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CORPORATE INFORMATION

Board of Directors

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

Sharia'h Supervisory Board

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

Audit Committee

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

Executive Committee

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

Risk Management Committee

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

Human Resource & Compensation Committee

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

Company Secretary

Syed Shah Sajid Hussain

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Adviser

Haidermota & Co.
Barrister at Law

Management (in alphabetical order)

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

Registered Office

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 Registrar

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

Website

www.bankislami.com.pk



DIRECTORS' REPORT

By the Grace of Allah, I am pleased to present on behalf of the Board the financial results of the period ended September 30, 2011. Following are the highlights:

	(Rs in millions)		
	September 30, 2011	December 31, 2010	Change (%)
Total Deposits	44,622	38,198	16.82%
Total Assets	52,385	45,036	16.32%
Net Financing	15,360	16,670	-7.86%
Total Investments	17,778	13,732	29.46%
Shareholders Equity	5,058	4,766	6.13%
Branches	102	102	-
	September 30, 2011	September 30, 2010	
Basic EPS* (Rupee)	0.435	0.003	14,400%

BIPL continued to leverage its existing infrastructure during the quarter under review. While deposits remained almost flat, impressive growth was recorded in financing which is reflected in Other Assets. BIPL's Portfolio remained one of the best in the Industry with a Total Classified Portfolio standing at only 4.81% of the Total Advances.

BIPL also successfully launched the Visa Debit Card. We expect to issue more than 100,000 cards by end of the year making it the second largest Shariah Complaint Visa Card. As of the date of this report, almost 26,000 cards have already been generated. The Bank is in the final stages of launching the Pakistan Remittance Initiative ('PRI'). Also during the quarter the Bank launched a new Saving Account by the name of 'Sahulat' which is targeted towards the business community with a host of features. At the same time, BIPL also made changes in the existing depository products which are now being charged linked to usage. All of these measures are expected to provide additional sources of revenue, especially fee income in the future.

QUARTERLY REPORT 2011

The exemption granted by the SBP on MCR expired on September 30, 2011. The shareholders of the Bank are scheduled to meet with the SBP in the third week of November to resolve this issue. We expect the meeting will result in a positive solution.

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

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

On behalf of the Board

Hasan A. Bilgrami
Chief Executive Officer

October 27, 2011
Directors' Report

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2011

		September 30, 2011	December 31, 2010
	Note	(Un-audited)	(Audited)
----- Rupees in `000 -----			
ASSETS			
Cash and balances with treasury banks		2,864,388	3,035,148
Balances with other banks	8	409,168	569,622
Due from financial institutions	9	6,558,934	4,513,132
Investments	10	17,777,908	13,732,132
Financings-net	11	15,359,561	16,670,125
Operating fixed assets	12	1,871,820	2,066,680
Deferred tax assets - net	13	304,907	402,183
Other assets		7,238,370	4,046,681
		52,385,056	45,035,703
LIABILITIES			
Bills payable		497,810	563,020
Due to financial institutions	14	800,000	353,000
Deposits and other accounts	15	44,622,497	38,198,320
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		1,406,385	1,154,977
		47,326,692	40,269,317
NET ASSETS		5,058,364	4,766,386
REPRESENTED BY			
Share capital		5,279,679	5,279,679
Reserves		9,310	9,310
Accumulated loss		(325,247)	(554,985)
		4,963,742	4,734,004
Surplus on revaluation of assets - net of tax	16	94,622	32,382
		5,058,364	4,766,386
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The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



**CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)**
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Note	Quarter ended		Nine months ended	
		September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Rupees in `000					
Profit / return on financings, investments and placements earned	18	1,450,789	1,028,540	4,023,510	2,751,910
Return on deposits and other dues expensed		758,936	538,547	2,098,752	1,478,623
Net spread earned		691,853	489,993	1,924,758	1,273,287
Provision / (Reversal) against non-performing financings	11.4	33,660	(654)	104,440	(9,685)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
Net spread after provisions		658,193	490,647	1,820,318	1,282,972
Other income					
Fee, commission and brokerage Income		18,183	25,067	59,191	70,214
Dividend income		-	-	-	-
Income from dealing in foreign currencies		6,044	7,301	41,858	47,752
Other income		10,159	12,054	33,494	35,648
Total other income		34,386	44,422	134,543	153,614
		692,579	535,069	1,954,861	1,436,586
Other expenses					
Administrative expenses		538,509	496,156	1,618,726	1,417,816
Other provisions		-	-	250	-
Other charges		(3,469)	7,836	(1,016)	10,449
Total other expenses		535,040	503,992	1,617,960	1,428,265
		157,539	31,077	336,901	8,321
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		157,539	31,077	336,901	8,321
Taxation					
-Current		15,502	10,612	43,400	28,702
-Prior years		-	-	-	-
-Deferred		39,624	2,770	63,763	(21,946)
		55,126	13,382	107,163	6,756
Profit after taxation		102,413	17,695	229,738	1,565
Accumulated loss brought forward		(427,660)	(608,355)	(554,985)	(592,225)
Transferred to statutory reserve		-	(313)	-	(313)
Accumulated loss carried forward		(325,247)	(590,973)	(325,247)	(590,973)
Basic / diluted earnings per share - (Rupee)	19	0.194	0.034	0.435	0.003

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Quarter ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	Rupees in `000			
Profit after taxation	102,413	17,695	229,738	1,565
Components of comprehensive income not reflected in equity				
Surplus on revaluation of available for sale securities - net of tax	77,921	1	62,241	241
Total comprehensive income for the period	<u>180,334</u>	<u>17,696</u>	<u>291,979</u>	<u>1,806</u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

QUARTERLY REPORT 2011

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CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	September 30, 2011	September 30, 2010
	----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	336,901	8,321
Adjustments for:		
Depreciation - Own assets	232,442	251,215
Depreciation - Operating Ijara assets	175,770	62,103
Amortisation of intangible asset	21,931	21,483
Provision / (Reversal) against non-performing financings	104,440	(9,685)
Provision against other assets	250	-
(Gain) on sale of fixed assets	(10,794)	(2,487)
Deferred cost amortised	4,086	12,062
	<u>528,125</u>	<u>334,691</u>
	865,026	343,012
(Increase) / decrease in operating assets		
Due from financial institutions	(2,045,802)	(6,238,423)
Financings	1,030,354	(2,927,088)
Others assets (excluding advance taxation and deferred cost)	(3,195,774)	(200,114)
	<u>(4,211,222)</u>	<u>(9,365,625)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(65,210)	354,994
Due to financial institutions	447,000	156,840
Deposits and other accounts	6,424,177	5,038,628
Other liabilities (excluding current taxation)	251,408	284,380
	<u>7,057,375</u>	<u>5,834,842</u>
	3,711,179	(3,187,771)
Income tax paid	(43,648)	(13,276)
Net cash generated from / (used in) operating activities	<u>3,667,531</u>	<u>(3,201,047)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(3,950,025)	483,685
Investments in operating fixed assets - net	(77,110)	(48,876)
Proceeds realised on disposal of operating fixed assets	28,390	6,326
Net cash (used in) / generated from investing activities	<u>(3,998,745)</u>	<u>441,135</u>
Increase / (decrease) in cash and cash equivalents	<u>(331,214)</u>	<u>(2,759,912)</u>
Cash and cash equivalents at beginning of the period	3,604,770	6,277,065
Cash and cash equivalents at end of the period	<u>3,273,556</u>	<u>3,517,153</u>

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

**CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011**

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in ` 000 -----			
Balance as at January 01, 2010				
- restated	5,279,679	-	(592,225)	4,687,454
Profit after taxation for the period ended September 30, 2010	-	-	1,565	1,565
Transferred to Statutory Reserve	-	313	(313)	-
Balance as at September 30, 2010	<u>5,279,679</u>	<u>313</u>	<u>(590,973)</u>	<u>4,689,019</u>
Profit after tax for the period December 31, 2010	-	-	44,985	44,985
Transferred to statutory reserve	-	8,997	(8,997)	-
Balance as at December 31, 2010	<u>5,279,679</u>	<u>9,310</u>	<u>(554,985)</u>	<u>4,734,004</u>
Profit after tax for the period ended September 30, 2011	-	-	229,738	229,738
Balance as at September 30, 2011	<u><u>5,279,679</u></u>	<u><u>9,310</u></u>	<u><u>(325,247)</u></u>	<u><u>4,963,742</u></u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

1 STATUS AND NATURE OF BUSINESS

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

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

The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange (Guarantee) Limited. The Bank is operating with 102 branches including 32 sub-branches (December 31, 2010: 102 branches including 32 sub-branches) as at September 30, 2011. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank as A ("Single A") and the short term rating as A1 ("A One").

- 1.2 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks up to Rs 10 billion to be achieved in a phased manner by December 31, 2013. The required MCR (net of losses) and Capital Adequacy Ratio (CAR) requirements as of December 31, 2010 was Rs 7 billion and 10% respectively. The paid-up capital of the Bank (net of losses) as of December 31, 2010 amounted to Rs 4.734 billion while its CAR stood at 19.50%. In view of the capital requirements, the Board of Directors of the Bank in their meeting held on February 7, 2011 had in principle agreed to issue right shares to increase its capital (net of losses) to Rs 6 billion. The State Bank of Pakistan vide its letter No. BSD/ BA 1-3/608/2773/2011 granted exemption to the Bank till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raise its capital to Rs 6 billion well before June 30, 2011.

Subsequent to June 30, 2011, the Bank has obtained further extension from the State Bank of Pakistan for meeting the MCR upto September 30, 2011. Currently, the management of the Bank is in discussions with the State Bank of Pakistan for extension of the timelines in respect of the proposed right issue for meeting the Minimum Capital requirement.

2 BASIS OF PRESENTATION

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)**
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, Islamic Financial Accounting Standards (IFAS) or the directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, Islamic Financial Accounting Standards (IFAS) or the requirements of the said directives issued by the SECP and SBP shall prevail.
- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 The disclosures made in the condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2010.
- 3.4 SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on Revaluation of Available for sale (AFS) Securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.

4 BASIS OF MEASUREMENT

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



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

5 FUNCTIONAL AND PRESENTATION CURRENCY

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

September 30, December 31,
2011
(Un-audited) (Audited)
Note ----- Rupees in `000 -----

8 BALANCES WITH OTHER BANKS

In Pakistan		
- Current accounts	28,682	19,221
- Deposit accounts	101	355
	28,783	19,576
Outside Pakistan		
- Current accounts	380,385	550,046
	409,168	569,622

9 DUE FROM FINANCIAL INSTITUTIONS

Sukuk Murahaba		6,418	6,418
Commodity Murahaba - local currency	9.1	6,558,934	4,513,132
		6,565,352	4,519,550
Provision against Sukuk Murahaba		(6,418)	(6,418)
		6,558,934	4,513,132

9.1 The Bank has entered into Commodity Murahaba agreements under which the Bank purchases an underlying commodity from the open market through an agent and sells it to a financial institution on credit with profit. The profit rate on the Commodity Murahaba ranges between 13.25% to 13.40% (December 31, 2010: 12.75% to 13%) per annum. These Commodity Murabahas have a maturity ranging from 1 day to 61 days (December 31, 2010: 3 days to 14 days).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

10 INVESTMENTS
10.1 Investments by type

	September 30, 2011 (Un-audited)			December 31, 2010 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
Available for sale securities						
- Sukuk certificates	17,456,302	-	17,456,302	13,506,277	-	13,506,277
- Mutual Fund	15	-	15	15	-	15
Open end mutual funds	6	-	6	6	-	6
Closed end mutual fund	17,456,323	-	17,456,323	13,506,298	-	13,506,298
Subsidiary						
- BankIslami modaraba - unlisted company	191,015	-	191,015	191,015	-	191,015
Investments at cost	17,647,338	-	17,647,338	13,697,313	-	13,697,313
Less : Provision For Diminution In Value Of Investments	(15,000)	-	(15,000)	(15,000)	-	(15,000)
Investments (Net of Provisions)	17,632,338	-	17,632,338	13,682,313	-	13,682,313
Surplus on revaluation of available for sale securities - net	145,570	-	145,570	49,819	-	49,819
Total investments at market value	17,777,908	-	17,777,908	13,732,132	-	13,732,132

10.2 Particulars of provision for diminution in the value of investments	Note	September 30,	December 31,
		2011 (Un-audited)	2010 (Audited)
		Rupees in ` 000	
Opening balance		15,000	15,000
Charge for the period / year		-	-
Reversals during the period / year		-	-
Closing balance		15,000	15,000

11 FINANCINGS

Financings- In Pakistan			
- Murabaha	11.1	5,467,004	6,870,285
- Istisna	11.2	802,439	1,445,000
- Diminishing Musharka-Housing		1,508,887	946,765
- Diminishing Musharka-Others		4,830,826	5,161,718
- Against Bills- Musawama		24,178	2,640
- Payment Against Document		27,818	9,575
- Post Due Acceptance		6,024	-
- Musawama Financings		1,200,000	-
- Financings to employees		447,402	400,381
		14,314,578	14,836,364
Housing finance portfolio		150,117	809,277
Net investment in Ijara financing in Pakistan		426,864	706,358
Net book value of assets / investment in Ijarah under IFAS 2	11.3	899,408	647,098
Financing - gross		15,790,967	16,999,097
Provision for non-performing Financings			
- Specific		(402,505)	(296,681)
- General		(28,901)	(32,291)
Financing - net of provision		15,359,561	16,670,125

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

- 11.1 Murahaba includes financings amounting to Rs.99.999 million (December 31, 2010: Rs. 390.761 million) against Murahaba under Islamic Export Refinance Scheme.
- 11.2 Istisna includes financing amounting to Rs.400 million (December 31, 2010: Rs. 50 million) against istisna under Islamic Export Refinance Scheme.
- 11.3 Financing includes Rs 883.071 million (December 31, 2010: Rs. 741.680 million) which have been placed under non-performing status as follows:

Category of Classification	September 30, 2011 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	29,064	-	29,064	2,551	2,551
Doubtful	160,432	-	160,432	27,613	27,613
Loss	693,575	-	693,575	372,341	372,341
	<u>883,071</u>	<u>-</u>	<u>883,071</u>	<u>402,505</u>	<u>402,505</u>
Category of Classification	December 31, 2010 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	50,553	-	50,553	5,008	5,008
Doubtful	68,635	-	68,635	8,350	8,350
Loss	622,492	-	622,492	283,323	283,323
	<u>741,680</u>	<u>-</u>	<u>741,680</u>	<u>296,681</u>	<u>296,681</u>

- 11.4 Particulars of provision against non-performing financings:

	September 30, 2011 (Un-audited)		
	Specific	General	Total
	Rupees in '000		
Opening balance	296,681	32,291	328,972
Charge for the period	112,984	(1,833)	111,151
Reversals	(6,711)	-	(6,711)
	<u>106,273</u>	<u>(1,833)</u>	<u>104,440</u>
Transferred from Citibank, N.A. -Pakistan branches	(449)	(1,557)	(2,006)
Closing balance	<u>402,505</u>	<u>28,901</u>	<u>431,406</u>
	December 31, 2010 (Audited)		
	Specific	General	Total
	Rupees in '000		
Opening balance	230,928	18,781	249,709
Charge for the year	69,599	2,049	71,648
Reversals	(79,072)	-	(79,072)
	<u>(9,473)</u>	<u>2,049</u>	<u>(7,424)</u>
Transferred from Citibank, N.A. -Pakistan branches	75,226	11,461	86,687
Closing balance	<u>296,681</u>	<u>32,291</u>	<u>328,972</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)**
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

11.4.1 The Bank has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by the SBP and for potential losses on financings.

	Nine months ended (Un-audited)	
	September 30, 2011	September 30, 2010
	----- Rupees in `000 -----	
12 OPERATING FIXED ASSETS		
12.1 Additions / Transfer out to operating fixed assets		
Furniture and fixture	4,424	11,567
Electrical, office and computer equipments	52,687	24,499
Vehicles	-	3,434
Capital work-in-progress	(119)	5,487
12.2 Intangibles		
Computer Software	20,118	3,889
12.3 Disposals of operating fixed assets		
Furniture and fixture	257	332
Electrical, office and computer equipments	234	628
Vehicles	37,365	6,611

13 DEFERRED TAX ASSET - NET

As at September 30, 2011 the Bank has recognised deferred tax asset amounting to Rs 455.657 million on unabsorbed tax losses (December 31, 2010: Rs 605.233 million) based on financial projections for future years as the management expects to generate sufficient taxable profits to utilize the deferred tax asset.

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
14 DUE TO FINANCIAL INSTITUTIONS		
In Pakistan	800,000	353,000
Outside Pakistan	-	-
	<u>800,000</u>	<u>353,000</u>



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
15 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	24,355,585	18,796,560
Savings deposits	11,583,706	9,982,409
Current Accounts - Non-remunerative	8,327,759	8,975,862
Margin accounts-Non-remunerative	46,576	158,067
	<u>44,313,626</u>	37,912,898
Financial institutions		
Remunerative deposits	302,192	258,117
Non-remunerative deposits	6,679	27,305
	<u>308,871</u>	285,422
	<u>44,622,497</u>	38,198,320
16 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
	----- Rupees in `000 -----	
Surplus on revaluation of available-for-sale securities		
Sukuk Certificates	145,564	49,819
Mutual Fund	6	-
	<u>145,570</u>	49,819
Less: Related deferred tax liability	50,947	17,437
	<u>94,622</u>	32,382
17 CONTINGENCIES AND COMMITMENTS		
17.1 Transaction-related Contingent Liabilities		
Guarantees favouring		
Others	712,525	110,245
Government	610,925	869,935
	<u>1,323,450</u>	980,180
17.2 Trade-related contingent liabilities		
Import letters of Credit	1,091,514	1,260,833
Acceptances	245,220	176,571
	<u>1,336,734</u>	1,437,404
17.3 Claim not acknowledged as debt	<u>982,606</u>	982,606

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
17.4 Commitments in respect of promises		
Purchase	<u>448,238</u>	<u>339,270</u>
Sale	<u>489,776</u>	<u>373,661</u>
17.5 Commitments for the acquisition of operating fixed assets	<u>8,438</u>	<u>34,745</u>
17.6 Commitments in respect of financing facilities		
The Bank makes commitments to extend financings in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
17.7 Other commitments		
Bills for collection	<u>201,740</u>	<u>320,132</u>
	Nine months ended (Un-audited)	
	September 30, 2011	June 30, 2010
	----- Rupees in `000 -----	
18 PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED		
On Financings to:		
Customers	<u>1,848,899</u>	1,428,389
Financial Institutions	<u>548,347</u>	690,011
	<u>2,397,246</u>	2,118,400
On Investments - available for sale securities	<u>1,603,923</u>	610,460
On deposits / placements with financial institutions	<u>8,900</u>	13,194
Others	<u>13,441</u>	9,856
	<u>4,023,510</u>	<u>2,751,910</u>



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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Quarter ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
----- Rupees in `000 -----				
19 EARNINGS PER SHARE - Basic / Diluted				
Profit after taxation for the period	102,413	17,695	229,738	1,565
----- Number of share -----				
Weighted average number of ordinary shares	527,967,898	527,967,898	527,967,898	527,967,898
----- Rupee -----				
Basic / diluted earnings per share	0.194	0.034	0.435	0.003

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

20 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
----- Rupees in `000 -----					
For the nine month ended September 30, 2011 (Un-audited)					
Total income	320,757	2,599,231	1,235,142	2,923	4,158,053
Total expenses	25,606	2,135,332	1,004,351	655,863	3,821,152
Net income / (loss) before tax	295,151	463,899	230,791	(652,940)	336,901
As at September 30, 2011 (Un-audited)					
Segment Assets (Gross)	28,567,899	7,029,881	15,059,988	2,191,890	52,849,658
Segment Non Performing Assets	61,418	366,840	526,307	-	954,565
Segment Provision Required	21,418	182,512	260,672	-	464,602
Segment Liabilities	554,825	32,640,810	14,083,543	47,514	47,326,692
Segment Return on Assets (ROA) (%)	1.38%	2.00%	1.76%	-	-
Segment Cost of funds (%)	13.35%	7.05%	8.35%	-	-
For the nine month ended September 30, 2010 (Un-audited)					
Total income	36,704	1,700,256	925,805	252,444	2,915,209
Total expenses	23,198	1,609,988	692,783	580,919	2,906,888
Net income / (loss) before tax	13,506	90,268	233,022	(328,475)	8,321
As at December 31, 2010 (Audited)					
Segment Assets (Gross)	20,655,460	4,643,858	17,743,245	2,355,058	45,397,621
Segment Non Performing Financing	61,418	246,180	505,328	-	812,926
Segment Provision Required	21,418	140,065	200,435	-	361,918
Segment Liabilities	377,520	26,673,044	12,876,337	342,416	40,269,317
Segment Return on Assets (ROA) (%)	0.21%	4.55%	1.82%	-	-
Segment Cost of funds (%)	13.81%	6.63%	8.74%	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)**
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

21 RELATED PARTY TRANSACTIONS

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

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

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

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

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

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	----- Rupees in ` 000 -----	
<u>SUBSIDIARY</u>		
<u>Deposits:</u>		
Opening balance	88,555	75,727
Deposit during the period / year	1,037,388	880,647
Withdrawal during the period / year	(1,027,202)	(867,819)
Closing balance	<u>98,741</u>	<u>88,555</u>
	Nine months ended (Un-audited)	
	September 30, 2011	September 30, 2010
	----- Rupees in ` 000 -----	
<u>Transactions, income and expenses:</u>		
Return on deposits expensed	6,327	5,938



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	----- Rupees in `000 -----	
ASSOCIATES		
Financings:		
Opening balance	167,663	150,000
Disbursed during the period / year	42,988	17,663
Repaid during the period / year	(5,800)	-
Closing balance	204,851	167,663
Deposits:		
Opening balance	123,065	76,177
Deposit during the period / year	469,257	811,835
Withdrawal during the period / year	(485,239)	(764,947)
Closing balance	107,083	123,065
Nine months ended (Un-audited)		
	September 30, 2011	September 30, 2010
	----- Rupees in `000 -----	
Transactions, income and expenses:		
Profit earned on financing	23,451	12,014
Return on deposits expensed	5,408	4,493
Repair and Maintenance	42,564	32,863
KEY MANAGEMENT PERSONNEL		
Financings:		
Opening balance	61,167	48,796
Disbursed during the period / year	4,399	18,062
Repaid during the period / year	(3,097)	(5,691)
Closing balance	62,469	61,167
Deposits:		
Opening balance	16,563	6,973
Deposit during the period / year	77,745	84,541
Withdrawal during the period / year	(87,780)	(74,951)
Closing balance	6,528	16,563

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Nine months ended (Un-audited)	
	September 30, 2011	September 30, 2010
	----- Rupees in `000 -----	
<u>Transactions, income and expenses:</u>		
Profit earned on financing	1,996	1,670
Return on deposits expensed	334	237
<u>Employee Benefit plans</u>		
Contribution to Employees Gratuity Fund	19,301	15,076
Contribution to Employees Provident Fund	19,569	18,244

22 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 27, 2011 by the Board of Directors of the Bank.

23 GENERAL

- 23.1 Corresponding information has been re-classified, re-arranged or additionally incorporated in this condensed interim financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. There were no significant reclassifications during the current period.
- 23.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



Consolidated Financial Statements
of
BankIslami Pakistan Limited
for the Period Ended
September 30, 2011

QUARTERLY REPORT 2011

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the financial results of the group for the period ended September 30, 2011. Following are the highlights:

	(Rs in millions)		
	September 30, 2011	December 31, 2010	Change (%)
Total Deposits	44,523	38,110	16.83%
Total Assets	52,281	44,947	16.32%
Net Financing	15,360	16,670	-7.86%
Total Investments	17,603	13,565	29.77%
Shareholders Equity	5,053	4,764	6.066%
Branches	102	102	0
	September 30, 2011	September 30, 2010	
Basic EPS* (Rupee)	0.430	0.013	3,208%

Our group performance remained satisfactory. The Bank has been able to post growth in its Deposits by 16.83%, Investments by 29.77% and Assets by 16.32%.

The Bank continued to leverage its existing infrastructure during the quarter under review. While deposits remained almost flat, impressive growth was recorded in financing which is reflected in Other Assets. Portfolio Quality remained one of the best in the Industry with Total Classified Portfolio at 4.81% to Total Advances.

BIPL also successfully launched the Visa Debit Card. We expect to issue more than 100,000 cards by end of the year making it the second largest Shariah Complaint Visa Card. As of the date of this report almost 26,000 cards have already been generated. The Bank is in the final stages of launching the Pakistan Remittance Initiative ('PRI'). Also during the quarter the Bank launched a new Saving Account by the name of 'Sahulat' which is targeted towards the business community with a host of features. At the same time, BIPL also made changes in the existing depository products which are now being charged linked to usage. All of these measures are expected to provide additional sources of revenue, specially fee income, in the future.

The exemption granted by SBP on MCR expired on September 30, 2011. The shareholders of the Bank are scheduled to meet with SBP in the third week of November to resolve this issue. We expect the meeting will result in solving this issue once and for all.

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

On behalf of the Board

Hasan A. Bilgrami
Chief Executive Officer
October 27, 2011



CONDENSED INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT SEPTEMBER 30, 2011

September 30, December 31,
2011 2010
(Un-audited) (Audited)
----- Rupees in `000 -----

ASSETS

Cash and balances with treasury banks	2,864,393	3,035,153
Balances with other banks	409,356	570,858
Due from financial institutions	6,558,934	4,513,132
Investments	17,602,593	13,564,654
Financings-net	15,359,562	16,670,125
Operating fixed assets	1,857,036	2,048,855
Deferred tax assets	305,376	409,483
Other assets	7,323,871	4,134,418
	52,281,121	44,946,678

LIABILITIES

Bills payable	497,810	563,020
Due to financial institutions	800,000	353,000
Deposits and other accounts	44,522,801	38,109,790
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,407,208	1,156,705
	47,227,819	40,182,515

NET ASSETS

5,053,302 **4,764,163**

REPRESENTED BY

Share capital	5,279,679	5,279,679
Reserves	8,232	8,232
Accumulated loss	(328,897)	(556,130)
	4,959,014	4,731,781
Surplus on revaluation of assets-net of tax	94,288	32,382
	5,053,302	4,764,163

CONTINGENCIES AND COMMITMENTS

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Quarter ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	Rupees in ` 000			
Profit / return on financings, investments and placements earned	1,451,417	1,029,248	4,025,563	2,754,494
Return on deposits and other dues expensed	756,311	536,431	2,091,135	1,472,596
Net spread earned	695,106	492,817	1,934,428	1,281,898
Provision / (reversal) against non-performing financings	33,660	(654)	104,440	(9,685)
Provision against investments and lending	-	-	1,195	-
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	33,660	(654)	105,635	(9,685)
Net spread after provisions	661,446	493,471	1,828,793	1,291,583
OTHER INCOME				
Fee, Commission and Brokerage Income	18,183	25,067	59,191	70,214
Dividend Income	-	-	-	-
Income from dealing in foreign currencies	6,044	7,301	41,858	47,752
Other Income	10,159	12,054	33,430	35,648
Total other income	34,386	44,422	134,479	153,614
	695,832	537,893	1,963,272	1,445,197
OTHER EXPENSES				
Administrative expenses	539,240	496,541	1,620,514	1,419,251
Other provisions	-	-	250	-
Other charges	(3,469)	7,836	(1,016)	10,449
Total other expenses	535,771	504,377	1,619,748	1,429,700
	160,061	33,516	343,524	15,497
Extra ordinary/unusual items	-	-	-	-
PROFIT BEFORE TAXATION	160,061	33,516	343,524	15,497
Taxation				
- Current	16,186	11,276	45,560	30,640
- Prior years	-	-	-	-
- Deferred	39,663	2,758	70,731	(21,976)
	55,849	14,034	116,291	8,664
PROFIT AFTER TAXATION	104,212	19,482	227,233	6,833
Accumulated Loss brought forward	(433,109)	(601,719)	(556,130)	(589,070)
Transferred to Statutory Reserve	-	(1,366)	-	(1,366)
	(433,109)	(603,085)	(556,130)	(590,436)
Accumulated Loss carried forward	(328,897)	(583,603)	(328,897)	(583,603)
Basic / diluted earnings per share - (Rupee)	0.197	0.037	0.430	0.013

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



**CONDENSED INTERIM CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	<u>Quarter ended</u>		<u>Nine Months ended</u>	
	<u>September</u>	<u>September</u>	<u>September</u>	<u>September</u>
	<u>30, 2011</u>	<u>30, 2010</u>	<u>30, 2011</u>	<u>30, 2010</u>
	<u>----- Rupees in `000 -----</u>			
Profit after taxation	104,212	19,482	227,233	6,833
Components of comprehensive income not reflected in equity				
Surplus on revaluation of available for sale securities - net of tax	77,583	6,078	61,906	4,765
Total comprehensive income for the period	<u>181,796</u>	<u>25,560</u>	<u>289,139</u>	<u>11,598</u>

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	September 30, 2011	September 30, 2010
	----- Rupees in ` 000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	343,524	15,497
Adjustments for:		
Depreciation - Own assets	230,991	249,742
Amortisation of intangible asset	21,931	21,483
Depreciation - Operating Ijara assets	175,770	62,103
Provision / (Reversal) against non-performing financings	104,440	(9,685)
Provision against investment and lending	1,195	-
Provision against other assets	250	-
Gain on sale of fixed assets	(10,794)	(2,487)
Deferred cost amortised	4,086	12,062
	527,869	333,218
	871,393	348,715
(Increase) / decrease in operating assets		
Due from financial institutions	(2,045,802)	(6,238,423)
Financings	1,030,353	(2,927,088)
Others assets (excluding advance taxation and deferred cost)	(3,194,423)	(199,603)
	(4,209,872)	(9,365,114)
Increase / (decrease) in operating liabilities		
Bills payable	(65,210)	354,994
Due to financial institutions	447,000	156,840
Deposits and other accounts	6,413,011	5,028,594
Other liabilities (excluding current taxation)	250,503	284,208
	7,045,304	5,824,636
	3,706,825	(3,191,763)
Income tax paid	(44,927)	(14,016)
Net cash generated from / (used in) operating activities	3,661,898	(3,205,779)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(3,943,851)	491,179
Investments in operating fixed assets - net	(78,701)	(48,876)
Proceeds realised on disposal of operating fixed assets	28,392	6,326
Net cash (used in) / generated from investing activities	(3,994,160)	448,629
Increase / (decrease) in cash and cash equivalents	(332,262)	(2,757,150)
Cash and cash equivalents at beginning of the period	3,606,011	6,277,328
Cash and cash equivalents at end of the period	3,273,749	3,520,178

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



**CONDENSED INTERIM CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY (UN-AUDITED)**
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in ` 000 -----			
Balance as at January 01, 2010	5,279,679	-	(589,057)	4,690,622
Profit after taxation for the period ended September 30, 2010	-	-	6,833	6,833
Transferred to statutory reserve	-	1,366	(1,366)	-
Balance as at September 30, 2010	5,279,679	1,366	(583,590)	4,697,455
Profit after tax for the period December 31, 2010	-	-	32,326	32,326
Transferred to statutory reserve	-	6,866	(6,866)	-
Balance as at December 31, 2010	5,279,679	8,232	(556,130)	4,731,781
Profit after tax for the period ended September 30, 2011	-	-	227,233	227,233
Balance as at September 30, 2011	5,279,679	8,232	(328,897)	4,959,014

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)**
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

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 (Guarantee) Limited. The Bank is operating with one hundred and two branches including thirty two sub-branches (December 31, 2010: 102 branches) as at September 30, 2011.
- 1.2** The State Bank of Pakistan (SBP) vide BSD Circular No.7 dated April 15,2009 has set the Minimum Capital Requirement (MCR) for banks upto 10 billion to be achieved in a phased manner by December 31,2013.The required MCR (net of losses) and Capital Adequacy Ratio (CAR) requirements as of December 31, 2010 was Rs 7 billion and 10% respectively.The paid-up capital of the Bank (net of losses) as of December 31,2010 amounted to Rs 4.732 billion while its CAR stood at 20.01%.In view of the capital requirements,the Board of Directors of the Bank in their meeting held on February 7,2011 had in principle agreed to issues right shares to increase its capital (net of losses) to Rs 6 billion.The State Bank of Pakistan vide its letter No.BSD/BA 1-3/608/2773/2011 granted exemption to the Bank till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raises its capital to Rs 6 billion well before June 30,2011.

Subsequent to June 30,2011 the Bank has obtained further extension from the State Bank of Pakistan for meeting the MCR upto Septemebr 30, 2011. Currently, the management of the Bank is in discussions with the State Bank of Pakistan for extension of the timelines in respect of the proposed right issue for meeting the Minimum Capital requirement.

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 condensed interim consolidated financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.
- 2.2** The Group provides financing mainly through shariah compliant financial products. Except for Murabaha and Ijarah transactions (which are accounted for under the Islamic Financial Accounting Standard – 1 and – 2), the purchases, sales and rentals arising under these arrangements are not reflected in these interim financial statements as such but are restricted to the amount of facility actually utilized and



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

the appropriate portion of rental / profit thereon. Income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable.

3. STATEMENT OF COMPLIANCE

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011**

5.1 Business combinations

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

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

5.2 Goodwill

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

6. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim consolidated financial statements were authorized for issue on October 27, 2011 by the Board of Directors of the Bank.

7. GENERAL

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director