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## CORPORATE INFORMATION

### Board of Directors

Chief Justice (Retd.) Mahboob Ahmed  
Mr. Ahmed Goolam Mahomed Randeree  
Mr. Ahmed Mohammed El Shall  
Mr. Ali Raza Siddiqui  
Mr. Hasan A. Bilgrami  
Mr. Mohamed Abdulla Amer Al Nahdi  
Mr. Shabir Ahmed Randeree

Chairman

Chief Executive Officer

### Sharia'h Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani  
Professor Dr. Fazlur Rahman  
Mufti Irshad Ahmad Aijaz

Chairman  
Member  
Member & Sharia'h Adviser

### Audit Committee

Mr. Ahmed Mohammed El Shall  
Mr. Ali Raza Siddiqui  
Mr. Shabir Ahmed Randeree

Chairman  
Member  
Member

### Executive Committee

Chief Justice (Retd.) Mahboob Ahmed  
Mr. Ahmed Goolam Mahomed Randeree  
Mr. Ahmed Mohammed El Shall  
Mr. Hasan A. Bilgrami

Chairman  
Member  
Member  
Member

### Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui  
Mr. Ahmed Goolam Mahomed Randeree  
Mr. Ahmed Mohammed El Shall  
Mr. Hasan A. Bilgrami

Chairman  
Member  
Member  
Member

### Company Secretary

Mr. Syed Shah Sajid Hussain

### Auditors

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

### Legal Adviser

Haidermota & Co.  
Barrister at Law

### Management (in alphabetical order)

Mr. Arsalan Vohra  
Mr. Asad Alim  
Mr. Faisal Shaikh  
Mr. Farooq Anwar  
Mr. Hasan A. Bilgrami  
Mr. Khawaja Ehrar-ul-Hassan  
Mr. Muhammad Imran  
Mr. Muhammad Shoaib Khan  
Mr. Muhammad Zahir Esmail  
Mr. Rehan Shuja Zaidi  
Ms. Sheba Matin Khan  
Mr. Syed Akhtar Ausaf  
Mr. Syed Mujtaba H. Kazmi  
Mr. Syed Shah Sajid Hussain

Head, Risk Management  
Head, Information Systems  
Head, Corporate & Product Development  
Head, Operations  
Chief Executive Officer  
Head, Compliance  
Head, Consumer Banking  
Head, Treasury & Financial Institutions  
Head, Corporate & Retail Banking  
Head, Internal Audit  
Head, Human Resources  
Head, Credit  
Head, Investment Banking  
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) 5378373  
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) 4387960-61 Fax: (92-21) 4391318

### Website

www.bankislami.com.pk

## DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the third quarterly accounts of the Year 2008.

Highlights of the period under review are as follows:

	(Rs. In millions)		Growth (%)
	Sep-08	Sep-07	
Total Deposits	11,242	6,245	80%
Total Assets	17,231	9,985	73%
Total Financing-net	6,827	3,486	96%
Total Investments	5,018	1920	161%
Share Capital	4,280	3,200	34%
Shareholder's Equity	4,248	3,169	34%
Net Spread Earned	517	191	171%
Fee, Commission & Brokerage Income	97	38	155%
Operating Expense to Gross Income (%)	56.7	72.5	-22%
Profit /Loss Before Tax	3.88	-55.89	107%
Profit /Loss After Tax	6.22	-36.22	117%
EPS (Rs.)	0.015	-0.136	111%
Employees	837	413	103%
Branches	40	16	150%

During the period under review, I am pleased to Report that your Bank has shown an improved performance in all operating areas, despite unprecedented economic and liquidity constraints in the marketplace. Specifically, the quality of Assets has improved with a stronger focus on our retail customer base. The Bank also successfully launched a Ten year product, benefiting investors in these uncertain times. The expansion of the Branch network is as planned and the Bank added 4 new branches, increasing the total Branch network to 40. The expansion of the Branch network is set to continue until December 2008.

By the Grace of Allah, BIPL reported a Profit for the Quarter as well as for the Year to Date. The profitability of the Bank is set to improve during 2009 when the Bank consolidates its Branch network and its core business operations. Further PACRA has also maintain the rating of the Bank at A-.

On behalf of the Board, I would like to express our appreciation to all our Employees for their dedication, commitment and hard work and also to extend our gratitude to the State Bank of Pakistan and The Securities and Exchange Commission for their continued support and guidance.

On behalf of the Board.

**Hasan A Bilgrami**  
Chief Executive Officer.  
Date: 27-10-2008





## BALANCE SHEET (UNAUDITED)

AS AT SEPTEMBER 30, 2008

		September 30, 2008	December 31, 2007
	Note	(Unaudited)	(Audited)
----- Rupees in `000 -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,369,615	1,433,166
Balances with other banks		1,093,180	2,577,491
Due from financial institutions		265,000	625,037
Investments	6	5,018,462	3,864,027
Financings	7	6,827,288	3,962,867
Operating fixed assets	8	1,536,289	1,093,324
Deferred tax assets		102,399	90,418
Other assets		1,018,335	801,143
		<b>17,230,568</b>	<b>14,447,473</b>
<b>LIABILITIES</b>			
Bills payable		337,684	84,998
Due to financial institutions		695,696	70,000
Deposits and other accounts	9	11,241,580	9,934,282
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		707,366	513,467
		<b>12,982,326</b>	<b>10,602,747</b>
<b>NET ASSETS</b>		<b>4,248,242</b>	<b>3,844,726</b>
<b>REPRESENTED BY:</b>			
Share capital	10	4,279,679	3,200,000
Reserves		1,244	-
Accumulated loss		(40,400)	(45,377)
		<b>4,240,523</b>	<b>3,154,623</b>
Advance against future issue of share capital		-	681,409
Surplus on revaluation of assets-net of tax	11	7,719	8,694
		<b>4,248,242</b>	<b>3,844,726</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

## INTERIM CONDENSED PROFIT AND LOSS ACCOUNT

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2008

Note	Quarter ended Sept 30, 2008	Nine months ended Sept 30, 2008	Quarter ended Sept 30, 2007	Nine months ended Sept 30, 2007
	Rupees in `000			
Profit/return on financing, investments and placements earned	419,451	1,032,371	158,391	363,750
Return on deposits and other dues expensed	190,940	514,971	84,378	172,709
Net spread earned	228,511	517,400	74,013	191,041
Provision against non-performing financings	(10,677)	866	2,631	5,726
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(10,677)	866	2,631	5,726
Net Spread after provision	239,188	516,534	71,382	185,315
<b>OTHER INCOME</b>				
Fee, Commission and Brokerage Income	16,485	97,463	27,326	37,570
Dividend Income	-	1,812	199	18,837
Income from dealing in foreign currencies	8,569	23,120	494	1,520
Gain / (Loss) on sale of securities	4,238	31,273	17,741	23,774
Unrealized Gain / (Loss) on revaluation of investments classified as held for trading	(62)	-	-	-
Other Income	5,111	13,861	76	477
Total other income	34,341	167,529	45,836	82,178
	273,529	684,063	117,218	267,493
<b>OTHER EXPENSES</b>				
Administrative expenses	252,458	664,622	116,478	307,110
Other provisions/write offs (to be specified)	-	-	-	-
Other charges	4,661	15,559	6,759	16,273
	257,119	680,181	123,237	323,383
	16,410	3,882	(6,019)	(55,890)
Extra ordinary/unusual items (to be specified)	-	-	-	-
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	16,410	3,882	(6,019)	(55,890)
Taxation – Current	-	9,643	2,017	3,102
- Prior years	-	-	-	-
- Deferred	272	(11,982)	(9,060)	(22,772)
	272	(2,339)	(7,043)	(19,670)
<b>PROFIT/(LOSS) AFTER TAXATION</b>	16,138	6,221	1,024	(36,220)
Unappropriated Profit/(Loss) brought forward	(55,294)	(45,377)	(45,598)	(8,354)
Transferred to Statutory Reserve	(1,244)	(1,244)	-	-
	(56,538)	(46,621)	(45,598)	(8,354)
Profit/(Loss) available for appropriation	(40,400)	(40,400)	(44,574)	(44,574)
<b>Basic &amp; Diluted Earnings/(Loss) per share</b>	0.038	0.015	0.003	(0.136)

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## CASH FLOW STATEMENT (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPT 30, 2008

	<b>September 30, 2008</b>	<b>September 30, 2007</b>
	Rupees in `000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (Loss) before taxation	3,882	(55,890)
Less: Dividend income	(1,812)	(18,837)
	2,070	(74,727)
Adjustments:		
Depreciation	106,469	45,563
Amortization	3,929	1,577
Provision against non-performing financings	866	5,726
Surplus / (deficit) on revaluation of investments (classified as held-for-trading)	-	-
Loss / (gain) on sale of fixed assets	(45)	14
Deferred cost amortized	12,060	12,663
Gain on revaluation of derivative instrument	-	-
	123,279	65,543
	125,349	(9,184)
(Increase) / decrease in operating assets		
Due from financial institutions	360,037	(107,225)
Held-for-trading securities	-	122,259
Financings	(2,865,287)	(2,532,583)
Others assets (excluding advance taxation and deferred cost)	(233,692)	(392,204)
	(2,738,942)	(2,909,753)
Increase / (decrease) in operating liabilities		
Bills payable	252,686	95,892
Borrowings from financial institutions	625,696	7,400
Deposits and other accounts	1,307,298	4,467,885
Other liabilities	193,900	222,746
	2,379,580	4,793,923
	(234,013)	1,874,986
Income tax paid	(5,203)	(5,683)
Net cash flow from operating activities	(239,216)	1,869,303
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(1,155,410)	(1,354,987)
Acquisition of subsidiaries	-	(191,015)
Dividend income received	1,812	1,224
Investments in operating fixed assets	(556,225)	(238,169)
Sale proceeds of property and equipment disposed-off	2,907	595
Net cash flow from investing activities	(1,706,916)	(1,782,352)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of share capital	398,270	1,200,000
Advance against future issue of share capital - net off issue of shares	-	-
Net cash flow from financing activities	398,270	1,200,000
Effects of exchange rate changes on cash and cash equivalents	-	75
<b>Net cash and cash equivalents</b>	<b>(1,547,862)</b>	<b>1,287,026</b>
<b>Cash and cash equivalents at beginning of the period / year</b>	<b>4,010,657</b>	<b>1,128,931</b>
<b>Cash and cash equivalents at end of the period / year</b>	<b>2,462,795</b>	<b>2,415,957</b>

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPT 30, 2008

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in `000 -----			
Opening Balance January 01,07	2,000,000	-	(8,354)	1,991,646
Loss for the period ended September 30,2007	-	-	(36,220)	(36,220)
Issue of share capital	1,200,000	-	-	1,200,000
<b>Balance as of September 30, 2007</b>	<b>3,200,000</b>	<b>-</b>	<b>(44,574)</b>	<b>3,155,426</b>
Loss for the period ended December 31,2007	-	-	(803)	(803)
<b>Closing Balance December 31, 2007</b>	<b>3,200,000</b>	<b>-</b>	<b>(45,377)</b>	<b>3,154,623</b>
Profit for the period ended Sept 30,2008	-	-	6,221	6,221
Issue of share capital	1,079,679	1,244	(1,244)	1,079,679
<b>Closing Balance Sept 30, 2008</b>	<b>4,279,679</b>	<b>1,244</b>	<b>(40,400)</b>	<b>4,240,523</b>

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director





## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED SEPT 30, 2008 (UNAUDITED)

### 1. STATUS AND NATURE OF BUSINESS

- 1.1. BankIslami Pakistan Limited was incorporated in Pakistan as a public limited company on October 18, 2004 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi.
- 1.2. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with 40 branches as at Septemebtr 30, 2008 (December 31, 2007: 36 branches).

### 2. STATEMENT OF COMPLIANCE

- 2.1. These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives take precedence.
- 2.2. The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 2.3. The Securities and Exchange Commission of Pakistan has notified for adoption of "Islamic Financial Accounting Standard 2-Ijarah (IFAS-2)" issued by the Institute of Chartered Accountants of Pakistan (ICAP) which is applicable for accounting period beginning January 1, 2008. Consequent to the issuance of IFAS-2, the six (6) full-fledged Islamic Banks approached ICAP to seek clarifications on its implementation.

Pending above clarifications, the Bank has continued recognizing Ijarah transactions consistent with the policy used for the preparation of audited financial statements for the year ended December 31, 2007. During the period ended Sept 30, 2008, the Bank has disbursed the Ijarah financing aggregating to Rs.641.687 million.

- 2.4. The disclosures made in these interim condensed financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and these interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2007.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
FOR THE NINE MONTHS PERIOD ENDED SEPT 30, 2008  
(UNAUDITED)

**3. BASIS OF PRESENTATION**

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

**4. BASIS OF MEASUREMENT**

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

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

	September 30, 2008	December 31, 2007
	----- Rupees in `000 -----	
<b>6. INVESTMENTS</b>		
Held-for-trading securities	-	-
Available-for-sale securities	4,815,572	3,660,162
Subsidiary	191,015	191,015
	<u>5,006,587</u>	<u>3,851,177</u>
Surplus on revaluation of held-for-trading securities	-	-
Surplus on revaluation of available-for-sale securities	11,875	12,850
	<u>5,018,462</u>	<u>3,864,027</u>

**6.1 Investments by types – held by Bank**

		September 30, 2008	December 31, 2007
	Note	----- Rupees in `000 -----	
<b>Available-for-sale securities</b>			
Sukuks		4,815,572	3,510,162
Units of mutual funds		-	150,000
		<u>4,815,572</u>	<u>3,660,162</u>
Surplus on revaluation of available-for-sale securities		11,875	12,850
		<u>4,827,447</u>	3,673,012
Subsidiary (unlisted)	6.1.1	191,015	191,015
Total investments at market value		<u>5,018,462</u>	<u>3,864,027</u>



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
FOR THE NINE MONTHS PERIOD ENDED SEPT 30, 2008  
(UNAUDITED)

**6.1.1 Subsidiary (unlisted)**

	Number of Shares	Amount Rupees in ` 000	Percentage of Equity Holding
BankIslami Modaraba Investment Limited (formerly JS Finance Limited)	8,000,000	191,015	100%

7. FINANCINGS	In Pakistan	Note	September 30, 2008	December 31, 2007
			Rupees in ` 000	
- Murabaha	7.1	2,656,310	581,505	
- Istisna		222,982	31,886	
- Diminishing Musharka-Housing		587,193	179,213	
- Against Bills Salam		13,974	-	
- Payment Against Document		1,155	-	
- Diminishing Musharka-Others		1,524,268	1,576,705	
Against Bills - Musawama		4,482	6,158	
- Salam		-	105,000	
- Musawama Financings		2,206	66,362	
Financings - gross		5,012,570	2,546,829	
Net investment in Ijara financings				
In Pakistan		1,661,977	1,332,819	
- Financings to employees		182,979	112,592	
		1,844,956	1,445,411	
Financings - gross		6,857,526	3,992,240	
Provision for non-performing financings				
- Specific	7.2	(13,555)	(20,285)	
- General		(16,683)	(9,088)	
Financings - net of provision		6,827,288	3,962,867	

7.1 Includes financings amounting to Rs. 120.658 million (2007: 100 million) against Murabaha under Islamic Export Refinance Scheme

7.2 Financings include Rs 29.893 million (2007: 78.371 million) which have been placed under non-performing status as detailed below:-

Category of Classification	September 2008				December 2007		
	Classified Financings Domestic	Total Domestic	Provision Required Domestic	Provision Held Domestic	Classified Financings Total	Provision Required Domestic	Provision Held Domestic
Substandard	8,622	8,622	2,156	2,156	75,602	18,900	18,900
Doubtful	19,741	19,741	9,870	9,870	2,769	1,385	1,385
Loss	1,530	1,530	1,529	1,529	-	-	-
	29,893	29,893	13,555	13,555	78,371	20,285	20,285

7.3 Particulars of provisions against non-performing financings- local currency

	Specific	General	Total	Specific	General	Total
Opening Balance	20,285	9,088	29,373	-	1,001	1,001
Charge for the period	9,253	7,595	16,848	20,285	8,087	28,372
Reversal	(15,983)	-	(15,983)	-	-	-
Closing balance	13,555	16,683	30,238	20,285	9,088	29,373

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
FOR THE NINE MONTHS PERIOD ENDED SEPT 30, 2008  
(UNAUDITED)

	September 30, 2008	December 31, 2007		September 30, 2008	December 31, 2007
	----- Rupees in `000 -----			----- Rupees in `000 -----	
<b>8 OPERATING FIXED ASSETS</b>					
Capital work-in-progress	448,520	165,994			
Property and equipment	1,071,612	908,441			
Intangible assets	16,157	18,889			
	<u>1,536,289</u>	<u>1,093,324</u>			
<b>8.1 Capital work-in-progress</b>					
Civil works	30,860	510			
Equipments	142,680	12,698			
Advances to suppliers and contractors	134,090	152,786			
Others (Software )	140,890	-			
	<u>448,520</u>	<u>165,994</u>			
<b>9 DEPOSITS AND OTHER ACCOUNTS</b>					
<b>Customers</b>					
Fixed deposits	6,117,806	4,929,274			
Savings deposits	2,566,396	3,598,793			
Current Accounts - Non-remunerative	2,263,783	1,372,978			
Others -Margin accounts	289,662	31,431			
	<u>11,237,647</u>	<u>9,932,476</u>			
<b>Financial Institutions</b>					
Remunerative deposits	513	1,806			
Non-remunerative deposits	3,420	-			
	<u>3,933</u>	<u>1,806</u>			
	<u>11,241,580</u>	<u>9,934,282</u>			
<b>9.1 Particulars of deposits</b>					
In local currency	11,044,530	9,861,275			
In foreign currencies	197,050	73,007			
	<u>11,241,580</u>	<u>9,934,282</u>			
<b>10. SHARE CAPITAL</b>					
<b>10.1 Authorized Capital</b>					
	September 30, 2008	December 31, 2007		September 30, 2008	December 31, 2007
	----- Rupees in `000 -----			----- Rupees in `000 -----	
	<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs.10 each	<u>6,000,000</u>	<u>6,000,000</u>
<b>10.2 Issued, subscribed and paid up Capital</b>					
			<b>Ordinary shares</b>		
	320,000,000	200,000,000	Fully paid in cash	3,200,000	2,000,000
			Issued during		
	107,967,898	120,000,000	the period / year	1,079,679	1,200,000
	<u>427,967,898</u>	<u>320,000,000</u>		<u>4,279,679</u>	<u>3,200,000</u>





**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
FOR THE NINE MONTHS PERIOD ENDED SEPT 30, 2008  
(UNAUDITED)

September 30, December 31,  
2008                      2007  
----- Rupees in ` 000 -----

<b>11. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS</b>		
<b>11.1 Surplus / (Deficit) on revaluation of Available-for-sale securities</b>		
Sukuk Bonds	11,875	11,875
Mutual Fund	-	975
	<u>11,875</u>	<u>12,850</u>
<b>Less: Related Deferred Tax Liability</b>	<b>4,156</b>	<b>4,156</b>
	<u><u>7,719</u></u>	<u><u>8,694</u></u>
<b>12. CONTINGENCIES AND COMMITMENTS</b>		
<b>12.1 Transaction-related Contingent Liabilities</b>		
Guarantees favouring Government	<u>378,465</u>	168,072
Financial Institutions	<u>245,000</u>	245,000
Others	<u>98,787</u>	82,442
<b>12.2 Trade-related Contingent Liabilities</b>		
Import letter of Credit	<b>908,528</b>	455,681
Acceptances	<u>1,047,860</u>	65,477
	<u><b>1,956,388</b></u>	<u>521,158</u>
<b>12.3 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>44,404</u>	164,140
Sale	<u>56,561</u>	9,121
<b>12.4 Commitments for the acquisition of operating fixed assets</b>	<u>69,777</u>	146,687
<b>12.5 Commitments for acquisition of investments</b>	<u>107,000</u>	710,000
<b>12.6 Commitments in respect of financing</b>	<u>103,100</u>	4,385,126
<b>12.7 Other commitments</b>		
Bills for collection	<u>220,284</u>	109,685

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008  
(UNAUDITED)

**13 Segment Details with respect to Business Activities**

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

	Trading & Sales	Retail Banking	Commercial Banking	Total
-----Rupees in `000-----				
<b>September 30, 2008</b>				
Total income	569,525	202,580	427,795	1,199,900
Total expenses	625,782	159,646	408,251	1,193,679
Net income /(loss)	(56,257)	42,934	19,544	6,221
Segment Assets (Gross)	8,917,708	2,250,167	6,092,931	17,260,806
Segment Non Performing Financings	-	(16,173)	(13,720)	(29,893)
Segment Provision Required	-	(16,683)	(13,555)	(30,238)
Segment Liabilities	6,540,936	2,005,265	4,436,126	12,982,327
<b>December 31, 2007</b>				
Total income	369,438	147,429	225,475	742,342
Total expenses	558,528	77,800	206,476	842,804
Net income (loss)	(189,090)	69,630	18,999	(100,461)
Segment Assets (Gross)	9,872,696	1,281,760	3,322,390	14,476,846
Segment Non Performing Financings	-	(40,978)	(37,393)	(78,371)
Segment Provision Required	-	(9,088)	(20,285)	(29,373)
Segment Liabilities	6,871,305	1,124,177	2,607,265	10,602,747

**14 RELATED PARTY TRANSACTIONS**

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

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
----- Rupees in `000 -----		
<b>SUBSIDIARY</b>		
<b>Financings:</b>		
At January 1	189,000	-
Disbursed during the period	-	189,000
Repaid during the period	(189,000)	-
At Sep 30	-	189,000
<b>Deposits:</b>		
At January 1	315,355	-
Deposit during the period	557,603	518,685
Withdrawal during the period	(242,331)	(203,330)
At Sep 30	630,627	315,355
<b>September 30, 2008, September 30, 2007</b>		
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
----- Rupees in `000 -----		
Transaction, income and expenses		
Profit earned on financing	137	4,582
Return on deposits expensed	4,503	-





**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008  
 (UNAUDITED)

**ASSOCIATES**

**Deposits:**

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
	----- Rupees in `000 -----	
At January 1	36,649	98,350
Deposit during the period	374,781	863,096
Withdrawal during the period	(389,528)	(924,797)
At Sep 30	21,902	36,649

**Transaction, income and expenses**

	September 30, 2008 (Unaudited)	September 30, 2007 (Unaudited)
	----- Rupees in `000 -----	
Return on deposits expensed	3,963	1,784

**KEY MANAGEMENT PERSONNEL**

**Financings:**

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
	----- Rupees in `000 -----	
At January 1	40,230	3,526
Disbursed during the period	14,991	40,939
Repaid during the period	(15,241)	(4,236)
At Sep 30	39,980	40,229

**Deposits:**

	September 30, 2008 (Unaudited)	September 30, 2007 (Unaudited)
	----- Rupees in `000 -----	
At January 1	205	431
Deposit during the period	4,723	23,480
Withdrawal during the period	(4,723)	(23,706)
At Sep 30	205	205

**Transaction, income and expenses**

	September 30, 2008 (Unaudited)	September 30, 2007 (Unaudited)
	----- Rupees in `000 -----	
Profit earned on financing	1,319	257
Return on deposits expensed	3	6

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008  
(UNAUDITED)

**15 DATE OF AUTHORISATION FOR ISSUE**

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

**16 GENERAL**

16.1 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 Limited  
and  
Subsidiary Company  
for the quarter ended  
September 30, 2008





## CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT SEPTEMBER 30, 2008

September 30, December 31,  
2008 2007  
----- Rupees in `000 -----

### ASSETS

Cash and balances with treasury banks	1,369,620	1,433,166
Balances with other banks	1,093,213	2,578,089
Due from financial institutions	265,000	625,037
Investments	4,864,473	3,686,474
Financings	6,827,288	3,773,867
Operating fixed assets	1,512,523	1,048,602
Deferred tax assets	108,730	97,760
Other assets	1,108,374	906,534
	<b>17,149,221</b>	<b>14,149,529</b>

### LIABILITIES

Bills payable	337,684	84,998
Due to financial institutions	695,696	70,000
Deposits and other accounts	11,175,572	9,617,735
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	707,979	541,296
	<b>12,916,931</b>	<b>10,314,029</b>
<b>NET ASSETS</b>	<b>4,232,290</b>	<b>3,835,500</b>

### REPRESENTED BY:

Share capital	4,279,679	3,200,000
Reserves	1,511	-
Accumulated loss	(47,437)	(53,481)
	<b>4,233,753</b>	<b>3,146,519</b>
Advance against future issue of share capital	-	681,409
Surplus on revaluation of assets-net of tax	(1,463)	7,572
	<b>4,232,290</b>	<b>3,835,500</b>

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

## CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2008

	Quarter ended Sept 30, 2008	Nine months ended Sept 30, 2008	Quarter ended Sept 30, 2007	Nine months ended Sept 30, 2007
	Rupees in `000			
Profit / return on financings, investments and placements earned	420,141	1,034,647	156,318	361,677
Return on deposits and other dues expensed	189,704	510,745	84,375	172,706
Net spread	230,437	523,902	71,943	188,971
Provision against non-performing financings	(10,677)	866	2,631	5,726
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(10,677)	866	2,631	5,726
Income after provisions	241,114	523,036	69,312	183,245
<b>OTHER INCOME</b>				
Fee, commission and brokerage income	16,485	97,463	27,322	37,570
Dividend Income	-	1,812	199	18,837
Income from dealing in foreign currencies	8,569	23,120	494	1,520
Gain / (loss) on sale of securities	4,238	31,273	17,741	23,774
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	(62)	-	-	-
Other income	4,591	13,389	1,068	1,469
Total other income	33,821	167,057	46,824	83,170
	274,935	690,093	116,135	266,414
<b>OTHER EXPENSES</b>				
Administrative expenses	253,930	667,964	116,856	307,488
Other provisions/write offs	-	-	-	-
Other charges	4,661	15,559	6,759	16,273
Total other expenses	258,591	683,523	123,615	323,761
	16,344	6,570	(7,480)	(57,347)
Extra ordinary/unusual items	-	-	-	-
<b>LOSS BEFORE TAXATION</b>	16,344	6,570	(7,480)	(57,347)
<b>Taxation</b>				
- Current	(24)	9,985	2,064	3,149
- Deferred	270	(10,970)	(9,060)	(22,772)
	246	(985)	(6,996)	(19,623)
<b>LOSS AFTER TAXATION</b>	16,098	7,555	(484)	(37,724)
Accumulated(Loss) brought forward	(62,024)	(53,481)	(45,594)	(8,354)
Transferred to Statutory Reserve	(1,511)	(1,511)	-	-
	(63,535)	(54,992)	(45,594)	(8,354)
Profit/(Loss) available for appropriation	(47,437)	(47,437)	(46,078)	(46,078)
<b>Basic earnings / (loss) per share</b>	0.038	0.018	(0.002)	(0.124)

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2008

	Nine months ended September 30, 2008	Nine months ended September 30, 2007
	----- Rupees in `000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,570	(57,347)
Add: Deferred cost incurred - net	-	-
Less: Dividend income	(1,812)	(18,837)
	4,758	(76,184)
Adjustments:		
Depreciation	106,615	45,574
Amortization	3,929	1,577
Financial charges	-	-
Provision against non-performing financings	866	5,726
Surplus / (deficit) on revaluation of investments (classified as held-for-trading)	-	-
Loss / (gain) on sale of fixed assets	(45)	14
Deferred cost amortized	12,060	12,663
	123,425	65,554
	128,183	(10,630)
(Increase) / decrease in operating assets		
Due from financial institutions	360,037	(107,225)
Held-for-trading securities	-	122,259
Financings	(3,054,287)	(2,532,583)
Others assets (excluding advance taxation and deferred cost)	(218,237)	(393,133)
	(2,912,487)	(2,910,682)
Increase / (decrease) in operating liabilities		
Bills payable	252,686	95,892
Borrowings from financial institutions	625,696	7,400
Deposits and other accounts	1,557,837	4,467,041
Other liabilities	166,683	235,645
	2,602,902	4,805,978
	(181,402)	1,884,666
Income tax paid	(5,648)	(5,683)
Net cash flow from operating activities	(187,050)	1,878,983
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(1,187,034)	(1,354,987)
Acquisition of Subsidiary	-	(191,015)
Dividend income received	1,812	1,224
Investments in operating fixed assets	(577,327)	(250,169)
Sale proceeds of property and equipment disposed-off	2,907	595
Net cash flow from investing activities	(1,759,642)	(1,794,352)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of share capital	398,270	1,200,000
Net cash flow from financing activities	398,270	1,200,000
Effects of exchange rate changes on cash and cash equivalents	-	75
<b>Net increase in cash and cash equivalents</b>	(1,548,422)	1,284,707
<b>Cash and cash equivalents at beginning of the period / year</b>	4,011,255	1,132,129
<b>Cash and cash equivalents at end of the period / year</b>	2,462,833	2,416,836

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2008

	Share Capital	Statutory Reserve	Accumulated Loss	Total
	----- Rupees in ` 000 -----			
Opening Balance January 01,07	2,000,000	-	(8,354)	1,991,646
Profit for the period ended September 30,2007	-	-	(37,724)	(37,724)
Transfer to statutory reserve	-	-	-	-
Issue of share capital	1,200,000	-	-	1,200,000
<b>Balance as at September 30 , 2007</b>	<b>3,200,000</b>	<b>3,200,000</b>	<b>(46,078)</b>	<b>3,153,922</b>
(Loss)/Profit for the nine months period	-	-	(7,403)	(7,403)
Transfer to statutory reserve	-	-	-	-
Issue of share capital	-	-	-	-
<b>Closing Balance December 31, 2007</b>	<b>3,200,000</b>	<b>-</b>	<b>(53,481)</b>	<b>3,146,519</b>
Profit for the period ended September 30,2008	-	-	7,555	7,555
Transfer to statutory reserve	-	1511	(1,511)	-
Issue of share capital	1,079,679	-	-	1,079,679
<b>Closing Balance September 30, 2008</b>	<b>4,279,679</b>	<b>1,511</b>	<b>(47,437)</b>	<b>4,233,753</b>

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)

### 1 STATUS AND NATURE OF BUSINESS

- 1.1 BankIslami Pakistan Limited was incorporated in Pakistan as a public limited company on October 18, 2004 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi.
- 1.2 The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with forty branches as at September 30, 2008 (December 31, 2007: thirty-six branches).
- 1.3 The Bank has acquired 100 percent shares of BankIslami Modaraba Investment Limited (formerly JS Finance Limited) (a unquoted public company) on August 31, 2007. The principal activity of the company is to act as modarba management company. BankIslami Modaraba 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 STATEMENT OF COMPLIANCE

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

**NOTES TO THE INTERIM CONSOLIDATED  
CONDENSED FINANCIAL STATEMENTS**  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008  
(UNAUDITED)

**3. BASIS OF PRESENTATION**

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

**4. BASIS OF MEASUREMENT**

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

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**6. BASIS OF CONSOLIDATION**

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

**6.1 Business combinations**

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

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



## NOTES TO THE INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008  
(UNAUDITED)

### 6.2 Goodwill

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

### 7 DATE OF AUTHORISATION FOR ISSUE

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

### 8 GENERAL

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



-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director