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the Right way

Half Yearly Report June 30, 2013

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CORPORATE INFORMATION

Board of Directors

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	
Mr. Abdulla Abdulkarim Abdulla Showaiter *	
Mr. Ali Hussain	
Mr. Ali Raza Siddiqui	
Mr. Fawad Anwar	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Shabir Ahmed Randeree	

Sharia'h Supervisory Board**

Mufti Irshad Ahmad Aijaz	Chairman
Mufti Hassan Kaleem	Member
Mufti Talha Saleem Kapadia	Member

Audit Committee

Mr. Fawad Anwar	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member

Executive Committee

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member

Risk Management Committee

Mr. Fawad Anwar	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Hasan A. Bilgrami	Member

Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui	Chairman
Mr. Ali Hussain	Member (By Invitation)
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member

Company Secretary

Mr. Khawaja Ehrar ul Hassan - Acting

* Subject to SBP approval

** as at October 01, 2013

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Adviser

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

Management (in alphabetical order)

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

Registered Office

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

Share Register

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

Website:

www.bankislami.com.pk



DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the financial results of the Bank for the period ended June 30, 2013. Following are the highlights:

	June 2013	June 2012	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	69,828	54,530	28.1%
Total Assets	80,636	63,094	27.8%
Total Financing and related assets - net	30,441	23,566	29.2%
Total Investments	30,117	24,231	24.3%
Shareholder's Equity	5,565	5,381	3.4%
Branch network including sub-branches	142	104	36.5%
Basic Earnings per share - rupees	0.110	0.434	-74.7%

The Bank decided to make full provisioning for exposure against Gulistan Group ahead of the requirement, which largely explains subdued profitability. In addition to that, fall in spreads and inflation also had an impact on the bottom line. The Bank also faced unprecedented slow down in deposit intake after the announcement of the Federal Budget and subsequently pressure on the rupee. While we do expect better results in the third and fourth quarters, the factors explained above are expected to keep the bottom line in pressure during the year.

The Branch expansion commenced in the second quarter of the year. Twenty branches are in various stages of completion and are expected to start opening towards the end of the third quarter. We are of the opinion, a larger and cost efficient network will place the Bank in better position to navigate itself in a challenging environment.

The exemption granted by State Bank of Pakistan for Minimum Capital Requirement ('MCR') expired on March 31, 2013. SBP has declined to extend the extension unless the Bank improves its equity position substantially. In this respect, a meeting of the Board with SBP is expected towards the end of October to agree on a time line for increasing the capital. We are confident this issue will be amicably resolved in the next couple of months. On its part, the Board has agreed in-principle to raise the Equity to Rs. 6 billion. Further announcements in this respect are expected soon. The CAR of the Bank on June 30, 2013 was 14.62%.

Pakistan Credit Rating Agency ('PACRA') has maintained credit rating of the Bank at 'A' for long terms and 'A1' for short term with a positive outlook.

We would like to place our gratitude to State Bank of Pakistan for their support and look forward to that in future as well.

Hasan A. Bilgrami
Chief Executive Officer
October 01st, 2013

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, 2013 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, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2013.

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 condensed interim financial information as of and for the half year ended June 30, 2013 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 note 1.2 to the condensed interim financial information which describes the matter relating to the shortfall in minimum capital requirement of the Bank as at June 30, 2013. Our conclusion is not qualified in respect of this matter.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: October 01, 2013
Karachi



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2013

	Note	June 30, 2013 (Un-audited)	December 31, 2012 (Audited) (Restated)
		----- Rupees in ` 000 -----	
ASSETS			
Cash and balances with treasury banks	8	4,211,337	4,938,707
Balances with other banks	9	680,075	806,110
Due from financial institutions - net	10	11,519,137	8,475,672
Investments	11	30,116,748	28,994,462
Islamic financing and related assets - net	12	30,441,076	27,433,262
Operating fixed assets	13	1,834,487	1,913,106
Deferred tax assets	14	126,753	78,896
Other assets - net		1,706,108	1,607,602
		80,635,721	74,247,817
LIABILITIES			
Bills payable		722,781	1,251,010
Due to financial institutions	15	2,797,800	1,621,415
Deposits and other accounts	16	69,828,279	64,216,485
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		1,722,159	1,572,412
		75,071,019	68,661,322
NET ASSETS		5,564,702	5,586,495
REPRESENTED BY			
Share capital	17	5,279,679	5,279,679
Reserves		173,392	173,392
Unappropriated profit		173,283	115,383
		5,626,354	5,568,454
(Deficit) / surplus on revaluation of assets - net of tax	18	(61,652)	18,041
		5,564,702	5,586,495
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 26 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, 2013

	Note	Quarter ended June 30, 2013	Half year ended June 30, 2013	Quarter ended June 30, 2012 (Restated)	Half year ended June 30, 2012 (Restated)
		Rupees in ` 000			
Profit / return on islamic financing and related assets, investments and placements earned	20	1,550,411	2,988,250	1,552,540	2,972,318
Profit / return on deposits and other dues expensed		878,521	1,790,074	860,301	1,683,111
Net spread earned		671,890	1,198,176	692,239	1,289,207
(Reversal) / provision against non-performing islamic financing and related assets - net		56,348	74,411	11,409	17,094
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		56,348	74,411	11,409	17,094
Net spread after provisions		615,542	1,123,765	680,830	1,272,113
OTHER INCOME					
Fee, commission and brokerage income		70,158	129,819	40,334	82,274
Dividend Income		-	-	-	-
Income from dealing in foreign currencies		11,730	28,731	19,561	43,851
Gain on sale of securities		-	6,709	3,558	3,558
Other income		9,871	64,047	10,629	18,312
Total other income		91,759	229,306	74,082	147,995
		707,301	1,353,071	754,912	1,420,108
OTHER EXPENSES					
Administrative expenses		644,754	1,255,137	552,998	1,073,225
Other provisions		-	-	397	397
Other charges		1,194	14,957	3,559	7,888
Total other expenses		645,948	1,270,094	556,954	1,081,510
		61,353	82,977	197,958	338,598
Extraordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		61,353	82,977	197,958	338,598
Taxation					
-Current		23,742	31,619	652	15,589
-Prior years		-	-	-	-
-Deferred		(6,349)	(6,542)	59,708	93,613
		17,393	25,077	60,360	109,202
PROFIT AFTER TAXATION		43,960	57,900	137,598	229,396
Unappropriated profit / (Accumulated loss) brought forward		129,323	115,383	(123,333)	(215,131)
Unappropriated profit carried forward		173,283	173,283	14,265	14,265
Basic & diluted earnings per share - (Rupee)	21	0.083	0.110	0.261	0.434

The annexed notes 1 to 26 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, 2013

	Quarter ended June 30, 2013	Half year ended June 30, 2013	Quarter ended June 30, 2012	Half year ended June 30, 2012
	Rupees in ` 000			
Profit after taxation	43,960	57,900	137,598	229,396
Comprehensive income transferred to equity	43,960	57,900	137,598	229,396
Components of comprehensive income not reflected in equity :				
Deficit on revaluation of available for sale securities - net of tax	(20,263)	(79,693)	(8,776)	(161,319)
Total comprehensive income for the period	23,697	(21,793)	128,822	68,077

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	Note	June 30, 2013	June 30, 2012 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
----- Rupees in ` 000 -----			
Profit before taxation		82,977	338,598
Adjustments for non - cash charges :			
Depreciation on own assets		131,486	145,137
Depreciation on operating Ijarah assets		248,057	183,976
Amortisation of intangibles assets		14,380	10,424
Provision against non-performing Islamic financing and related assets - net		74,411	17,094
Provision against other assets		-	397
Gain on sale of operating fixed assets		(51,342)	(2,247)
		<u>416,992</u>	<u>354,781</u>
		499,969	693,379
(Increase) / decrease in operating assets			
Due from financial institutions		(3,043,465)	(3,121,128)
Islamic financing and related assets - net		(3,330,282)	937,162
Others assets (excluding advance taxation)		(114,424)	(66,724)
		<u>(6,488,171)</u>	<u>(2,250,690)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(528,229)	186,160
Due to financial institutions		1,176,385	(87,800)
Deposits and other accounts		5,611,794	3,961,500
Other liabilities (excluding current taxation)		149,747	144,375
		<u>6,409,697</u>	<u>4,204,235</u>
		421,495	2,646,924
Income tax paid		(15,701)	(31,499)
Net cash generated from operating activities		<u>405,794</u>	<u>2,615,425</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(1,243,294)	(3,412,365)
Investment in operating fixed assets		(128,544)	(103,249)
Proceeds from disposal of operating fixed assets		112,639	3,220
Net cash used in investing activities		<u>(1,259,199)</u>	<u>(3,512,394)</u>
Decrease in cash and cash equivalents		<u>(853,405)</u>	<u>(896,969)</u>
Cash and cash equivalents at the beginning of the period	22	5,744,817	5,234,103
Cash and cash equivalents at the end of the period	22	<u>4,891,412</u>	<u>4,337,134</u>

The annexed notes 1 to 26 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, 2013

	Share Capital	Statutory Reserve	Unappropriated Profit / (accumulated loss)	Total
	----- Rupees in ` 000 -----			
Balance as at January 01, 2012 as previously reported	5,279,679	91,221	(227,340)	5,143,560
Effect of change in accounting policy as disclosed in note 3.5 to this condensed interim financial information - net of tax	-	-	12,209	12,209
Balance as at January 01, 2012 restated	5,279,679	91,221	(215,131)	5,155,769
Profit after taxation for the half year ended June 30, 2012 transferred from statement of comprehensive income	-	-	229,396	229,396
Transfer to statutory reserve	-	-	-	-
Balance as at June 30, 2012 - restated	5,279,679	91,221	14,265	5,385,165
Profit after taxation for the half year ended December 31, 2012 transferred from statement of comprehensive income - restated	-	-	180,499	180,499
Transfer to statutory reserve	-	82,171	(82,171)	-
Remeasurements of the net defined benefit liability - net of tax	-	-	2,790	2,790
Balance as at December 31, 2012 - restated	5,279,679	173,392	115,383	5,568,454
Transfer from statutory reserve	-	-	-	-
Profit after taxation for the half year ended June 30, 2013 transferred from Statement of Comprehensive Income	-	-	57,900	57,900
Balance as at June 30, 2013	<u>5,279,679</u>	<u>173,392</u>	<u>173,283</u>	<u>5,626,354</u>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

1 STATUS AND NATURE OF BUSINESS

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

The State Bank of Pakistan (SBP) granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the SBP under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking activities and investment activities.

The Bank is operating through 142 branches including 53 sub branches as at June 30, 2013 (December 31, 2012: 141 branches including 53 sub branches). 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.

Based on the financial statements of the Bank for the year ended December 31, 2012, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2012 is Rs 9 billion (2011: Rs 8 billion) and 10 percent (2011: 10 percent) respectively. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. However, the paid up capital of the Bank (free of losses) as at June 30, 2013 amounts to Rs 5.280 billion.

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

The management of the Bank vide its letter dated August 22, 2013 had requested the SBP for extension in complying with the MCR till September 30, 2013. In response the SBP vide its letter no BPRD/CA&PD/13711/2013 dated September 16, 2013 has not acceded to the Bank's request and advised the Bank to maintain a minimum CAR of 14.5% at all times which can be further enhanced in case of non injection of fresh capital by the sponsors by the end of December 2013.

2 BASIS OF PRESENTATION

- 2.1 The Bank provides financing mainly through Murabaha, Ijarah, Istisna, Diminishing Musharka, Musawama and other Islamic modes.
- 2.2 The purchases and sales under these arrangements are not reflected in this condensed interim financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. However, income, if any, received which does not comply with the principles of the Islamic Shariah is recognised as charity payable if so directed by the Sharia Advisor of the Bank.



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the Securities and Exchange Commission of Pakistan (SECP), the provisions of and requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP. In case the requirements differ, the provisions of and the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP shall prevail.
- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and 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 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 SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of IAS 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2012.
- 3.4 The 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.

3.5 Change in accounting policy and disclosure

IAS 19 (revised) 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires that actuarial gains and losses should be recognised immediately in "other comprehensive income" by removing the corridor method which was applied previously by the Bank and the expected return on plan assets recognised in profit or loss should be calculated using the rate used to discount the defined benefit obligation. Previously the expected rate of return on plan assets and discount rate used for arriving at the present value of defined benefit obligation were determined separately.

The change has been treated as a change in accounting policy and has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy has been summarised below:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	December 31, 2012	December 31, 2011
	----- Rupees in `000 -----	
Impact on Statement of Financial Position		
Increase in other assets	22,118	18,783
Decrease in other liabilities	(2,254)	(241)
Decrease in other differed tax assets	(8,077)	(6,574)
Impact on Statement of Changes in Equity		
Unappropriated profit / (accumulated losses) as previously reported	101,342	(227,340)
Adjustment due to change in accounting policy	1,832	12,209
Cumulative effect from prior periods	12,209	-
Unappropriated profit / (accumulated losses) as restated	115,383	(215,131)

The Bank follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable.

3.6 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The SECP has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed by the Bank for the purpose of preparation of financial statements for the year ending December 31, 2013 while accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard is effective from June 12, 2013 and has no impact on this condensed interim financial information. The standard would result in certain new disclosures in the annual financial statements for the year ending December 31, 2013.

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 in accordance with the requirements of the SBP. Further, staff retirement benefits have been carried at present value as determined under International Accounting Standard 19 (revised), "Employee Benefits".

5 FUNCTIONAL AND PRESENTATION CURRENCY

This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2012 except for change as described in note 3.5.



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

June 30, December 31,
2013 2012
(Un-audited) (Audited)
Note ----- Rupees in ` 000 -----

8 CASH AND BALANCES WITH TREASURY BANKS

In hand		
- local currency	814,923	937,121
- foreign currency	123,442	158,943
	<u>938,365</u>	<u>1,096,064</u>
With the State Bank of Pakistan in		
- local currency current account	2,293,006	2,850,184
- foreign currency deposit accounts		
Cash Reserves Account	68,964	67,228
Special Cash Reserve Account	83,017	80,925
US Dollar Clearing Account	16,277	19,296
	<u>168,258</u>	<u>167,449</u>
With the National Bank of Pakistan in		
- local currency current account	811,708	825,010
	<u>4,211,337</u>	<u>4,938,707</u>

9 BALANCES WITH OTHER BANKS

In Pakistan		
- on current accounts	15,052	7,915
- on deposit accounts	123	121
	<u>15,175</u>	<u>8,036</u>
Outside Pakistan		
- on current accounts	664,900	798,074
- on deposit accounts	-	-
	<u>680,075</u>	<u>806,110</u>

10 DUE FROM FINANCIAL INSTITUTIONS

Sukuk Murahaba	10.1	6,418	6,418
Commodity Murahaba - local currency	10.2	11,519,137	4,975,672
		<u>11,525,555</u>	<u>4,982,090</u>
Musharaka Placement		-	3,500,000
		<u>11,525,555</u>	<u>8,482,090</u>
Provision against Sukuk Murahaba		(6,418)	(6,418)
		<u>11,519,137</u>	<u>8,475,672</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
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- 10.1 The Bank entered into a Sukuk Murabaha arrangement under which the Bank appointed its client as an agent under asset purchase agreements to purchase the underlying sukuku from the open market on its behalf and later sell them on deferred Murabaha basis. The maturity date of the deal was February 08, 2009. The Bank is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.
- 10.2 The Bank has entered into Commodity Murabaha 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 rates on the agreements range between 8.00% to 9.25% (December 31, 2012: 6.95% to 9.75%) per annum and the agreements have a maturity ranging from 4 day to 94 days (December 31, 2012: 2 days to 63 days).

11 INVESTMENTS

11.1 Investments by type

	June 30, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
Available for sale securities						
- Sukuku / Certificates	30,019,360	-	30,019,360	27,816,066	-	27,816,066
- Units of open - end mutual fund	15	-	15	960,015	-	960,015
- Units of closed - end mutual fund	6	-	6	6	-	6
	30,019,381	-	30,019,381	28,776,087	-	28,776,087
Subsidiary						
- BankIslami Modaraba Investments Limited - Unlisted company	191,015	-	191,015	191,015	-	191,015
Total investments at cost	30,210,396	-	30,210,396	28,967,102	-	28,967,102
Less : Provision for diminution in value of investments	-	-	-	-	-	-
Investments - net of provisions	30,210,396	-	30,210,396	28,967,102	-	28,967,102
(Deficit) / surplus on revaluation of available for sale securities	(93,648)	-	(93,648)	27,360	-	27,360
Total investments at market value	30,116,748	-	30,116,748	28,994,462	-	28,994,462



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

		June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	Note	----- Rupees in `000 -----	
11.2 Investments by segments			
Federal Government Securities			
GOP Ijarah Sukuks		27,829,149	25,658,151
Sukuks / Certificates			
Sukuks - unlisted		2,190,211	2,157,915
Fully paid up ordinary shares / units			
Unlisted subsidiary company		191,015	191,015
Units of open - end mutual funds		15	960,015
Units of closed - end mutual funds		6	6
Total investments at cost		<u>30,210,396</u>	<u>28,967,102</u>
Less: Provision for diminution in value of investments		-	-
Investments - net of provisions		<u>30,210,396</u>	<u>28,967,102</u>
(Deficit) / surplus on revaluation of available for sale securities		(93,648)	27,360
Total investments at market value		<u><u>30,116,748</u></u>	<u><u>28,994,462</u></u>
12 ISLAMIC FINANCING AND RELATED ASSETS			
In Pakistan			
- Murabaha financing and related assets	12.1	8,213,048	7,550,602
- Istisn'a financing and related assets	12.2	6,227,636	5,573,155
- Diminishing Musharka - Housing		1,884,340	1,645,458
- Diminishing Musharka financing and related assets - Others	12.3	5,443,865	5,646,582
- Against Bills - Murabaha		12,490	1,505
- Post Due Acceptance		48,613	38,192
- Musawama financing and related assets	12.4	6,149,155	4,920,580
- Financing to employees		808,173	661,837
- Salam financing and related assets	12.5	250,000	-
		<u>29,037,320</u>	<u>26,037,911</u>
Housing finance portfolio		129,360	153,637
Net investment in Ijarah financing In Pakistan		137,546	180,591
Ijarah financing under IFAS 2 and related assets	12.6	1,711,828	1,561,690
Islamic financing and related assets – gross		<u>31,016,054</u>	<u>27,933,829</u>
Less: Provision against non-performing Islamic financing and related assets			
- Specific		(536,836)	(467,002)
- General		(38,142)	(33,565)
Islamic financing and related assets – net of provisions		<u><u>30,441,076</u></u>	<u><u>27,433,262</u></u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	June 30, 2013 (Un-audited) ----- Rupees in ` 000 -----	December 31, 2012 (Audited)
12.1 Murabaha financing and related assets		
Murabaha financing	5,942,934	6,250,321
Advance against murabaha financing	2,270,114	1,300,281
	<u>8,213,048</u>	<u>7,550,602</u>
12.2 Istisn'a financing and related assets		
Istisn'a financing	2,149,823	3,106,141
Advance against Istisn'a financing	3,528,412	2,306,884
Istisn'a inventories	549,401	160,130
	<u>6,227,636</u>	<u>5,573,155</u>
12.3 Diminishing Musharka financing and related assets		
Diminishing Musharka financing	5,435,585	5,637,986
Advance against Diminishing Musharka financing	8,280	8,596
	<u>5,443,865</u>	<u>5,646,582</u>
12.4 Musawama financing and related assets		
Musawama financing	2,828,391	4,362,980
Musawama inventories	3,320,764	557,600
	<u>6,149,155</u>	<u>4,920,580</u>
12.5 Salam Financing & related assets		
Salam financing	-	-
Advance against Salam financing	250,000	-
	<u>250,000</u>	<u>-</u>
12.6 Ijarah financing under IFAS 2 and related assets		
Net book value of assets / investment in Ijarah under IFAS 2	1,580,227	1,339,796
Advance against Ijarah financing	131,601	221,894
	<u>1,711,828</u>	<u>1,561,690</u>
12.7 Murabaha financing and related assets includes financing amounting to Rs. 360.411 million (December 31, 2012: Rs. 138.241 million) against Murabaha and advance amounting to Rs. 200 million (December 31, 2012: Rs. 230 million) under Islamic Export Refinance Scheme.		
12.8 Istisna financing and related assets includes financing amounting to Rs. 5.398 million (December 31, 2012: Rs. 255.015 million) against Istisna and advance amounting to Rs. 314.8 million (December 31, 2012: Rs. 65.4 million) under Islamic Export Refinance Scheme.		
12.9 Islamic financing and related assets include Rs. 1,034.534 million (December 31, 2012: Rs. 1,205.222 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, 2013

Category of Classification	June 30, 2013							
	Classified Islamic financing and related assets			Provision Required			Provision Held	
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas
	Rupees in '000							
Substandard	65,216	-	65,216	3,411	-	3,411	3,411	-
Doubtful	88,525	-	88,525	5,512	-	5,512	5,512	-
Loss	880,793	-	880,793	527,913	-	527,913	527,913	-
	1,034,534	-	1,034,534	536,836	-	536,836	536,836	-

Category of Classification	December 31, 2012							
	Classified Islamic financing and related assets			Provision Required			Provision Held	
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas
	Rupees in '000							
Substandard	89,171	-	89,171	560	-	560	560	-
Doubtful	318,084	-	318,084	57,890	-	57,890	57,890	-
Loss	797,967	-	797,967	408,552	-	408,552	408,552	-
	1,205,222	-	1,205,222	467,002	-	467,002	467,002	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

12.9.1 Particulars of provision against non-performing Islamic financing and related assets:

	June 30, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	467,002	33,565	500,567	360,523	28,972	389,495
Charge for the year	120,703	4,577	125,280	129,847	4,593	134,440
Reversals	(50,869)	-	(50,869)	(23,368)	-	(23,368)
	69,834	4,577	74,411	106,479	4,593	111,072
Amounts written off during the year	-	-	-	-	-	-
Closing balance	536,836	38,142	574,978	467,002	33,565	500,567

12.9.2 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.

12.9.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing Islamic financing and related assets. The accumulated benefit availed as at June 30, 2013 amounts to Rs 395 million. However, the additional impact on profitability arising from availing of the benefit of FSV, is not available for distribution as either cash or stock dividend to share holders.

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	Rupees in `000	
13 OPERATING FIXED ASSETS		
Capital work-in-progress	42,621	23,252
Property and equipment	1,754,266	1,842,550
Intangible assets	37,600	47,304
	1,834,487	1,913,106

	June 30, 2013 (Un-audited)	June 30, 2012 (Un-audited)
	Rupees in `000	
13.1 Additions to operating fixed assets - net		
Freehold land	3,587	-
Furniture and fixture	39,822	14,250
Electrical, office and computer equipments	59,993	83,040
Vehicles	1,099	140
Capital work-in-progress	19,369	3,011
13.2 Intangibles		
Computer software	4,674	2,808



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	June 30, 2013 (Unaudited)	June 30, 2012 (Un-audited)
	----- Rupees in `000 -----	
13.3 Disposals of operating fixed assets		
Buildings on leasehold land	82,542	-
Furniture and fixture	177	-
Electrical, office and computer equipments	1,231	2,654
Vehicles	1,866	3,267

14 DEFERRED TAX ASSET - NET

The Bank has an aggregate amount of Rs 249.69 million (December 31, 2012: Rs. 456.74 million) in respect of tax losses as at June 30, 2013. The management carries out periodic assessment to assess the benefit of these losses as the Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs 87.39 million (December 31, 2012: Rs.159.860 million) on the entire available losses. The amount of this benefit has been determined based on the projected financial statements for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in `000 -----	
15 DUE TO FINANCIAL INSTITUTIONS		
In Pakistan	2,797,800	1,621,415
Outside Pakistan	-	-
	<u>2,797,800</u>	<u>1,621,415</u>

16 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	33,601,276	30,186,658
Savings deposits	22,684,439	21,090,556
Current accounts - Non-remunerative	12,570,703	11,293,914
Margin accounts-Non remunerative	227,751	146,307
	<u>69,084,169</u>	<u>62,717,435</u>

Financial institutions

Remunerative deposits	714,036	1,494,163
Non-remunerative deposits	30,074	4,887
	<u>744,110</u>	<u>1,499,050</u>
	<u>69,828,279</u>	<u>64,216,485</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in `000 -----	
16.1 Particulars of deposits		
In local currency	68,635,130	62,976,674
In foreign currencies	1,193,149	1,239,811
	<u>69,828,279</u>	<u>64,216,485</u>

17 SHARE CAPITAL

17.1 Authorised capital

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)		June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Number of Shares -----			----- Rupees in `000 -----	
1,300,000,000	1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000

17.2 Issued, subscribed and paid up capital

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)		June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Number of Shares -----			----- Rupees in `000 -----	
	527,967,898	527,967,898	Ordinary shares of Rs. 10 each		
	527,967,898	527,967,898	Fully paid in cash	5,279,679	5,279,679
	<u>527,967,898</u>	<u>527,967,898</u>		<u>5,279,679</u>	<u>5,279,679</u>

18 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

(Deficit) / surplus on revaluation of available for sale securities

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in `000 -----	
Sukuk / Certificates	(93,668)	26,625
Units of mutual funds	20	735
	<u>(93,648)</u>	<u>27,360</u>
Less: Related deferred tax liability	(31,996)	(9,319)
	<u>(61,652)</u>	<u>18,041</u>



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in `000 -----	
19 CONTINGENCIES AND COMMITMENTS		
19.1 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
- Government	107,857	127,797
- Others	1,564,822	1,511,868
	<u>1,672,679</u>	<u>1,639,665</u>
19.2 Trade-related contingent liabilities		
Import letters of Credit	3,892,144	4,114,677
Acceptances	363,430	562,913
	<u>4,255,574</u>	<u>4,677,590</u>
19.3 Suit filed by customers for recovery of alleged losses suffered pending in the High Court which the bank does not acknowledge as debt	<u>846,391</u>	<u>846,391</u>
19.3.1 These mainly represents counter claims filed by the borrowers for restricting the Bank for disposal of assets (such as mortgaged / pledged assets kept as security), cases where Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.		
19.3.2 The Deputy Commissioner Inland Revenue (DCIR) has passed certain assessment orders against the bank vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69,431,000 was raised against the Bank mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst federal and provincial government.		
The Bank has duly filed appeals for stay of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment orders were confirmed by the Commissioner Inland Revenue (Appeals). The stay applications were heard on February 23, 2013. The ATIR has accepted the stay application of the Bank and has verbally directed that no recovery of demand should be initiated against the bank till the decision of the main case by the ATIR.		
	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in `000 -----	
19.4 Commitments in respect of promises		
Purchase	199,319	459,197
Sale	-	209,861
19.5 Commitments for the acquisition of operating fixed assets	<u>83,622</u>	<u>128,883</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

19.6 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, 2012 (Un-audited) December 31, 2012 (Audited)
----- Rupees in ` 000 -----

19.7 Other commitments

Bills for collection 133,027 276,575

June 30, 2013 (Unaudited) June 30, 2012 (Unaudited)
----- Rupees in ` 000 -----

20 PROFIT / RETURN ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS EARNED

On Islamic financing and related assets to:

Customers 1,317,898 1,363,554
Financial Institutions 381,771 367,353

1,699,669 1,730,907

On Investments - available for sale securities 1,272,695 1,217,724

On deposits / placements with financial institutions 328 11,354

Others 15,558 12,333

2,988,250 2,972,318

(Unaudited) (Unaudited)
Quarter ended June 30, 2013 Half year ended June 30, 2013 Quarter ended June 30, 2012 Half year ended June 30, 2012
----- Rupees in ` 000 -----

21 BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation for the period 43,960 57,900 137,598 229,396

----- Number of shares -----

Weighted average number of ordinary shares 527,967,898 527,967,898 527,967,898 527,967,898

----- Rupees -----

Basic and diluted earnings per share 21.1 0.083 0.110 0.261 0.434

21.1 There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2013 and June 30, 2012.



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	Note	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
		Rupees in `000	
22 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury bank	8	4,211,337	4,938,707
Balances with other banks	9	680,075	806,110
		<u>4,891,412</u>	<u>5,744,817</u>

23 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				
For the half year ended June 30, 2013 (Unaudited)					
Total income	(15,101)	2,034,263	1,118,739	79,655	3,217,556
Total expenses	36,804	1,706,282	911,330	480,163	3,134,579
Net income / (loss) before tax	(51,905)	327,981	207,409	(400,508)	82,977
As at June 30, 2013 (Un-audited)					
Segment assets (gross)	43,876,730	5,943,290	29,085,366	2,342,715	81,248,101
Segment non performing assets	296,040	410,918	642,064	-	1,349,022
Segment provision held	19,790	196,651	395,939	-	612,380
Segment liabilities	2,152,553	46,755,718	25,224,718	938,030	75,071,019
Segment return on assets (ROA) (%)	(0.24)%	11.13%	1.44%	-	-
Segment cost of funds (%)	9.41%	5.40%	6.48%	-	-
For the half year ended June 30, 2012 (Un-audited)					
Total Income	326,784	1,771,142	951,572	70,815	3,120,313
Total Expenses	30,792	1,590,646	724,118	436,161	2,781,717
Net income / (loss) before tax	295,992	180,496	227,454	(365,346)	338,596
As at June 30, 2012 (Unaudited)					
Segment assets (gross)	37,500,824	7,877,872	16,027,276	2,151,797	63,557,768
Segment non performing assets	296,040	337,653	515,964	3	1,149,661
Segment provision held	34,790	176,270	253,079	3	464,142
Segment liabilities	702,747	38,767,739	18,196,468	45,957	57,712,911
Segment return on assets (ROA) (%)	1.58%	4.58%	2.84%	-	-
Segment cost of funds (%)	9.96%	6.76%	9.04%	-	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

24 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 major shareholders, subsidiary companies, associated companies with or without common directors, retirement benefit funds, directors and key management personnel and their close family members.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit 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 normal risk.

Contributions to staff retirement benefit plans 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.

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

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	Rupees in ` 000	
SUBSIDIARY		
Deposits:		
Opening balance	105,869	99,434
Deposit during the period	412,611	2,836,209
Withdrawal during the period	(464,238)	(2,829,774)
Closing balance	54,242	105,869
	June 30, 2013 (Un-audited)	June 30, 2012 (Unaudited)
	Rupees in ` 000	
Transactions, income and expenses:		
Profit / return on deposits expensed	1,609	1,854
	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	Rupees in ` 000	
ASSOCIATES		
Islamic financing and related assets :		
Opening balance	25,371	14,982
Disbursed during the period	18,225	30,901
Repaid during the period	(16,672)	(20,512)
Closing balance	26,924	25,371
Deposits:		
Opening balance	87,291	127,794
Deposit during the period	419,922	618,268
Withdrawal during the period	(401,067)	(658,771)
Closing balance	106,146	87,291



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
	----- Rupees in ` 000 -----	
<u>Prepayments:</u>		
At beginning of the period	4,892	4,766
Additions during the period	432	9,302
Expired during the period	(5,304)	(9,176)
At the end of the period	20	4,892
	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
	----- Rupees in ` 000 -----	
<u>Transactions, income and expenses:</u>		
Profit / return on deposits expensed	2,477	2,529
Repair and maintenance	35,817	26,161
Insurance	5,304	-
	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
	----- Rupees in ` 000 -----	
<u>KEY MANAGEMENT PERSONNEL</u>		
<u>Islamic financing and related assets :</u>		
Opening balance	100,246	76,944
Disbursed during the period	5,325	29,020
Repaid during the period	(20,382)	(5,718)
Closing balance	85,189	100,246
<u>Deposits:</u>		
Opening balance	5,058	4,525
Deposit during the period	53,372	71,975
Withdrawal during the period	(49,624)	(71,442)
Closing balance	8,806	5,058

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
	----- Rupees in `000 -----	
<u>Transactions, income and expenses:</u>		
Profit / return earned on Islamic financing and related assets	1,702	1,607
Profit / return on deposits expensed	88	156
Remuneration	28,043	33,717
<u>Employee Benefit plans</u>		
Contribution to Employees Gratuity Fund	29,255	11,062
Contribution to Employees Providend Fund	17,710	14,054

25 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 01, 2013 by the Board of Directors of the Bank.

26 GENERAL

26.1 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 except as explained in note 3.5.

26.2 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, 2013

DIRECTORS' REPORT (CONSOLIDATED)

On behalf of the Board, I am pleased to present the financial results of the group for the period ended June 30, 2013. Following are the highlights:

	June 2013	June 2012	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	69,719	54,428	28.1%
Total Assets	80,525	62,990	27.8%
Total Financing and related assets - net	30,441	23,566	29.2%
Total Investments	29,936	24,055	24.4%
Shareholder's Equity	5,566	5,377	3.5%
Branch network including sub-branches	142	104	36.5%
Basic Earnings per share - Rupees	0.113	0.439	-74.3%

Our group performance remained satisfactory. The group has been able to post growth in its deposit by 28.1%, Investment by 24.4% and Assets by 27.8%.

Finally, we would like to place on record our appreciation to State Bank of Pakistan for continued support, guidance as well as understanding.

Hasan A. Bilgrami
Chief Executive Officer
October 01st, 2013



CONDENSED INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS AT JUNE 30, 2013

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited) Restated
	----- Rupees in ` 000 -----	
ASSETS		
Cash and balances with treasury banks	4,211,337	4,938,712
Balances with other banks	680,255	806,282
Due from financial institutions	11,519,137	8,475,672
Investments	29,936,278	28,817,928
Islamic financing and related assets - net	30,441,076	27,433,262
Operating fixed assets	1,841,482	1,919,513
Deferred tax assets - net	126,913	79,262
Other assets	1,768,465	1,673,535
	80,524,943	74,144,166
LIABILITIES		
Bills payable	722,781	1,251,010
Due to financial institutions	2,797,800	1,621,415
Deposits and other accounts	69,719,141	64,110,616
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	1,719,213	1,574,237
	74,958,935	68,557,278
NET ASSETS	5,566,008	5,586,888
REPRESENTED BY		
Share capital	5,279,679	5,279,679
Reserves	173,392	173,392
Unappropriated profit	174,132	114,324
	5,627,203	5,567,395
(Deificit) / Surplus on revaluation of assets - net of tax	(61,195)	19,493
	5,566,008	5,586,888

CONTINGENCIES AND COMMITMENTS

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2013

	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012 (Restated)	June 30, 2013	June 30, 2012 (Restated)
	Rupees in ` 000			
Profit / return on financings, investments and placements earned	1,550,653	1,552,957	2,988,745	2,973,188
Return on deposits and other dues expensed	876,285	857,903	1,785,823	1,678,209
Net spread earned	674,368	695,054	1,202,922	1,294,979
Provision / (Reversal) against non-performing islamic financings and related assets - net	56,348	11,409	74,411	17,094
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	56,348	11,409	74,411	17,094
Net spread after provisions	618,020	683,645	1,128,511	1,277,885
Other income				
Fee, commission and brokerage Income	70,154	40,334	129,815	82,274
Dividend income	-	-	-	-
Income from dealing in foreign currencies	11,730	19,561	28,730	43,851
Gain on sale of securities	-	3,558	6,709	3,558
Other income	9,871	10,630	64,048	18,313
Total other income	91,755	74,083	229,302	147,996
	709,775	757,728	1,357,813	1,425,881
Other expenses				
Administrative expenses	646,031	554,096	1,257,349	1,075,858
Other provisions	-	397	-	397
Other charges	1,210	3,607	14,991	7,937
Total other expenses	647,241	558,100	1,272,340	1,084,192
	62,534	199,628	85,473	341,689
Extra ordinary / unusual items	-	-	-	-
Profit before taxation	62,534	199,628	85,473	341,689
Taxation				
-Current	24,034	1,105	32,248	16,409
-Prior years	-	-	-	-
-Deferred	(6,374)	59,689	(6,583)	93,577
	17,660	60,794	25,665	109,986
Profit after taxation	44,874	138,834	59,808	231,703
Unappropriated profit / (Accumulated losses) brought forward	129,258	(128,127)	114,324	(220,996)
Transferred to statutory reserve	-	-	-	-
Unappropriated profit carried forward	174,132	10,707	174,132	10,707
Basic / diluted earnings per share - (Rupee)	0.085	0.263	0.113	0.439

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2013

	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rupees in ` 000			
Profit after taxation	44,874	138,834	59,808	231,703
Components of comprehensive income not reflected in equity				
Deficit on revaluation of available for sale securities - net of tax	(20,263)	(8,654)	(80,688)	(161,197)
Total comprehensive income for the period	<u>24,611</u>	<u>130,180</u>	<u>(20,880)</u>	<u>70,506</u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	June 30, 2013	June 30, 2012 (Restated)
	----- Rupees in ` 000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	85,473	341,689
Adjustments for non - cash charges :		
Depreciation - Own assets	130,900	144,585
Depreciation - Operating Ijara assets	248,057	183,976
Amortisation of intangible assets	14,380	10,424
Provision against non-performing financing and related assets - net	74,411	17,094
Provision against other assets	-	397
Gain on sale of fixed assets	(51,342)	(2,247)
	416,406	354,229
	501,879	695,918
(Increase) / decrease in operating assets		
Due from financial institutions	(3,043,465)	(3,121,128)
Islamic financing and related assets - net	(3,330,281)	937,161
Others assets (excluding advance taxation and deferred cost)	(113,911)	(66,979)
	(6,487,657)	(2,250,946)
Increase / (decrease) in operating liabilities		
Bills payable	(528,229)	186,160
Due to financial institutions	1,176,385	(87,800)
Deposits and other accounts	5,608,525	3,959,512
Other liabilities (excluding current taxation)	144,976	144,618
	6,401,657	4,202,490
	415,879	2,647,462
Income tax paid	(13,267)	(32,992)
Net cash generated from operating activities	402,612	2,614,470
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(1,240,107)	(3,411,403)
Investments in operating fixed assets - net	(128,546)	(103,251)
Proceeds realised on disposal of operating fixed assets	112,639	3,220
Net cash used in from investing activities	(1,256,014)	(3,511,434)
Increase / (decrease) in cash and cash equivalents	(853,402)	(896,964)
Cash and cash equivalents at beginning of the period	5,744,994	5,234,242
Cash and cash equivalents at end of the period	4,891,592	4,337,278

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	Share Capital	Statutory Reserve	Unappropriated profit / (Accumulated loss)	Total
	----- Rupees in ` 000 -----			
Balance as at January 01, 2012 as previously reported	5,279,679	91,221	(233,205)	5,137,695
Effect of change in accounting policy as disclosed in note 3.5 to this condensed interim financial information - net of tax	-	-	12,209	12,209
Balance as at January 01, 2012 - restated	<u>5,279,679</u>	<u>91,221</u>	<u>(220,996)</u>	<u>5,149,904</u>
Profit after taxation for the half year ended June 30, 2012 transferred from statement of comprehensive income -	-	-	231,703	231,703
Balance as at June 30, 2012 - restated	<u>5,279,679</u>	<u>91,221</u>	<u>10,707</u>	<u>5,381,607</u>
Profit after taxation for the half year ended December 31, 2012 transferred from state ment of comprehensive income - restated	-	-	182,998	182,998
Transferred to statutory reserve	-	82,171	(82,171)	-
Remeasurements of the defined benefit liability - net of tax	-	-	2,790	2,790
Balance as at December 31, 2012 - restated	<u>5,279,679</u>	<u>173,392</u>	<u>114,324</u>	<u>5,567,395</u>
Profit after taxation for the half year ended June 30, 2013	-	-	59,808	59,808
Balance as at June 30, 2013	<u>5,279,679</u>	<u>173,392</u>	<u>174,132</u>	<u>5,627,203</u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

NOTES TO AND FORMING PART OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2013

1. STATUS AND NATURE OF BUSINESS

- 1.1 BankIslami Pakistan Limited was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The Bank commenced its operations from April 07, 2006. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating through 142 branches including 53 sub branches as at June 30, 2013 (December 31, 2012: 141 branches including 53 sub branches).

Based on the financial statements of the Bank for the year ended December 31, 2012, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2012 is Rs 9 billion (2011: Rs 8 billion) and 10 percent (2011: 10 percent) respectively. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. However, the paid up capital of the Bank (free of losses) as at June 30, 2013 amounts to Rs 5.280 billion.

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

The management of the Bank vide its letter dated August 22, 2013 had requested the SBP for extension in complying with the MCR till September 30, 2013. In response the SBP vide its letter no BPRD/CA&PD/13711/2013 dated September 16, 2013 has not acceded to the Bank's request and advised the Bank to maintain a minimum CAR of 14.5% at all times which can be further enhanced in case of non injection of fresh capital by the sponsors by the end of December 2013.

- 1.3 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 consolidated financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.



NOTES TO AND FORMING PART OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2013

- 2.2 The Group provides financing mainly through Murabaha, Ijarah, Istisna, Diminishing Musharka, Musawama and other Islamic modes. The purchases and sales under these arrangements are not reflected in this condensed interim financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. However, income, if any, received which does not comply with the principles of the Islamic Shariah is recognised as charity payable if so directed by the Sharia Advisor of the Bank.

3. STATEMENT OF COMPLIANCE

- 3.1 This interim condensed consolidated 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 (IASB) as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the Securities and Exchange Commission of Pakistan (SECP), the provisions of and the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP. In case the requirements differ, the provisions of and the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP shall prevail.
- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and 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 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 interim condensed consolidated 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 interim condensed consolidated financial information have been limited based on the format prescribed by the SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of IAS 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2012.
- 3.4 The 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.

**NOTES TO AND FORMING PART OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

3.5 Changes in accounting policies and disclosures

That have an impact on the Bank's financial statements

IAS 19 (revised) 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires that actuarial gains and losses should be recognised immediately in "other comprehensive income" by removing the corridor method which was applied previously by the Bank and the expected return on plan assets recognised in profit or loss should be calculated using the rate used to discount the defined benefit obligation. Previously the expected rate of return on plan assets and discount rate used for arriving at the present value of defined benefit obligation were determined separately.

The change has been treated as a change in accounting policy and has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy has been summarised below:

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

The Bank follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable.

3.6 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The SECP has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed by the Bank for the purpose of preparation of financial statements for the year ending December 31, 2013 while accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard is effective from June 12, 2013 and has no impact on this interim condensed consolidated financial information. The standard would result in certain new disclosures in the annual financial statements for the year ending December 31, 2013.



NOTES TO AND FORMING PART OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2013

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of this interim condensed consolidated financial information are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2012 except for change as described in note 3.5.

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.

**NOTES TO AND FORMING PART OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**

6- GENERAL

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.

7- CORRESPONDING FIGURES

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

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

8- DATE OF AUTHORIZATION FOR ISSUE

These interim condensed consolidated financial statements were authorised for issue on October 01, 2013 by the Board of Directors of the Group.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director