Segment liabilities	6,871,305	1,124,177	2,607,265	10,602,747

13. RELATED PARTY TRANSACTIONS

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

SUBSIDIARY	June 30, 2008	December 31, 2007
	----- Rupees in `000 -----	
	(Unaudited)	(Audited)
Financings:		
At January 1	189,000	-
Disbursed during the year	-	189,000
Repaid during the year	(189,000)	-
At June 30	-	189,000
Deposits:		
At January 1	315,355	-
Deposit during the year	21,188	518,685
Withdrawal during the year	(335,628)	(203,330)
At June 30	915	315,355





NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

SUBSIDIARY

Transactions, income and expenses:

Profit earned on financing
Return on deposits expensed
Acquisition of fixed assets

June 30, 2008	June 30, 2007
----- Rupees in `000 -----	----- Rupees in `000 -----
Unaudited	Unaudited

137	-
1,160	-
-	-

June 30, 2008	December 31, 2007
----- Rupees in `000 -----	----- Rupees in `000 -----
Unaudited	Audited

ASSOCIATES

Deposits:

At January 1
Deposit during the year
Withdrawal during the year
At June 30

36,649	98,350
139,167	863,096
(140,712)	(924,797)
35,104	36,649

Transactions, income and expenses:

Return on deposits expensed

June 30, 2008	June 30, 2007
----- Rupees in `000 -----	----- Rupees in `000 -----
Unaudited	Unaudited
3,450	875

KEY MANAGEMENT PERSONNEL

Financings:

At January 1
Disbursed during the year
Repaid during the year
At June 30

40,229	3,526
13,900	40,939
(938)	(4,236)
53,191	40,229

Deposits:

At January 1
Deposit during the year
Withdrawal during the year
At June 30

205	431
3,881	23,480
(3,729)	(23,706)
357	205

Transactions, income and expenses:

Profit earned on financing
Return on deposits expensed

June 30, 2008	June 30, 2007
----- Rupees in `000 -----	----- Rupees in `000 -----
Unaudited	Unaudited
955	69
3	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

14. GENERAL

14.1 The figures of interim condensed profit and loss account for quarters ended June 30, 2008 and June 30, 2007 have not been subject to a limited scope review, as the scope of review covered only the cumulative figures for the half-years ended June 30, 2008 and June 30, 2007.

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

15. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on August 27, 2008 by the Board of Directors of the Bank

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT June 30, 2008

	June 30, 2008 —— Rupees in `000 —— (Unaudited)	December 31, 2007 —— (Audited)
ASSETS		
Cash and balances with treasury banks	1,450,512	1,433,166
Balances with other banks	1,936,910	2,578,089
Due from financial institutions	-	625,037
Investments	3,680,437	3,686,474
Financings	5,386,997	3,773,867
Operating fixed assets	1,206,883	1,048,602
Deferred tax assets	109,000	97,760
Other assets	2,708,307	906,534
	16,479,046	14,149,529
LIABILITIES		
Bills payable	234,667	84,998
Due to financial institutions	72,345	70,000
Deposits and other accounts	11,275,762	9,617,735
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	676,178	541,296
	12,258,952	10,314,029
NET ASSETS	4,220,094	3,835,500
REPRESENTED BY:		
Share capital	4,279,679	3,200,000
Reserves	-	-
Accumulated loss	(62,024)	(53,481)
	4,217,655	3,146,519
Advance against future issue of share capital	-	681,409
Surplus on revaluation of assets-net of tax	2,439	7,572
	4,220,094	3,835,500

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER AND HALF-YEAR ENDED JUNE 30, 2008

	Quarter ended June 30, 2008	Half-year ended June 30, 2008
	Rupees in '000	
Profit / return on financings, investments and placements earned	331,639	614,506
Return on deposits and other dues expensed	173,565	321,041
Net spread	158,074	293,465
Provision against non-performing financings	(756)	11,543
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	(756)	11,543
Net spread after provisions	158,830	281,922
OTHER INCOME		
Fee, commission and brokerage income	52,048	80,978
Dividend Income	-	1,812
Income from dealing in foreign currencies	14,331	14,551
Gain / (loss) on sale of securities	19,805	27,035
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	62	62
Other income	6,524	8,798
Total other income	92,770	133,236
	251,600	415,158
OTHER EXPENSES		
Administrative expenses	228,607	414,034
Other provisions/write offs	-	-
Other charges	6,273	10,898
Total other expenses	234,880	424,932
	16,720	(9,774)
Extra ordinary/unusual items	-	-
PROFIT/(LOSS) BEFORE TAXATION	16,720	(9,774)
Taxation - Current	8,584	10,009
- Deferred	(11,665)	(11,240)
	(3,081)	(1,231)
PROFIT/(LOSS) AFTER TAXATION	19,801	(8,543)
Accumulated Loss brought forward	(81,825)	(53,481)
Accumulated Loss carried forward	(62,024)	(62,024)
Basic earnings / (loss) per share	Re. 0.048	Re. (0.021)
Diluted earning/(loss) per share	Re. 0.048	Re. (0.021)

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

-Sd- Chairman -Sd- Chief Executive Officer -Sd- Director -Sd- Director



CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF-YEAR ENDED JUNE 30, 2008

June 30, 2008
—Rupees in '000—

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation	(9,774)
Add: Dividend income	(1,812)
	(11,586)
Adjustments:	
Depreciation	69,270
Amortization	2,511
Provision against non-performing financings	11,543
Surplus / (deficit) on revaluation of investments (classified as held-for-trading)	-
Loss / (gain) on sale of fixed assets	(62)
Deferred cost amortized	(69)
	8,041
	91,234
	79,648
(Increase) / decrease in operating assets	
Due from financial institutions	625,037
Held-for-trading securities	(20,188)
Financings	(1,624,673)
Others assets (excluding advance taxation and deferred cost)	(1,034,883)
	(2,054,707)
Increase / (decrease) in operating liabilities	
Bills payable	149,669
Borrowings from financial institutions	2,345
Deposits and other accounts	1,658,027
Other liabilities	134,882
	1,944,923
Income tax paid	(30,136)
Net cash flow from operating activities	(34,664)

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(759,258)
Dividend income received	1,812
Investments in operating fixed assets	(232,350)
Sale proceeds of property and equipment disposed-off	2,357
Net cash flow from investing activities	(987,439)

CASH FLOWS FROM FINANCING ACTIVITIES

Issue of share capital	398,270
Net cash flow from financing activities	398,270
Effects of exchange rate changes on cash and cash equivalents	-
Net (decrease)/increase in cash and cash equivalents	(623,833)
Cash and cash equivalents at beginning of the period	4,011,255
Cash and cash equivalents at end of the period	3,387,422

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF-YAER ENDED JUNE 30, 2008

	Share Capital	Accumulated Loss	Total
	----- Rupees in `000 -----		
Opening Balance January 01, 07	2,000,000	(8,354)	1,991,646
Loss for the period ended June 30,2007	-	(37,244)	(37,244)
Issue of share capital	975,000	-	975,000
Balance as at June 30, 07	2,975,000	(45,598)	2,929,402
Loss for the period	-	(7,883)	(7,883)
Issue of share capital	225,000	-	225,000
Balance December 31, 2007	3,200,000	(53,481)	3,146,519
Loss for the period	-	(8,543)	(8,543)
Issue of share capital	1,079,679	-	1,079,679
Balance as of June 30,2008	4,279,679	(62,024)	4,217,655

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2008 (UNAUDITED)

1 STATUS AND NATURE OF BUSINESS

- 1.1 BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi.
- 1.2 The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with thirty-six branches as at June 30, 2008 (December 31, 2007: thirty-six branches).
- 1.3 The Bank has acquired 100 percent shares of Bank Islami Modaraba Limited (IS Finance Limited) (a unquoted public company) on August 31, 2007. The principal activity of the company is to act as modarba management company. BankIslami Modaraba Limited was incorporated in Pakistan on January 22, 1986 as a public unquoted company under the Companies Ordinance, 1984. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modarabas, under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980. The registered office of the company is situated at 10th Floor, Progressive Square, Shahrah-e- Faisal, Karachi.

2 STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives take precedence.
- 2.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 2.3 The disclosures made in these interim condensed financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and these interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2007.

**NOTES TO THE INTERIM CONSOLIDATED
CONDENSED FINANCIAL STATEMENTS**
FOR THE HALF-YEAR ENDED JUNE 30, 2008
(UNAUDITED)

3. BASIS OF PRESENTATION

3.1 These interim condensed financial statements are unaudited but subject to limited scope review by the auditors and have been prepared in accordance with the requirements of State Bank of Pakistan.

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

4. BASIS OF MEASUREMENT

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these interim condensed financial statements are the same as those applied in the preparation of the preceding annual financial statements of the Bank & its subsidiary respectively.

6. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Bank and BankIslami Modaraba 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.





NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2008 (UNAUDITED)

6.2 Goodwill

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

7 DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue on August 27, 2008 by the Board of Directors of the Bank.

8 GENERAL

- 8.1 No corresponding figures for profit and loss account and Cash flow statement 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.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director