

بنك إسلامي



# World's First Cardless Biometric ATM



2014

HALF YEARLY REPORT  
JUNE 30

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201 Branches in 77 Cities

## Table of Contents

Corporate Information.....	2
Directors' Report.....	4
Auditors' Report .....	6
Statement of Financial Position .....	7
Profit and Loss Account .....	8
Statement of Comprehensive Income .....	9
Cash Flow Statement.....	10
Statement of Changes in Equity .....	11
Notes to the Financial Statements .....	12
Consolidated Financial Statements	
Director's Report.....	32
Consolidated Statement of Financial Position.....	33
Consolidated Profit and Loss Account.....	34
Consolidated Statement of Comprehensive Income .....	35
Consolidated Cash Flow Statement .....	36
Consolidated Statement of Changes in Equity.....	37
Notes to the Consolidated Financial Statements .....	38



## CORPORATE INFORMATION

### Board of Directors

Mr. Ali Hussain	Chairman
Mr. Ali Raza Siddiqui	
Mr. Abdulhakim Habib Mansoor Binherz *	
Mr. Ali Mohd Hussain Ali Al Shamali	
Mr. Fawad Anwar	
Mr. Kamal Afsar	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Shabir Ahmed Randeree	

### Sharia'h Supervisory Board

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

### Audit Committee

Mr. Fawad Anwar	Chairman
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member

### Risk Management Committee

Mr. Kamal Afsar	Chairman
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member

### I.T. Committee

Mr. Hasan A Bilgrami	Chairman
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member

### Human Resource & Compensation Committee

Mr. Shabir Ahmed Randeree	Chairman
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Hasan A. Bilgrami	Member
Mr. Kamal Afsar	Member

### Executive Committee

Mr. Ali Hussain	Chairman
Mr. Ali Raza Siddiqui	Member
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Hasan A. Bilgrami	Member
Mr. Shabir Ahmed Randeree / Mr. Fawad Anwar	Member

\* resigned effective from August 25, 2014.

**Company Secretary**  
Mr, Zahid Ali H. Jamall

**Auditors**  
A. F. Ferguson & Co.  
Chartered Accountants

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

**Management (in alphabetical order)**

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

**Registered Office**  
11th Floor, Executive Tower,  
Dolmen City, Marine Drive,  
Block-4, Clifton,  
Karachi.  
Phone (92-21) 111-247(BIP)-111  
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**Share Registrar**  
Technology Trade (Private) Limited  
Dagia House, 241-C, Block-2,  
P.E.C.H.S. Off: Shahra-e-Qaideen,  
Karachi.  
Phone: (92-21) 34387960-61  
Fax: (92-21) 34391318

**Website:**  
[www.bankislami.com.pk](http://www.bankislami.com.pk)



## DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the financial results of the Bank for the half year ended June 30, 2014. Following are the financial highlights:

	June 30, 2014	June 30, 2013	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	85,466	69,828	22.40%
Total Assets	97,164	80,677	20.44%
Total Financing and related assets - net	37,696	30,441	23.83%
Total Investments	35,803	30,179	18.64%
Shareholder's Equity	6,885	5,604	22.86%
Branch network - Number	201	142	41.55%
Basic Earnings per share - Rupees	0.299	0.184	62.50%

Salient features of the performance of the Bank during period under review are as follows:

- The Bank now commands the second largest market share in Islamic Banking in the country as defined in terms of deposits as well as network. This position, by Allah's Grace, was achieved in the shortest time by using the least amount of capital;
- Deposits of the Bank increased by 22.40% while the Cost of Fund declined by 36 basis points. CASA now accounts for 61.44% of the total deposits compared to 53.65% last year.
- The total Assets of the Bank were Rs. 97.16bn showing a growth of 20.44% compared to same period last year on back of healthy growth in financing and investments;
- Financing increased by 23.83% despite of a CAR requirement of 18% to be met by the Bank. In the backdrop of no significant issue of Shariah compliant Treasury paper, growth in Investments was indeed a commendable achievement;
- Asset infection ratio was 2.84% compared to 3.33% last year. Asset quality remained one of the best in the Banking industry despite improvement in financing to deposit ratio from 43.59% to 44.11%.
- Network of the Bank consists of 201 branches and sub branches covering 77 cities of Pakistan. The Bank plans to add 10 more branches in the last quarter of this year;
- The Other Income of the Bank showed a sizeable improvement. It was Rs. 328.39mn in 1HY14 or 43.21% better than Rs. 229.31mn in 1HY13 mainly on back of improvement in income from dealing in foreign currencies. Trade business was remarkable as it was Rs. 65bn as against Rs.32bn in similar period last year;

- The Profit after tax of the Bank was Rs. 157.65m, showing a growth of 62.22% compared to Rs. 97.18mn in 1HY13 mainly on back of improvement in profit earned, lower provisioning, increase in other income and control on administrative expenses.
- The Bank has a book value of Rs. 12.51 \*which grew from Rs.10.61 in June 2013.

The Planned rights issue of Rs. 400mn could not be completed due to delay in approvals. It is expected the rights issue shall be completed by end of September to be followed by another rights issue to meet the Minimum Capital Requirement of the State Bank of Pakistan.

A new Board was elected in April. Mr. Abdulhakim Binherz, a nominee Director of Dubai Bank, resigned from the Board on August 26, 2014. The Board would like to record their deep appreciation for his services. Moreover, we would also like to welcome Mr. Kamal Afsar as new member on the Board.

The Credit rating of BankIslami is 'A' for long term entity rating and 'A1' for short term rating by Pakistan Credit Rating Agency Limited (PACRA).

We would like to thank the State Bank of Pakistan and Securities and Exchange Commission for its continued support and guidance to us. Also, we would like to show our gratitude to the employees for their contribution towards BankIslami progress through their hard work and commitment.

On behalf of the Board,

**Hasan A Bilgrami**  
Chief Executive Officer  
August 28, 2014

\* Advance against issue of share capital is excluded from calculation.



## INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of **BankIslami Pakistan Limited** as at June 30, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2014.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### *Emphasis of matter paragraph*

We draw attention to note 1.2 to the condensed interim financial information which describes the matter relating to non-compliance with the required Capital Adequacy Ratio (CAR) and shortfall in minimum capital requirement of the Bank as at June 30, 2014. Our conclusion is not qualified in respect of this matter.

A.F. Ferguson & Co.  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: August 29, 2014  
Karachi

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2014

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
----- Rupees in `000 -----			
<b>ASSETS</b>			
Cash and balances with treasury banks	8	6,457,744	4,883,478
Balances with other banks	9	1,400,659	967,557
Due from financial institutions - net	10	10,933,991	6,511,173
Investments	11	35,803,003	31,610,287
Islamic financing and related assets - net	12	37,695,899	38,308,733
Operating fixed assets	13	3,212,568	2,958,077
Deferred tax assets	14	-	-
Other assets - net		1,660,250	1,616,289
		<b>97,164,114</b>	<b>86,855,594</b>
<b>LIABILITIES</b>			
Bills payable		958,561	835,562
Due to financial institutions	15	1,380,000	2,538,000
Deposits and other accounts	16	85,466,298	75,225,869
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		334,281	175,589
Other liabilities		2,140,158	1,838,373
		<b>90,279,298</b>	<b>80,613,393</b>
<b>NET ASSETS</b>			
		<b>6,884,816</b>	<b>6,242,201</b>
<b>REPRESENTED BY</b>			
Share capital	17	5,279,679	5,279,679
Advance against issue of share capital		277,905	-
Reserves		210,446	210,446
Unappropriated profit		187,649	24,829
		<b>5,955,679</b>	<b>5,514,954</b>
Surplus on revaluation of assets - net of tax	18	929,137	727,247
		<b>6,884,816</b>	<b>6,242,201</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	19		

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director





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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2014

		Quarter ended June 30, 2014	Half year ended June 30, 2014	Quarter ended June 30, 2013	Half year ended June 30, 2013
					--- (Restated) ---
	Note	Rupees in '000			
Profit / return earned	20	1,888,148	3,656,675	1,581,973	3,050,605
Profit / return expensed		1,105,750	2,154,628	878,521	1,790,074
Net spread earned		782,398	1,502,047	703,452	1,260,531
(Reversal) / provision against non-performing Islamic financing and related assets - net		(10,367)	2,108	56,348	74,411
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		455	455	-	-
		(9,912)	2,563	56,348	74,411
Net spread after provisions		792,310	1,499,484	647,104	1,186,120
<b>OTHER INCOME</b>					
Fee, commission and brokerage income		91,072	178,239	70,158	129,819
Dividend Income		-	-	-	-
Income from dealing in foreign currencies		47,654	110,050	11,730	28,731
Gain on sale of securities		22,155	22,155	-	6,709
Unrealised gain on revaluation of investments classified as held for trading		-	-	-	-
Other income		(1,684)	17,946	9,871	64,047
<b>Total other income</b>		159,197	328,390	91,759	229,306
		951,507	1,827,784	738,863	1,415,426
<b>OTHER EXPENSES</b>					
Administrative expenses		820,228	1,574,840	644,754	1,255,137
Other provisions		-	-	-	-
Other charges		2,620	6,904	1,825	16,204
Total other expenses		822,848	1,581,744	646,579	1,271,341
		128,659	246,130	92,284	144,085
Extraordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		128,659	246,130	92,284	144,085
Taxation					
- Current		20,162	39,629	24,058	32,243
- Prior periods		-	-	-	-
- Deferred		26,381	48,845	4,383	14,659
		46,543	88,474	28,441	46,902
<b>PROFIT AFTER TAXATION</b>		82,116	157,656	63,843	97,183
<b>Basic earnings per share</b>					
	21	0.156	0.299	0.121	0.184
<b>Diluted earnings per share</b>					
	21	0.156	0.299	0.121	0.184

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2014

	Quarter ended June 30, 2014	Half year ended June 30, 2014	Quarter ended June 30, 2013	Half year ended June 30, 2013
			--- (Restated) ---	
	----- Rupees in '000 -----			
Profit after taxation	82,166	157,656	63,843	97,183
Comprehensive income transferred to equity	82,166	157,656	63,843	97,183
Components of comprehensive income not reflected in equity :				
(Deficit) / surplus on revaluation of available for sale securities - net of tax	(179)	207,054	252	(39,162)
Total comprehensive income for the period	81,937	364,710	64,095	58,021

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013 (Restated)
	----- Rupees in `000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	246,130	144,085
<b>Adjustments for non - cash charges :</b>		
Depreciation on own assets	139,142	131,486
Depreciation on operating Ijarah assets	305,420	248,057
Amortisation of intangibles assets	8,582	14,380
Provision against non-performing islamic financing and related assets - net	2,108	74,411
Provision against other assets	-	-
Gain on sale of operating fixed assets	(3,785)	(51,342)
	451,467	416,992
	697,597	561,077
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	(4,422,818)	(3,043,465)
Islamic financing and related assets - net	305,306	(3,330,282)
Other assets (excluding advance taxation)	(37,772)	(114,424)
	(4,155,284)	(6,488,171)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	122,999	(528,229)
Due to financial institutions	(1,158,000)	1,176,385
Deposits and other accounts	10,240,429	5,611,794
Other liabilities (excluding current taxation)	301,785	150,994
	9,507,213	6,410,944
	6,049,526	483,850
Income tax paid	(45,819)	(15,701)
Net cash generated from operating activities	6,003,707	468,149
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available for sale securities	(3,875,814)	(1,305,649)
Investment in operating fixed assets	(402,391)	(128,544)
Proceeds from disposal of operating fixed assets	3,961	112,639
Net cash used in investing activities	(4,274,244)	(1,321,554)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Amount received as advance from sponsors in respect of right issue of shares	277,905	-
	277,905	-
Increase / (decrease) in cash and cash equivalents	2,007,368	(853,405)
Cash and cash equivalents at the beginning of the period	22 5,851,035	5,744,817
Cash and cash equivalents at the end of the period	22 7,858,403	4,891,412

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2014

	Share Capital	Advance against issue of share capital	Statutory Reserve	Unappropriated Profit / (Accumulated loss)	Total
----- Rupees in `000 -----					
Balance as at January 01, 2013	5,279,679	-	173,392	(115,268)	5,337,803
Profit after taxation for the half year ended June 30, 2013 transferred from Statement of Comprehensive Income - restated	-	-	-	97,183	97,183
Balance as at June 30, 2013 - restated	5,279,679	-	173,392	(18,085)	5,434,986
Profit after taxation for the half year ended December 31, 2013 transferred from Statement of Comprehensive Income	-	-	-	88,089	88,089
Transfer to statutory reserve	-	-	37,054	(37,054)	-
Remeasurements of the net defined benefit liability / (asset) - net of tax	-	-	-	(8,121)	(8,121)
Balance as at December 31, 2013	5,279,679	-	210,446	24,829	5,514,954
Profit after taxation for the half year ended June 30, 2014 transferred from Statement of Comprehensive Income	-	-	-	157,656	157,656
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	5,164	5,164
Amount received as advance from sponsors in respect of right issue of shares	-	277,905	-	-	277,905
Balance as at June 30, 2014	5,279,679	277,905	210,446	187,649	5,955,679

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2014**

**1 STATUS AND NATURE OF BUSINESS**

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

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

The Bank is operating through 201 branches including 89 sub branches as at June 30, 2014 (December 31, 2013: 201 branches including 89 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange Limited.

Based on the financial statements of the Bank for the year ended December 31, 2013, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013.

The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. Several extensions have been sought from SBP from time to time for meeting the capital requirement of Rs. 6 billion (free of losses) through issue of right shares. However, the process of right issue could not be initiated due to various reasons. The Bank has also been advised several times by the SBP for submission of concrete time bound capital plan for complying with prevailing and future regulatory capital requirements.

The Bank vide its letter dated November 8, 2013, requested the SBP to approve the issuance of 63,191,153 right shares at a discounted price of Rs 6.33 per share (discount of Rs. 3.67 per share) to raise paid up capital of Rs. 400 million. Accordingly, the SBP has in-principle approved the issuance of right shares subject to the following conditions:

- The right issue must be fully and firmly underwritten
- The Bank will approach the Banking Policy and Regulations Department of the SBP for final approval after completion of all other regulatory and legal requirements, including SECP's requirements relating to issue of shares at a discount, prior to issuance of right shares.

The SBP in the said letter has further advised the Bank to submit a concrete, time bound board approved capital plan to meet the regulatory MCR of Rs.10 billion. The capital plan approved by the Board of directors has been duly submitted by the Bank to the SBP vide its letter dated December 3, 2013.

During the current period, an extra ordinary general meeting of the shareholders was held on February 22, 2014 to approve the issuance of right shares at a discounted price of Rs 6.33 per share. The shareholders' approval has been taken and other legal requirements are under way.

Most recently, the SBP vide its letter No BPRD/BA&CPD/618/3905/2014 dated March 12, 2014 has prescribed minimum CAR at 16% in case the paid-up capital net of loss is at least Rs 6 billion or 18% if it falls below Rs.6 billion.

The Bank filed an application with the Securities and Exchange Commission of Pakistan (SECP) for granting approval in respect of issuance of 63 million shares at a discount of 36.7 percent below par value i.e. at Rs 6.33 per share by way of right issue amounting to Rs 400 million. However, the Securities and Exchange Commission of Pakistan (SECP), in response, vide its letter dated May 5, 2014 has approved issuance of 47.9 million shares at a price of Rs 8.35 per share (i.e. at a discount of Rs 1.65 per share) to raise paid up capital of Rs 400 million subject to approval of SECP for exemption under the requirement of Balloters, Transfer Agents and Underwriters Rules, 2001. The sponsors of the bank have subscribed an amount of Rs 277.905 million representing their own entitlement in advance. The formal right issue will be made once SECP's approval in respect of exemption from the requirements of Balloters, Transfer Agents and Underwriters Rules, 2001 and SBP's final approval has been obtained. The sponsors have also given their consent and have entered into a subscription and underwriting agreement (individually) with the Bank to take up a certain proportion of shares in case the same has not been exercised by the general public. The sponsors collectively have underwritten the balance amount i.e. Rs 122.095 million.

The equity of the Bank (excluding advance against issue of shares amounting to Rs 277.905 million) as at June 30, 2014 was Rs 5.28 billion although its CAR stood at 17.92 percent.

## **2 BASIS OF PRESENTATION**

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



### 3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the Securities and Exchange Commission of Pakistan (SECP), provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinances, 1984 and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall prevail.
- 3.2 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of this condensed interim financial information. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 The disclosures made in the condensed interim financial information have been limited based on the format prescribed by the SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of IAS 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2013.
- 3.4 IFRS 8 "Operating Segments" is effective for the Bank's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in this condensed interim financial information is based on the requirements laid down by the SBP.

3.5 The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the surplus / (deficit) on revaluation of Available For Sale (AFS) securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.

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

3.6.1 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 effective from financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has no material impact on this condensed interim financial information except for disclosure relating to deposits as disclosed in note 16 to this condensed interim financial information.

3.6.2 During the year ended December 31, 2012, the management of the Bank had executed certain transactions relating to sale of ijarah sukuks and had recognised capital gain on such transactions amounting to Rs 202.4 million. The State Bank of Pakistan (SBP) however raised certain concerns on such transactions and directed the Bank to reverse such transactions as if this had not happened.

In order to give effect to the SBP's directive, the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" have been considered and the impact of such transactions have been reversed in the condensed interim financial information by restating the comparative figures. The effects are summarised below:

	Quarter ended June 30, 2013	Half year ended June 30, 2013
Note		
	----- Rupees in '000 -----	
<b>Impact on condensed interim profit and loss account</b>		
Increase in profit / return earned	31,562	62,355
Increase in other charges	631	1,247
Increase in taxation - current	316	624
Increase in taxation - deferred	10,731	21,201
<b>Impact on condensed interim statement of comprehensive income</b>		
Increase in profit after tax	19,884	39,283
Decrease in deficit on revaluation of available for sale securities - net of tax	(20,515)	(40,531)
	----- Rupees -----	
<b>Impact on (loss) / earnings per share - basic / diluted</b>		
Increase in earnings per share - basic / diluted	0.038	0.074





Half year  
ended June  
30, 2013  
Rupees in '000

#### Impact on condensed interim cash flow statement

Increase in profit before taxation	61,108
Increase in other liabilities (excluding current taxation)	1,247
Increase in net investment in available-for-sale securities	62,355

#### Impact on Statement of Financial Position

There will be no impact on the Statement of Financial Position for comparative period (i.e. as at December 31, 2013).

#### 4 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value in accordance with the requirements of the SBP. Further, staff retirement benefits have been carried at present value as determined under the International Accounting Standard (IAS) 19 (revised), "Employee Benefits".

#### 5 FUNCTIONAL AND PRESENTATION CURRENCY

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

#### 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used 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, 2013.

#### 7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2013.

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
		----- Rupees in `000 -----	
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
- local currency		1,389,846	1,215,403
- foreign currency		182,869	189,972
		<u>1,572,715</u>	<u>1,405,375</u>
With the State Bank of Pakistan in			
- local currency current account		3,537,830	2,397,423
- foreign currency deposit accounts			
Cash Reserves Account		187,657	85,840
Special Cash Reserve Account		-	103,744
US Dollar Clearing Account		50,956	49,760
		<u>238,613</u>	<u>239,344</u>
With the National Bank of Pakistan in			
- local currency current account		1,108,586	841,336
		<u>6,457,744</u>	<u>4,883,478</u>
<b>9 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- on current accounts		14,445	6,353
- on deposit accounts		116	128
		<u>14,561</u>	<u>6,481</u>
Outside Pakistan			
- on current accounts		1,386,098	961,076
- on deposit accounts		-	-
		<u>1,386,098</u>	<u>961,076</u>
		<u>1,400,659</u>	<u>967,557</u>
<b>10 DUE FROM FINANCIAL INSTITUTIONS</b>			
Sukuk Murahaba	10.1	6,418	6,418
Commodity Murahaba - local currency	10.2	10,933,991	6,511,173
		<u>10,940,409</u>	<u>6,517,591</u>
Musharaka Placement		-	-
		<u>10,940,409</u>	<u>6,517,591</u>
Provision against Sukuk Murahaba		(6,418)	(6,418)
		<u>10,933,991</u>	<u>6,511,173</u>
10.1 The Bank entered into a Sukuk Murabaha arrangement under which the Bank appointed its client as an agent under asset purchase agreements to purchase the underlying sukuks from the open market on its behalf and later sell them on deferred Murahaba basis. The maturity date of the deal was February 08, 2009. The Bank is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.			



- 10.2 The Bank has entered into Commodity 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 rates on the agreements range between 7.00% to 10.35% (December 31, 2013: 9.95% to 10.35%) per annum and the agreements have a maturity ranging from 1 day to 122 days (December 31, 2013: 2 days to 7 days).

## 11 INVESTMENTS

### 11.1 Investments by type

	(Un-audited) June 30, 2014			(Audited) December 31, 2013		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	----- Rupees in '000 -----					
<b>Available for sale securities</b>						
- Sukuks / Certificates	35,125,381	-	35,125,381	31,249,567	-	31,249,567
- Units of open - end mutual fund	15	-	15	15	-	15
- Units of closed - end mutual fund	6	-	6	6	-	6
	<u>35,125,402</u>	<u>-</u>	<u>35,125,402</u>	<u>31,249,588</u>	<u>-</u>	<u>31,249,588</u>
<b>Subsidiary</b>						
- BankIslami Modaraba Investments Limited - Unlisted company	191,015	-	191,015	191,015	-	191,015
<b>Total investments at cost</b>	<u>35,316,417</u>	<u>-</u>	<u>35,316,417</u>	<u>31,440,603</u>	<u>-</u>	<u>31,440,603</u>
<b>Less : Provision for diminution in value of investments</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Investments - net of provisions</b>	<u>35,316,417</u>	<u>-</u>	<u>35,316,417</u>	<u>31,440,603</u>	<u>-</u>	<u>31,440,603</u>
Surplus on revaluation of available for sale securities	486,586	-	486,586	169,684	-	169,684
<b>Total investments at market value</b>	<u><u>35,803,003</u></u>	<u><u>-</u></u>	<u><u>35,803,003</u></u>	<u><u>31,610,287</u></u>	<u><u>-</u></u>	<u><u>31,610,287</u></u>

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	----- Rupees in '000 -----	
<b>11.2 Investments by segments</b>		
<b>Federal Government Securities</b>		
GOP Ijarah Sukuks	33,172,119	29,283,051
<b>Sukuks / Certificates</b>		
Sukuks - unlisted	1,953,262	1,966,516
<b>Fully paid up ordinary shares / units</b>		
Unlisted subsidiary company	191,015	191,015
Units of open - end mutual funds	15	15
Units of closed - end mutual funds	6	6
<b>Total investments at cost</b>	<u>35,316,417</u>	<u>31,440,603</u>
Less: Provision for diminution in value of investments	<u>-</u>	<u>-</u>
<b>Investments - net of provisions</b>	<u>35,316,417</u>	<u>31,440,603</u>
Surplus on revaluation of available for sale securities	486,586	169,684
<b>Total investments at market value</b>	<u><u>35,803,003</u></u>	<u><u>31,610,287</u></u>

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
		----- Rupees in `000 -----	
<b>12 ISLAMIC FINANCING AND RELATED ASSETS</b>			
In Pakistan			
- Murabaha financing and related assets	12.1	13,248,614	9,304,737
- Istisn'a financing and related assets	12.2	5,861,488	9,231,316
- Diminishing Musharka - Housing		2,928,569	2,305,290
- Diminishing Musharka financing and related assets - Others	12.3	4,944,133	5,498,705
- Against Bills - Murabaha		-	25,026
- Post Due Acceptance		1,086	29,076
- Musawama financing and related assets	12.4	7,644,847	9,150,261
- Financing to employees		1,014,874	973,125
- Payment Against Document		64,999	-
- Salam financing and related assets		-	250,000
		<u>35,708,610</u>	<u>36,767,536</u>
Housing finance portfolio		105,999	120,022
Net investment in Ijara financing In Pakistan		93,937	106,097
Ijarah financing under IFAS 2 and related assets	12.5	<u>2,412,774</u>	<u>1,938,391</u>
<b>Islamic financing and related assets – gross</b>		<u>38,321,320</u>	<u>38,932,046</u>
Less: Provision against non-performing Islamic financing and related assets			
- Specific		(568,514)	(575,843)
- General		(56,907)	(47,470)
<b>Islamic financing and related assets – net of provisions</b>		<u>37,695,899</u>	<u>38,308,733</u>
<b>12.1 Murabaha financing and related assets</b>			
Murabaha financing		8,042,248	6,577,204
Advance against murabaha financing		<u>5,206,366</u>	<u>2,727,533</u>
		<u>13,248,614</u>	<u>9,304,737</u>
<b>12.2 Istisn'a financing and related assets</b>			
Istisn'a financing		2,050,212	3,015,335
Advance against Istisn'a financing		3,811,276	5,976,931
Istisn'a inventories		-	239,050
		<u>5,861,488</u>	<u>9,231,316</u>



	(Un-audited) June 30, 2014	(Audited) December 31, 2013
Note	----- Rupees in `000 -----	
<b>12.3 Diminishing Musharka financing and related assets</b>		
Diminishing Musharka financing	4,915,433	5,486,460
Advance against Diminishing Musharka financing	28,700	12,245
	<u>4,944,133</u>	<u>5,498,705</u>
<b>12.4 Musawama financing and related assets</b>		
Musawama financing	2,540,995	2,030,121
Musawama inventories	5,103,852	7,120,140
	<u>7,644,847</u>	<u>9,150,261</u>
<b>12.5 Ijarah financing under IFAS 2 and related assets</b>		
Net book value of assets / investment in Ijarah under IFAS 2	2,244,830	1,769,147
Advance against Ijarah financing	167,944	169,244
	<u>2,412,774</u>	<u>1,938,391</u>
12.6 Murabaha financing and related assets includes financing amounting to Rs. 455.996 million (December 31, 2013: Rs. 571.770 million) against Murabaha and advance amounting to Rs. Nil (December 31, 2013: Rs. 42 million) under Islamic Export Refinance Scheme.		
12.7 Istisna financing and related assets includes financing amounting to Rs. 8 million (December 31, 2013: Rs. Nil million) against Istisna and advance amounting to Rs. 80 million (December 31, 2013: Rs. 30 million) under Islamic Export Refinance Scheme.		
12.8 Islamic financing and related assets include Rs. 1,091.721 million (December 31, 2013: Rs. 1,108.871 million) which have been placed under non-performing status as follows:		

Category of Classification	June 30, 2014						
	Classified Islamic financing and related assets			Provision Required			Provision Held
	Domestic	Overseas	Total	Domestic	Overseas	Total	
Other Assets especially mentioned (OAEM)	50,587	-	50,587	-	-	-	-
Substandard	111,214	-	111,214	2,080	-	2,080	2,080
Doubtful	74,282	-	74,282	6,242	-	6,242	6,242
Loss	855,638	-	855,638	560,192	-	560,192	560,192
	1,091,721	-	1,091,721	568,514	-	568,514	568,514

Category of Classification	December 31, 2013						
	Classified Islamic financing and related assets			Provision Required			Provision Held
	Domestic	Overseas	Total	Domestic	Overseas	Total	
Rupees in '000							
Other Assets especially mentioned (OAEM)	-	-	-	-	-	-	-
Substandard	133,313	-	133,313	1,431	-	1,431	1,431
Doubtful	24,725	-	24,725	2,576	-	2,576	2,576
Loss	950,833	-	950,833	571,836	-	571,836	571,836
	1,108,871	-	1,108,871	575,843	-	575,843	575,843



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

	June 30, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	575,843	47,470	623,313	467,002	33,565	500,567
Charge for the period / year	39,977	9,437	49,414	172,753	13,905	186,658
Reversals	(47,306)	-	(47,306)	(63,912)	-	(63,912)
	(7,329)	9,437	2,108	108,841	13,905	122,746
Amounts written off during the period / year	-	-	-	-	-	-
Closing balance	568,514	56,907	625,421	575,843	47,470	623,313

12.9.2 The Bank maintains general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

12.9.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financings. The benefit availed as at June 30, 2014 amounts to Rs 751 million (December 2013: Rs 354.050 million). The additional profit arising from availing the FSV benefit - net of tax as at June 30, 2014 amounts to Rs 495.824 million (December 2013: 230.133 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

(Un-audited) (Audited)  
June 30, December 31,  
2014 2013  
----- Rupees in '000 -----

### 13 OPERATING FIXED ASSETS

Capital work-in-progress	48,704	192,893
Property and equipment	3,124,716	2,736,637
Intangible assets	39,148	28,547
	<u>3,212,568</u>	<u>2,958,077</u>

(Un-audited) (Un-audited)  
June June  
30, 2014 30, 2013  
----- Rupees in '000 -----

#### 13.1 Additions to operating fixed assets - net

Freehold land	-	3,587
Furniture and fixture	229,568	39,822
Electrical, office and computer equipment	153,640	59,993
Vehicles	-	1,099
Capital work-in-progress	-	19,369

	(Un-audited) June 30, 2014	(Un-audited) June 30, 2013
	----- Rupees in `000 -----	
<b>13.2 Intangibles</b>		
Computer software	19,183	4,674
<b>13.3 Disposals of operating fixed assets</b>		
Buildings on leasehold land	-	82,542
Furniture and fixture	-	177
Electrical, office and computer equipments	4,004	1,231
Vehicles	13	1,866

#### 14 DEFERRED TAX ASSET - NET

The Bank has an aggregate amount of Rs 237.912 million (December 31, 2013: Rs. 441.326 million) in respect of tax losses as at June 30, 2014. The management carries out periodic assessment to assess the benefit of these losses as the Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs 83.269 million (December 31, 2013: Rs.154.464 million) on the entire available losses. The amount of this benefit has been determined based on the projected financial statements for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	----- Rupees in `000 -----	
<b>15 DUE TO FINANCIAL INSTITUTIONS</b>		
In Pakistan	1,380,000	2,538,000
Outside Pakistan	-	-
	<u>1,380,000</u>	<u>2,538,000</u>

#### 16 DEPOSITS AND OTHER ACCOUNTS

##### Customers

Fixed deposits	32,705,061	34,607,878
Savings deposits	32,463,196	27,249,907
Current accounts - Non-Remunerative	17,903,551	12,276,481
Margin accounts-Non Remunerative	191,137	197,882
	<u>83,262,945</u>	<u>74,332,148</u>

##### Financial institutions

Remunerative deposits	2,013,148	745,605
Non-remunerative deposits	190,205	148,116
	<u>2,203,353</u>	<u>893,721</u>
	<u>85,466,298</u>	<u>75,225,869</u>





	(Un-audited) June 30, 2014	(Audited) December 31, 2013	
	----- Rupees in `000 -----		
<b>16.1 Particulars of deposits</b>			
In local currency	83,855,731	73,620,852	
In foreign currencies	<u>1,610,567</u>	<u>1,605,017</u>	
	<u>85,466,298</u>	<u>75,225,869</u>	
16.2	Above includes deposits amounting to Rs 67 million (December 31, 2013: 63 million) which are on Mudaraba basis (i.e. classifiable as redeemable capital as defined under IFAS 3).		
<b>17 SHARE CAPITAL</b>			
<b>17.1 Authorised capital</b>			
	(Un-audited) June 30, 2014	(Audited) December 31, 2013	
	----- Number of Shares -----		
	<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each
			<u>13,000,000</u> <u>13,000,000</u>
<b>17.2 Issued, subscribed and paid up capital</b>			
	(Un-audited) June 30, 2014	(Audited) December 31, 2013	
	----- Number of Shares -----		
			Ordinary shares of Rs. 10 each
	<u>527,967,898</u>	<u>527,967,898</u>	fully paid in cash
	<u>527,967,898</u>	<u>527,967,898</u>	<u>5,279,679</u> <u>5,279,679</u>
			<u>5,279,679</u> <u>5,279,679</u>
<b>18 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus / (Deficit) arising on revaluation of:			
Fixed assets	611,781	616,945	
Available for sale securities	<u>317,356</u>	<u>110,302</u>	
	<u>929,137</u>	<u>727,247</u>	
<b>18.1 Surplus on revaluation of fixed assets</b>			
Freehold Land	96,222	96,222	
Building on lease hold land	<u>793,168</u>	<u>801,112</u>	
	<u>889,390</u>	<u>897,334</u>	
Related deferred tax liability	<u>(277,609)</u>	<u>(280,389)</u>	
	<u>611,781</u>	<u>616,945</u>	

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	----- Rupees in `000 -----	
<b>18.2 Surplus on revaluation of available for sale securities</b>		
<b>Federal Government Securities</b>		
- Ijara Sukuk Bonds	483,513	170,128
<b>Sukuk certificates</b>		
- Sukuks unlisted	3,051	(466)
<b>Fully paid up ordinary shares / Units</b>		
- Units of Open end Mutual Funds	14	14
- Units of Closed end Mutual Funds	8	8
	486,586	169,684
Related deferred tax liability	(169,230)	(59,382)
	<u>317,356</u>	<u>110,302</u>
<b>19 CONTINGENCIES AND COMMITMENTS</b>		
<b>19.1 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
- Government	299,083	283,827
- Others	2,347,075	2,003,514
	<u>2,646,158</u>	<u>2,287,341</u>
<b>19.2 Trade-related contingent liabilities</b>		
Import letters of credit	3,617,843	3,950,372
Acceptances	160,345	535,042
	<u>3,778,188</u>	<u>4,485,414</u>
<b>19.3 Suit filed by customers for recovery of alleged losses suffered pending in the High Court which the bank does not acknowledge as debt</b>	<u>172,323</u>	<u>831,083</u>
19.3.1 These mainly represent counter claims filed by the borrowers for restricting the Bank for disposal of assets (such as mortgaged / pledged assets kept as security) cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.		
19.3.2 The Deputy Commissioner Inland Revenue (DCIR) has passed certain assessment orders against the Bank vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69,431,000 was raised against the Bank mainly in respect of income from dealing in foreign currencies and certain disputes regarding deposit of the amount amongst federal and provincial government.		



The bank has duly filled appeal for the stay order of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment orders were confirmed by the Commissioner Inland Revenue (Appeals). The stay applications were heard on February 23, 2013. The ATIR has accepted the stay application of the Bank and has verbally directed that no recovery of demand should be initiated against the Bank till the decision of the main case by the ATIR. The Bank has deposited an amount of Rs. 10.4 million as a minimum fee (that is adjustable / refundable) for filing appeal against the said case. The management of the Bank is confident that the above matter will be decided in its favor and, hence, no provision against any liability which may arise in this respect has been made in this condensed financial information.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	----- Rupees in `000 -----	
<b>19.4 Commitments in respect of promises</b>		
Purchase	<u>1,275,723</u>	<u>1,368,635</u>
Sale	<u>1,773,082</u>	<u>1,111,164</u>
<b>19.5 Commitments for the acquisition of operating fixed assets</b>	<u>14,353</u>	<u>131,083</u>
<b>19.6 Commitments in respect of financing facilities</b>		
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.		
<b>19.7 Other commitments</b>		
Bills for collection	<u>88,872</u>	<u>93,191</u>
	(Un-audited) June 30, 2014	(Un-audited) June 30, 2013 (Restated)
	----- Rupees in `000 -----	
<b>20 PROFIT / RETURN EARNED</b>		
On Islamic financing and related assets to:		
- Customers	<u>1,839,759</u>	<u>1,317,898</u>
- Financial Institutions	<u>382,266</u>	<u>381,771</u>
	<u>2,222,025</u>	<u>1,699,669</u>
On Investments - available for sale securities	<u>1,412,695</u>	<u>1,335,050</u>
On deposits / placements with financial institutions	<u>1,741</u>	<u>328</u>
Others	<u>20,214</u>	<u>15,558</u>
	<u>3,656,675</u>	<u>3,050,605</u>

		Quarter ended June 30, 2014	Half year ended June 30, 2014	Quarter ended June 30, 2013	Half year ended June 30, 2013
		(Unaudited)		----- (Restated) ----- (Unaudited)	
		----- Rupees in '000 -----			
<b>21 BASIC AND DILUTED EARNINGS PER SHARE</b>					
Profit after taxation for the period		<u>82,116</u>	<u>157,656</u>	<u>63,843</u>	<u>97,183</u>
		----- Number of shares -----			
Weighted average number of ordinary shares		<u>527,967,898</u>	<u>527,967,898</u>	<u>527,967,898</u>	<u>527,967,898</u>
		----- Rupees -----			
Basic and diluted earnings per share	21.1	<u>0.156</u>	<u>0.299</u>	<u>0.121</u>	<u>0.184</u>

21.1 There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2014 and June 30, 2013.

		(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Note	----- Rupees in '000 -----	
<b>22 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury bank	8	<u>6,457,744</u>	4,883,478
Balances with other banks	9	<u>1,400,659</u>	967,557
		<u>6,472,305</u>	<u>5,851,035</u>

## 23 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
	----- Rupees in '000 -----				
For the half year ended June 30, 2014 (Un-audited)					
Total income	384,339	2,146,098	1,351,266	103,362	3,985,065
Total expenses	89,380	1,996,822	1,033,019	619,714	3,738,935
Net income / (loss) before tax	<u>294,959</u>	<u>149,276</u>	<u>318,247</u>	<u>(516,352)</u>	<u>246,130</u>
As at June 30, 2014 (Un-audited)					
Segment assets (gross)	51,473,720	7,452,280	36,764,118	2,140,863	97,830,981
Segment non performing assets	296,040	407,768	701,565	4,043	1,409,416
Segment provision held	19,790	188,609	454,424	4,043	666,867
Segment liabilities	<u>992,243</u>	<u>56,458,916</u>	<u>31,598,844</u>	<u>1,229,295</u>	<u>90,279,298</u>
Segment return on assets (ROA) (%)	<u>1.16%</u>	<u>4.04%</u>	<u>1.75%</u>		
Segment cost of funds (%)	<u>8.29%</u>	<u>5.31%</u>	<u>6.67%</u>		



	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
----- Rupees in `000 -----					
<b>For the half year ended June 30, 2013 (Un-audited)</b>					
Total Income - restated	47,250	2,034,263	1,118,739	79,660	3,279,911
Total Expenses - restated	36,804	1,706,281	911,330	481,412	3,135,826
Net income / (loss) before tax - restated	10,446	327,982	207,409	(401,752)	144,085
<b>As at June 30, 2013 (Un-audited)</b>					
Segment assets (gross)	43,917,884	5,943,292	29,085,366	2,342,715	81,289,257
Segment non performing assets	296,040	410,082	642,064	-	1,348,186
Segment provision held	19,790	196,651	395,939	-	612,381
Segment liabilities	2,152,553	46,755,718	25,224,722	939,900	75,072,893
Segment return on assets (ROA) (%)	0.05%	11.13%	1.44%		
Segment cost of funds (%)	9.41%	5.40%	6.48%		

## 24 RELATED PARTY TRANSACTIONS

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

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

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

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

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
----- Rupees in `000 -----		
<b>SUBSIDIARY</b>		
<b>Deposits:</b>		
Opening balance	55,877	105,869
Deposit during the period / year	135,273	734,848
Withdrawal during the period / year	(129,566)	(784,840)
Closing balance	61,584	55,877

	(Unaudited) June 30, 2014	(Unaudited) June 30, 2013
	----- Rupees in `000 -----	
Transactions, income and expenses:		
Profit / return on deposits expensed	3,837	1,609

## ASSOCIATES

### Islamic financing and related assets :

Opening balance	5,839 *	25,371
Disbursed during the period / year	9,278	36,852
Repaid during the period / year	(12,059)	(55,752)
Closing balance	3,058	6,471

### Deposits:

Opening balance	237,656	101,686
Deposit during the period / year	624,137	1,148,139
Withdrawal during the period / year	(501,039)	(1,012,169)
Closing balance	360,754	237,656

### Prepayments:

At beginning of the period	7,632	4,892
Additions during the period / year	3,516	14,314
Expired during the period / year	(11,148)	(11,574)
At the end of the period	-	7,632

	(Unaudited) June 30, 2014	(Unaudited) June 30, 2013
	----- Rupees in `000 -----	
Transactions, income and expenses:		
Profit / return on deposits expensed	11,794	4,590
Repair and maintenance	35,334	35,817
Insurance	11,148	5,304



#### KEY MANAGEMENT PERSONNEL

##### Islamic financing and related assets :

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
Opening balance	63,199 *	100,246
Disbursed during the period / year	-	30,308
Repaid during the period / year	(2,545)	(40,320)
Closing balance	60,654	90,234

##### Deposits:

	(Un-audited) June 30, 2014	(Un-audited) June 30, 2013
Opening balance	29,707 *	10,959
Deposit during the period / year	60,043	118,277
Withdrawal during the period / year	(68,770)	(98,885)
Closing balance	20,980	30,351

##### Transactions, income and expenses:

Profit / return earned on Islamic financing and related assets	641	1,702
Profit / return on deposits expensed	314	88
Remuneration	22,241	28,043

##### Employee Benefit plans

Contribution to Employees Gratuity Fund	7,806	29,255
Contribution to Employees Provident Fund	18,080	17,710

\* Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the opening balance of the current year.

#### 25 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 28, 2014 by the Board of Directors of the Bank.

#### 26 GENERAL

26.1 Corresponding information has been re-classified, re-arranged or additionally incorporated in this condensed interim financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. There were no significant reclassifications during the current period except as explained in note 3.6.2

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

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

Consolidated Financial Statements  
of  
**BankIslami Pakistan Limited**  
for the Half year Ended  
June 30, 2014





## **DIRECTORS' REPORT (CONSOLIDATED)**

On behalf of the Board, I am pleased to present the consolidated financial results of the Group for the period ended June 30, 2014. Following are the highlights:

	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>Growth (%)</b>
.....Rupees in 'millions'.....			
Total Deposits	85,405	69,719	22.50%
Total Assets	97,111	80,565	20.54%
Total Financing and related assets - net	37,696	30,441	23.83%
Total Investments	35,622	29,998	18.75%
Shareholder's Equity	6,892	5,605	22.96%
Branch network - Number	201	142	41.55%
Basic Earnings per share - Rupees	0.302	0.188	60.64%

The Group performance remained satisfactory. The Group was able to post a Profit after tax of Rs. 159.58mn compared to Rs. 99.09mn for same period last year, an increase of 61.04%, on back of healthy growth in its deposit, Investments and Assets compared to corresponding period last year.

We expect the better results for the Group going forward due to change in the senior management and re-structuring of business in BankIslami Modaraba Investment Limited.

Finally, we would like to place on record our appreciation to State Bank of Pakistan and Securities and Exchange Commission for their continued support, guidance as well as understanding. Also, we would like to show gratitude to the employees of BankIslami and BankIslami Modaraba Investment Limited for their contribution towards the Group's progress through their hard work and commitment.

On behalf of the Board,

**Hasan A Bilgrami**  
Chief Executive Officer  
August 28, 2014

## CONDENSED INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT JUNE 30, 2014

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	----- Rupees in `000 -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	6,457,744	4,883,483
Balances with other banks	1,401,147	1,018,717
Due from financial institutions - net	10,933,991	6,511,173
Investments	35,621,500	31,429,302
Islamic financing and related assets - net	37,695,899	38,308,733
Operating fixed assets	3,219,921	2,966,620
Deferred tax assets	-	-
Other assets - net	1,780,490	1,682,910
	<b>97,110,692</b>	<b>86,800,938</b>
<b>LIABILITIES</b>		
Bills payable	958,561	835,562
Due to financial institutions	1,380,000	2,538,000
Deposits and other accounts	85,404,762	75,169,991
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	333,176	175,216
Other liabilities	2,141,849	1,836,286
	<b>90,218,348</b>	<b>80,555,055</b>
<b>NET ASSETS</b>	<b>6,892,344</b>	<b>6,245,883</b>
<b>REPRESENTED BY</b>		
Share capital	5,279,679	5,279,679
Advance against issue of Share Capital	277,905	-
Reserves	210,446	210,446
Unappropriated profit	191,945	27,199
	<b>5,959,975</b>	<b>5,517,324</b>
Surplus on revaluation of assets - net of tax	932,369	728,559
	<b>6,892,344</b>	<b>6,245,883</b>

## CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2014

	Quarter ended June 30, 2014	Half year ended June 30, 2014	Quarter ended June 30, 2013	Half year ended June 30, 2013
	--- (Restated) ---			
	----- Rupees in '000 -----			
Profit / return earned	1,889,398	3,659,242	1,582,216	3,051,100
Profit / return expensed	1,104,475	2,152,254	876,285	1,785,823
Net spread earned	784,923	1,506,988	705,931	1,265,277
(Reversal) / Provision against non-performing				
Islamic financings and related assets - net	(10,367)	2,108	56,348	74,411
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	455	455	-	-
	(9,912)	2,563	56,348	74,411
Net spread after provisions	794,835	1,504,425	649,583	1,190,866
<b>OTHER INCOME</b>				
Fee, commission and brokerage Income	91,072	178,239	70,154	129,815
Dividend income	-	-	-	-
Income from dealing in foreign currencies	47,654	110,050	11,730	28,730
Gain on sale of securities	22,155	22,155	-	6,709
Other income	(1,616)	18,014	9,871	64,048
<b>Total other income</b>	159,265	328,458	91,755	229,302
	954,100	1,832,883	741,338	1,420,168
<b>OTHER EXPENSES</b>				
Administrative expenses	822,161	1,578,325	646,031	1,257,349
Other provisions	-	-	-	-
Other charges	2,625	6,918	1,841	16,238
<b>Total other expenses</b>	824,786	1,585,243	647,872	1,273,587
	129,314	247,640	93,466	146,581
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	129,314	247,640	93,466	146,581
<b>Taxation</b>				
-Current	20,341	39,945	24,350	32,872
-Prior periods	-	-	-	-
-Deferred	25,649	48,113	4,356	14,617
	45,990	88,058	28,706	47,489
<b>PROFIT AFTER TAXATION</b>	83,324	159,582	64,760	99,092
	----- (Rupees) -----			
<b>Basic earnings per share</b>	0.158	0.302	0.123	0.188
	----- (Rupees) -----			
<b>Diluted earnings per share</b>	0.158	0.302	0.123	0.188

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2014

	Quarter ended June 30, 2014	Half year ended June 30, 2014	Quarter ended June 30, 2013	Half year ended June 30, 2013
			--- (Restated) ---	
	----- Rupees in `000 -----			
Profit after taxation	83,324	159,582	64,760	99,092
Comprehensive income transferred to equity	83,324	159,582	64,760	99,092
Components of comprehensive income not reflected in equity :				
(Deficit) / Surplus on revaluation of available for sale securities - net of tax	(39)	208,974	252	(40,157)
Total comprehensive income for the period	83,285	368,556	65,012	58,935

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013 (Restated)
	----- Rupees in `000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	247,640	146,581
<b>Adjustments for non - cash charges :</b>		
Depreciation - Own assets	138,403	130,900
Depreciation - Operating Ijarah assets	305,420	248,057
Amortisation of intangible assets	8,582	14,380
Provision against non-performing Islamic financings and related assets - net	2,108	74,411
Provision against other assets	-	-
Gain on sale of operating fixed assets	(3,855)	(51,342)
	450,658	416,406
	698,298	562,987
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	(4,422,818)	(3,043,465)
Islamic financings and related assets - net	305,306	(3,330,281)
Others assets (excluding advance taxation)	(90,884)	(113,911)
	(4,208,396)	(6,487,657)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	122,999	(528,229)
Due to financial institutions	(1,158,000)	1,176,385
Deposits and other accounts	10,234,771	5,608,525
Other liabilities (excluding current taxation)	305,563	146,223
	9,505,333	6,402,904
	5,995,235	478,234
Income tax paid	(46,642)	(13,267)
<b>Net cash generated from operating activities</b>	5,948,593	464,967
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(3,873,376)	(1,302,462)
Investments in operating fixed assets	(400,462)	(128,546)
Proceeds from disposal of operating fixed assets	4,031	112,639
<b>Net cash used in investing activities</b>	(4,269,807)	(1,318,369)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Amount received as advance from sponsors in respect of right issue of shares	277,905	-
	277,905	-
<b>Increase / (decrease) in cash and cash equivalents</b>	1,956,691	(853,402)
Cash and cash equivalents at the beginning of the period	5,902,200	5,744,994
<b>Cash and cash equivalents at the end of the period</b>	7,858,891	4,891,592

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2014

	Share Capital	Advance against issue of share capital	Statutory Reserve	Unappropriated Profit / (Accumulated loss)	Total
----- Rupees in `000 -----					
Balance as at January 01, 2013	5,279,679	-	173,392	(116,326)	5,336,745
Profit after taxation for the half year ended June 30, 2013 transferred from Statement of Comprehensive Income - restated	-	-	-	99,092	99,092
Balance as at June 30, 2013 - restated	5,279,679	-	173,392	(17,234)	5,435,837
Profit after taxation for the half year ended December 31, 2013 transferred from Statement of Comprehensive Income	-	-	-	89,718	89,718
Transfer to statutory reserve	-	-	37,054	(37,054)	-
Remeasurements of the net defined benefit liability / (asset) - net of tax	-	-	-	(8,231)	(8,231)
Balance as at December 31, 2013	5,279,679	-	210,446	27,199	5,517,324
Profit after taxation for the half year ended June 30, 2014 transferred from Statement of Comprehensive Income	-	-	-	159,582	159,582
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	5,164	5,164
Amount received as advance from sponsors in respect of right issue of shares	-	277,905	-	-	277,905
Balance as at June 30, 2014	5,279,679	277,905	210,446	191,945	5,959,975

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2014

### 1. STATUS AND NATURE OF BUSINESS

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

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

The Bank is operating through 201 branches including 89 sub branches as at June 30, 2014 (December 31, 2013: 201 branches including 89 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange Limited.

Based on the financial statements of the Bank for the year ended December 31, 2013, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013.

The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. Several extensions have been sought from SBP from time to time for meeting the capital requirement of Rs. 6 billion (free of losses) through issue of right shares. However, the process of right issue could not be initiated due to various reasons. The Bank has also been advised several times by the SBP for submission of concrete time bound capital plan for complying with prevailing and future regulatory capital requirements.

The Bank vide its letter dated November 8, 2013, requested the SBP to approve the issuance of 63,191,153 right shares at a discounted price of Rs 6.33 per share (discount of Rs. 3.67 per share) to raise paid up capital of Rs. 400 million. Accordingly, the SBP has in-principle approved the issuance of right shares subject to the following conditions:

- The right issue must be fully and firmly underwritten
- The Bank will approach the Banking Policy and Regulations Department of the SBP for final approval after completion of all other regulatory and legal requirements, including SECP's requirements relating to issue of shares at a discount, prior to issuance of right shares.

The SBP in the said letter has further advised the Bank to submit a concrete, time bound board approved capital plan to meet the regulatory MCR of Rs.10 billion. The capital plan approved by the Board of directors has been duly submitted by the Bank to the SBP vide its letter dated December 3, 2013.

During the current period, an extra ordinary general meeting of the shareholders was held on February 22, 2014 to approve the issuance of right shares at a discounted price of Rs 6.33 per share. The shareholders' approval has been taken and other legal requirements are under way.

Most recently, the SBP vide its letter No BPRD/BA&CPD/618/3905/2014 dated March 12, 2014 has prescribed minimum CAR at 16% in case the paid-up capital net of loss is at least Rs 6 billion or 18% if it falls below Rs.6 billion.

The Bank filed an application with the Securities and Exchange Commission of Pakistan (SECP) for granting approval in respect of issuance of 63 million shares at a discount of 36.7 percent below par value i.e. at Rs 6.33 per share by way of right issue amounting to Rs 400 million. However, the Securities and Exchange Commission of Pakistan (SECP), in response, vide its letter dated May 5, 2014 has approved issuance of 47.9 million shares at a price of Rs 8.35 per share (i.e. at a discount of Rs 1.65 per share) to raise paid up capital of Rs 400 million subject to approval of SECP for exemption under the requirement of Balloters, Transfer Agents and Underwriters Rules, 2001. The sponsors of the bank have subscribed an amount of Rs 277.905 million representing their own entitlement in advance. The formal right issue will be made once SECP's approval in respect of exemption from the requirements of Balloters, Transfer Agents and Underwriters Rules, 2001 and SBP's final approval has been obtained.

The sponsors have also given their consent and have entered into a subscription and underwriting agreement (individually) with the Bank to take up a certain proportion of shares in case the same has not been exercised by the general public. The sponsors collectively have underwritten the balance amount i.e. Rs 122.095 million.

The equity of the Bank (excluding advance against issue of shares amounting to Rs 277.905 million) as at June 30, 2014 was Rs 5.28 billion although its CAR stood at 17.92 percent.

- 1.3 The Bank has acquired 100 percent shares of Bankislami Modaraba Investment Limited ( a unquoted public company) on August 31, 2007. The principal activity of the company is to act as 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, Shahr-e-Faisal, Karachi.





## 2 BASIS OF PRESENTATION

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

## 3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the Securities and Exchange Commission of Pakistan (SECP), provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinances, 1984 and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall prevail.
- 3.2 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of this condensed interim consolidated financial information. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of this condensed interim consolidated financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 The disclosures made in the condensed interim consolidated financial information have been limited based on the format prescribed by the SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of IAS 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this condensed interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2013.

3.4 The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the surplus / (deficit) on revaluation of Available For Sale (AFS) securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim consolidated financial information.

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

3.5.1 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 effective from financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has no material impact on this condensed interim consolidated financial information except for deposit amounting to Rs 67 million (December 31, 2013: 63 million) which are on Mudarba basis (i.e. classifiable as redeemable capital as defined under IFAS 3)

3.5.2 During the year ended December 31, 2012, the management of the Group had executed certain transactions relating to sale of ijarah sukuks and had recognised capital gain on such transactions amounting to Rs 202.4 million. The State Bank of Pakistan (SBP) however raised certain concerns on such transactions and directed the Group to reverse such transactions as if this had not happened.

In order to give effect to the SBP's directive, the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" have been considered and the impact of such transactions have been reversed in the condensed interim consolidated financial information by restating the comparative figures. The effects are summarised below:



	Note	Quarter ended June 30, 2013	Half year ended June 30, 2013
		----- Rupees in '000 -----	
<b>Impact on condensed interim consolidated profit and loss account</b>			
Increase in profit / return earned		31,562	62,355
Increase in other charges		631	1,247
Increase in taxation - current		316	624
Increase in taxation - deferred		10,731	21,201
<b>Impact on condensed interim consolidated statement of comprehensive income</b>			
Increase in profit after tax		19,884	39,283
Decrease in Deficit on revaluation of available for sale securities - net of tax		(20,515)	(40,531)
		----- Rupees -----	
<b>Impact on (loss) / earnings per share - basic / diluted</b>			
Increase in earnings per share - basic / diluted		0.038	0.074
		Half year ended June 30, 2013 Rupees in '000	
<b>Impact on condensed interim consolidated cash flow statement</b>			
Increase in profit before taxation			61,108
Increase in other liabilities (excluding current taxation)			1,247
Increase in net investment in available-for-sale securities			62,355

#### 4 BASIS OF MEASUREMENT

This condensed interim consolidated financial information has been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value in accordance with the requirements of the SBP. Further, staff retirement benefits have been carried at present value as determined under the International Accounting Standard (IAS) 19 (revised), "Employee Benefits".

#### 5 FUNCTIONAL AND PRESENTATION CURRENCY

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

#### 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2013.

## 7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim consolidated financial information are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2013.

## 8 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.

### 8.1 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.

### 8.2 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.



## 9 DATE OF AUTHORISATION FOR ISSUE

This condensed interim consolidated financial information was authorised for issue on August 28, 2014 by the Board of Directors of the holding Company.

## 10 GENERAL

- 10.1 Corresponding information has been re-classified, re-arranged or additionally incorporated in this condensed interim consolidated financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. There were no significant reclassifications during the current period except as explained in note 3.5.2
- 10.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

-Sd-  
Chairman

-Sd-  
Chief Executive Officer

-Sd-  
Director

-Sd-  
Director



**201** BRANCHES  
77 Cities

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\*including sub branches

CORPORATE