BankIslami Pakistan Limited

BankIslami

6th Annual Report December 2009

Serving you, the Right way

بينك اِسلامي

VISION

The Vision of BankIslami is to be recongnized as the leading Authentic Islamic Bank.

MISSION

The Mission of BankIslami is to create value for our stakeholders by offering Authentic, Shariah Compliant and technologically advanced products and services. We differentiate ourselves through:

- Authenticity
- Innovation
- Understanding our clients' needs
- Commitment to excellence and
- Fast, efficient and seamless delivery of solutions. As a growing institution, the foundation for our performance lies on our human capital and BankIslami remains committed to becoming an employer of choice, attracting, nurturing and developing talent in a transparent and performance driven culture.

VALUES

BankIslami is strongly committed towards its core values of:

- Product authenticity
- Customer focus
- Meritocracy
- Integrity
- Team work
- Humility
- Innovation

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بینک اسلامی پاکستان

BankIslami

Islami Current Account

BankIslami brings to you Islami Current Account, which is based on the principles of 'Qarz' and is authenticated by our renowned Shariah Board. Islami Current Account offers the following features:

- Interest-free account
- Available in Pak Rupee
- Minimum balance of Rs. 1,000/- only
- Free account statement facility
- Facility of Islamic Debit Card
- 24/7 Phone Banking
- Free Online Banking nationwide
- Inter Bank Fund Transfer through ATM

Serving you, the Right way

BankIslami Pakistan

Corporate Information

Board of Directors	
Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Ahmed Goolam Mahomed Randeree	
Mr. Ali Raza Siddiqui	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Hisham Hammoud	
Mr. Mohamed Amiri	
Mr. Shabir Ahmed Randeree	
Sharia'h Supervisory Board	
Justice (Retd.) Muhammad Taqi Usmani	Chairman
Professor Dr. Fazlur Rahman	Member
Mufti Irshad Ahmad Aijaz	Member & Sharia'h Adviser
Audit Committee	
Mr. Hisham Hammoud	Chairman
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member
Executive Committee	
Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Ahmed Goolam Mahomed Randeree	Member
Mr. Hasan A. Bilgrami	Member
Mr. Hisham Hammoud	Member
Risk Managemnt	
Mr. Ahmed Goolam Mahomed Randeree	Chairman
Mr. Hasan A. Bilgrami	Member
Mr. Mohamed Amiri	Member
Human Resource & Compensation Committee	
Mr. Ali Raza Siddiqui	Chairman
Mr. Ahmed Goolam Mahomed Randeree	Member
Mr. Hisham Hammoud	Member
Mr. Hasan A. Bilgrami	Member

Company Secretary
Syed Shah Sajid Hussain

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Adviser
Haidermota & Co.
Barrister at Law

Management (in alphabetical order)

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

Registered Office
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block-4 Clifton,
Karachi.
Phone: (92-21) 111-3247(BIP)-111
Fax: (92-21) 35378373
Email: info@bankislami.com.pk

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

Website
www.bankislami.com.pk

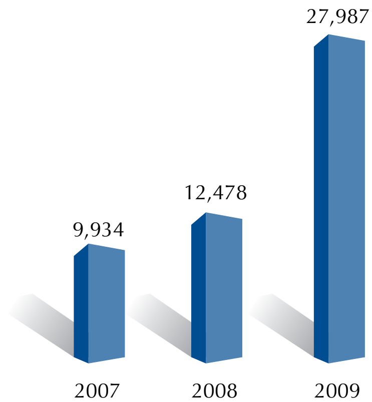
Financial Highlights at a Glance

	2009	2008	2007	2006*
	Rupees in million			
PROFIT AND LOSS ACCOUNT				
Return earned	**2,193.89**	1,468.69	602.06	100.01
Profit paid	**1,222.17**	729.53	303.84	18.67
Net Spread	**971.72**	739.16	298.22	81.34
Fee,Commission,Brokerage and Exchange Income	**315.91**	141.39	71.46	4.17
Core Banking Income	**1,287.63**	880.55	369.67	85.51
Provisions	**(111.20)**	(130.56)	(28.37)	(1.00)
Other Income	**26.78**	54.75	68.83	40.38
Operating expenditure	**(1,766.12)**	(1,033.90)	(510.59)	(159.29)
Profit/ (Loss) before tax	**(562.91)**	(229.15)	(100.46)	(34.40)
Taxation	**83.97**	176.22	63.44	26.05
Profit/ (loss) after tax	**(478.94)**	(52.93)	(37.02)	(8.35)
BALANCE SHEET				
Assets	**34,287**	19,089	14,447	4,025
Financings	**13,282**	6,528	3,963	959
Deposits	**27,987**	12,478	9,934	1,778
Share Capital	**5,280**	5,280	3,200	2,000
Shareholders Fund	**4,740**	5,192	3,845	2,003
Number of staff	**1,471**	1,188	563	236
Number of branches	**102**	102	36	10
RATIO				
Break up Value (Rs)	**8.98**	9.83	12.01	10.01
Market Value per Share (Rs.)	**5.89**	7.25	16.20	10.55
Earning per Share (Rs.)	**(0.91)**	(0.12)	(0.13)	(0.04)
Net Spread to gross return (%)	**44.3%**	50.3%	49.5%	81.34%
Financing to deposit ratio-ADR (%)	**47%**	52%	40%	53.94%
Capital Adequacy ratio	**20.39%**	39.83%	37.92%	61.83%

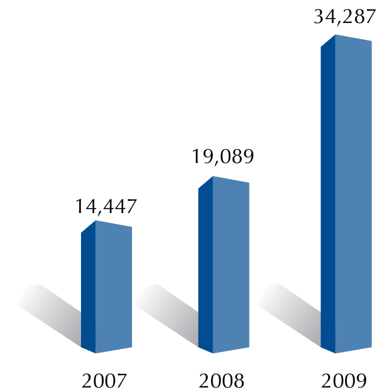
* Profit and Loss figures for 2006 represent period from 7th April, 2006 to 31st December, 2006

Financial Highlights at a Glance

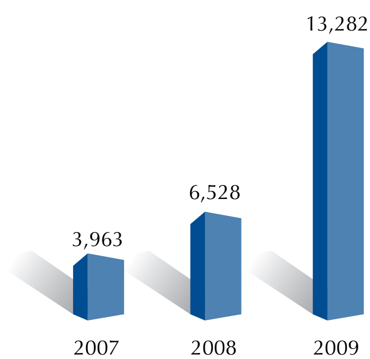
Total Deposits (Rs in million)



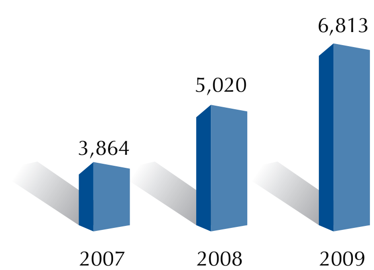
Total Assets (Rs in million)



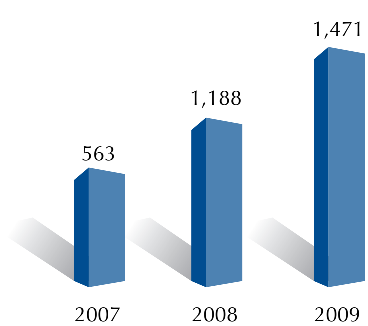
Total Financings (Rs in million)



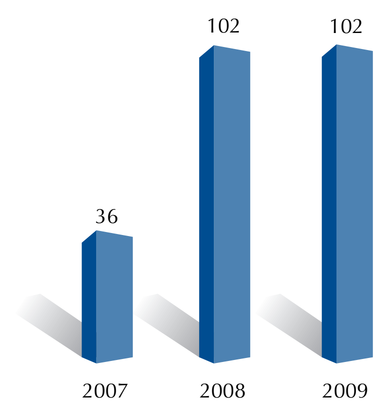
Total Investments (Rs in million)



Employee Count



Branch Network



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 6th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Tuesday, March 30, 2010 at 8:00: a.m. at Hotel Regent Plaza, Shahra-e-Faisal, Karachi, to transact the following business:

ORDINARY BUSINESS

1- To confirm minutes of the 5th Annual General Meeting held on March 28, 2009.

2- To receive, consider and adopt the Audited Financial Statements (separate and consolidated) for the year ended December 31, 2009 together with the Auditors' and Directors' Reports thereon.

3- To appoint auditors of the bank for the year ending December 31, 2010 and to fix their remuneration. The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

4- Increase in Authorized Capital of the Bank
"Resolved that the Authorized Share Capital of the Bank be and is hereby increased to Rs. 13,000,000,000 (Rupees: Thirteen billion only) and accordingly Clause 5 of the Memorandum of Association of the Bank be and is hereby substituted by the following new Clause 5:

The share capital of the Company is Rs. 13,000,000,000 (Rupees: Thirteen billion only) divided into thirteen hundred million (1,300,000,000) ordinary shares of Rs. 10/- (Rupees: Ten only) each with power to increase or reduce the capital and to divide the shares in the capital for the time being into several classes."

5- To approve remuneration to the non-executive director/Chairman as required by SBP Circular No. 14 of August 7, 2009.

ANY OTHER BUSINESS

6- To transact any other business with the permission of the Chair.

By Order of the Board,

Karachi: March 09, 2010

Syed Shah Sajid Hussain
Company Secretary

Notes:

i The Members' Register will remain closed from March 25, 2010 to March 31, 2010 (both days inclusive).

ii A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received at the registered office not less than 48 hours before the holding of the meeting.

iii An individual beneficial owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purposes.

iv Members are requested to promptly notify Share Registrar, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, PECHS Society, Karachi, of any change in their address.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the resolution contained in the Notice pertaining to the special business to be transacted at the Annual General Meeting of the Bank to be held on March 30, 2010.

Increase in Authorized Capital of the Bank
Current Authorized Capital of the Bank is Rs. 6 Billion and Paid-up Capital of the Bank is Rs. 5.2 Billion. In view of issue of capital in future, if any, and as allowed in Section 92 of the Companies Ordinance, 1984 the Board considered appropriate to increase Authorized Capital of the Bank to Rs. 13 Billion. As required in the Banking Companies Ordinance, 1962 necessary no objection of SBP has been obtained and as required in the Listing Regulation No. 27 The Karachi Stock Exchange (Guarantee) Limited prior clearance has been obtained.

To approve remuneration to the non-executive director/chairman as required by SBP Circular No. 14 of August 7, 2009.
Complying to SBP Circular No. 14 of August 7, 2009, the Board in its meeting held on March 4, 2010 has recommended for shareholders approval annual remuneration of Rs. 650,000/- (Rupees: Six hundred fifty thousand only) for the Chairman and Rs. 300,000/- (Rupees: Three hundred thousnad only) for the Director(s) for attending Board/comittee meetings. The remuneration of the chairman/director(s) is being recommended to compensate them adequately for their greater time commitment and legal exposure with regard to participate in Bank’s Board/committee meetings.

Directors' Report

On behalf of the Board, I am pleased to present the 6th annual report of BankIslami Pakistan Limited. Following are the highlights:

	(Rs. in Million) Dec-09	(Rs. in Million) Dec-08	Growth %
Total Deposits	27,987	12,478	124%
Total Assets	34,278	19,089	80%
Total Financing-net	13,282	6,528	104%
Total Investments	6,813	5,020	36%
Shareholder's Equity	4,740	5,192	-9%
Branches	102	102	
Employees	1,471	1,188	24%
Loss After Tax	**(478.939)**	**(52.93)**	**(805%)**

Performance of the Pakistan's economy showed signs of improvement during the year with green sprouts beginning to show up here and there. CY2009 portrayed improved prospects for macroeconomic stability as key indicators recouped as an outcome of Pakistan's entrance into the US$11.3 billion IMF Stand-By Arrangement. To date, IMF has disbursed US$6.5 billion under the said Arrangement. Moreover, inflows in the form of worker's remittances contributed towards the increase in foreign currency reserves by 57.17% from US$9.138 billion in December 2008 to USD14.360 billion in December 2009. Improved fiscal and monetary policy management along with achievement of major targets set by the IMF enabled SBP to cut the Discount Rate by 250 bps on a cumulative basis during the year. As per the IMF Program dynamics, phasing out of foreign exchange financing for oil import payments and rationalization of subsidies on electricity tariffs were reforms that were implemented. Large Scale Manufacturing sector registered a minor growth during the year with private sector credit off-take showing an improvement towards the later part of period under review as confidence in the economy grew. CPI Inflation touched its lowest level of 8.9% YoY in October 2009, but its trajectory reversed to 10.52% YoY in December due to an increase in price of essential commodities, especially oil.

BankIslami's performance followed almost a similar trend.

Due to a heavy expansion last year, the full cost impact of which came this year, BIPL is reporting a loss of Rs. 563M before tax and Earning Per Share stood (0.91). This is approximately Rs. 250M more than what we had budgeted. Due to economic in-stability, we preferred to conserve the liquidity. At the same time, private corporate credit off take was slow there by drying up appetite for quality credit. While our closing ADR is still less than 50%, going forward the signs are very positive. Almost 30% growth came in the last quarter only. Growth in consumer financing was contained, though the Bank continued to finance good credit. BIPL has also successfully negotiated with CITI Bank acquisition of its mortgage portfolio of Rs. 1.5b. This transaction is expected to close in the second quarter. The Book quality remains good and improving. Most of the non-performing financing consists of quality collateral with a market. We expect a strong recovery this year. We are aiming to close the year at around 60% ADR with NPL's contained at less than 5% of the portfolio.

The success story of the year was the growth in deposits, which came almost entirely from retail segment. BIPL is one of the few banks in Pakistan which has a genuine deposit franchise. Instead of targeting large, rate sensitive accounts, BIPL as strategy focused on retail customer which are stable, less rate sensitive and loyal. Current and Saving Accounts recorded impressive growth. Even growth in Fixed Deposits was propelled by our five and ten depository products which now accounts for 21% of the deposit base. Despite of 124% increase in deposits, cost of funds actually declined. BIPL will continue to follow the same strategy – strong focus on retail deposits, a further 5% to 10% reduction in cost of fund coupled with at least 50% increase in the deposit base.

Our technology infra-structure was further strengthened during the year with full deployment of state of art sharia compliant core banking system, iMal. We remain the largest user of Linux in Pakistan which has helped us to have a stable, cost effective platform compared to our peers. Our market share in ATM transactions has improved to 11th position amongst 1-LINK members. We are aiming to complete deployment of the next phases of iMal during 2010.

Head count in 2009 increased by almost 24%. Most of the hiring took place in the branches. Head count/branch of BIPL remained impressive at around 14, which is one of the best in the industry. The highlight of this year was our focus on Training. BIPL is strictly following mandatory training hours for all employees which in some cases is as high as 80 hours. The first batch of trainee officers has graduated and assumed responsibility in the branches. We plan to induct a few more batches this year in Karachi, Lahore, Islamabad, and Balochistan where we have a strong presence.

BIPL also continued with focus marketing initiatives. Our greatest asset today is probably our brand name 'BankIslami'. Going forward, we plan to maintain presence in selected media segments.

Changes in the Board:
We would like to welcome Mr. Mohamed Amiri and Mr. Hisham Hammoud, both nominees of Dubai Bank on the Board. We would also like to place on record our deep appreciation for the contribution made by Mr. Ahmed El Shall, nominee of Dubai Bank, who stepped down after close of the year. Ahmed was involved with BankIslami since 2006 and played an important role as Chairman of the Audit Committee. We wish him best of luck in his future endeavors

Minimum Capital Requirement:
Owing to our on-going discussions with Emirates Global Islamic Bank for an acquisition leading to merger, State Bank of Pakistan has kindly relaxed the applicability of Minimum Capital Requirement till March 31, 2010. In case the transaction does not goes through, the Board is committed to meet the short fall.

Future outlook:
As discussed earlier, the reason for our losses this year is non-absorption of operating costs due to lower asset volumes. Besides that, BIPL has all the right straits which a successful bank may wish to have. Our net-work is large and well spread out, deposit base is stable and cost effective, intermediation cost is within the top quartile in the industry, NPLs are low and that too contained and technology base is one of the best. With improving asset deployment, BankIslami achieved operating break from December. On full year basis, we will inshallah report a profit starting from first quarter. No large expansion in net-work is envisaged this year.

Corporate and Financial Reporting Framework
The Board of Directors is fully cognizant of its responsibility under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and adopted by the State Bank of Pakistan. The following statements are a manifestation of its commitment towards high standards of Corporate Governance and continuous organizational improvement:

1. The financial statements prepared by the Management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.

2. Proper books of account of the Bank have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements except as disclosed in the financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no doubts upon the Bank's ability to continue as a going concern.

7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

8. The value of investments of the Bank's Provident Fund based on un-audited accounts at December 31, 2009 amounted to Rs. 78 million.

9. The purchase and sale of shares by the Directors and the Chief Executive during the year is given in enclosed annexure.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing regulation relevant for the year ended 31st December 2009 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

Risk Management Framework

The Risk management function has now taken its root within the financial institutions on a world-wide basis, and is as critical in fulfilling the institutes' financial objectives as the objectives themselves. Its not just a function to foretell and manage an adverse future event, but it brings about the basic function of being informed; being informed of what can or may happen, being informed of what steps/controls need to be taken to reduce/mitigate the level of risk and to be informed and to be reasonably prepared to deal with any undesired event/ circumstances. Decisions emanating from this basic understanding form the cornerstone of our Risk Management Framework.

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the banks' risk mandate, establishment of a structure that provides for authority, delegation, accountability, and the development of a control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run on an enterprise level. Our framework comprises of a separate department, with a dedicated and growing team, which share our core strategic values including an effective Sharia'h compliance.

Committees related to the management of risks at BIPL form the main layer of the framework, the inflow/outflow of information is through the dedicated function of risk management. The Head of Credit / Risk, Operations, Finance, Treasury and other related functions review the critical risk areas of operational, credit and market risk as well as other risks being faced by the organization, along with the magnitude of their impact and likelihood of occurrence.

BIPL perceives the management of risk not to be limited to a department or a function, but rather should read-into our daily business routine. Ideas and decisions are heavily based on the risk/ reward trade-off some of the ideas which never see the light of the day are usually the ones which have been shelved due to an unacceptable risk level. The risks when identified and analyzed are further weighed against the applicable risk weights and its impact reviewed on a periodic basis. This pro-active approach helps in outlining the organization's risk tolerance level vis-a-vis BIPL's risk appetite in relation to its size, current position and market standing, with a view to refine processes, controls and guidelines to not only mitigate, but also to effectively manage risk.

Credit Rating

The Bank has been assigned a long term entity rating of 'A' and short term rating of 'A 1' by Pakistan Credit Rating Agency Limited (PACRA), reflecting BankIslami well conceived business strategy and establishment of an effective operating platform to execute the business strategy.

Pattern of Shareholding

The pattern of shareholding as at 31st December 2009 is annexed with the report.

Auditors

The present auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible offers themselves for re-appointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of Ernst & Young Ford Rhodes Sidat Hyder, as auditors for the year ending 31st December 2010.

Acknowledgments:

The Board would like to place on record its deep appreciation for the State Bank of Pakistan for all the assistance and guidance. We are also thankful to our employees for their kind dedication and commitment during the year under review.

On behalf of the Board

Hasan A Bilgrami
March 04, 2010.

ANNEXURE TO DIRECTORS' REPORT

The purchase and sale of shares by Directors and Chief Executive Officer during the year are given below:

Name	Designation	No. of Shares as at Jan. 01, 2009	Shares subscribed during the Year	No. of Shares as at Dec. 31, 2009
Chief Justice(R) Mahboob Ahmed	Chairman	130,829	-	130,829
Ahmed G.M.Randeree	Director	51,423,883	-	51,423,883
Shabir Ahmed Randeree	Director	51,423,883	-	51,423,883
Hasan A Bilgrami	Director & Chief Executive Officer	499,079	-	499,079

Attendance of Board of Directors for the Year 2008:

Director Name	Total	Attended	Leave of Absence
Chief Justice (Retd.) Mahboob Ahmed	6	6	0
Mr. Ahmed G. M. Randeree	6	4	2
Mr. Ali Raza Siddiqui	6	6	0
Mr. Mohammad Ahmed El Shall	6	5	1
Mr. Hasan Aziz Bilgrami	6	6	0
Mr. Shabbir Ahmed Randeree	6	5	1
Mr. Mohamed Amiri	6	0	6
*Mr. Zaid Moosa Randeree	1	1	0

* Alternate Director

بینک اسلامی
پاکستان

BankIslami

Islami Bachat Account

Tradition of Savings
With Innovation

BankIslami brings you Islami Bachat Account which is based on Shariah Compliant mode of "Mudarabah" and is authenticated by a renowned Shariah Board. Islami Bachat Account offers the following features:

- Account opening with as low as Rs. 5,000/- only
- Halal profit payments on monthly basis
- 102* Online branches in 49 cities
- Free Online Banking nationwide
- Free Internet Banking
- Facility of Islami ATM/Debit Card
- Interbank Funds Transfer through ATM
- 24/7 Phone Banking

Serving you, the Right way

*Including sub branches

BankIslami Pakistan

Statement of Internal Control

Statement of Management's Responsibility

It is the responsibility of the Bank's management to:

- Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives.

- Evaluate the effectiveness of the Bank's internal control system that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures.

Management Evaluation of the Effectiveness of the Bank Internal Control System

During the year under review efforts have been made for an effective and efficient internal control system. In accordance with SBP-BSD Circular No. 7 of 2004, the Bank formulated all the key policies and procedures for its different lines of business. While formulating such policies clear line of authority and responsibility have been established in order to ensure an effective internal control system. The Bank has established an audit function independent of line management. The control activities are being closely monitored across the Bank through audit group / compliance & control, which covers all banking activities in general and key risk areas in particular. The Audit Committee of the Board reviews the audit function quarterly which includes program as well as surprise audits.

Internal control system in the Bank is designed to manage, rather than to eliminate the risk of failure to achieve the business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss. However, it is an on going process that includes identification, evaluation and management of significant risks faced by the Bank.

The Board of Directors is ultimately responsible for the internal control system and the Board endorses the above management evaluation.

For and On Behalf of the Board

Hasan A Bilgrami
Chief Executive Officer
March 04, 2010

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the regulations G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan for the purpose of establishing a framework of good governance, whereby a listed banking company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes six non-executive directors and one executive director.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including this Bank.

3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI, or NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. No Casual vacancy occurred in the Board during the year.

5. The Bank has prepared Statement of Ethics and Business Practices which has been signed by majority of the Directors and employees of the Bank.

6. The Board has developed a vision and mission statement and an overall corporate strategy and significant polices of the Bank. A complete record of particulars of the significant polices along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of remuneration and terms of conditions of the employment of the Chief Executive Officer have been taken by the Board.

8. The meetings of the Board were preside over by the Chairman and, in his absence by a director elected by the Board for this purpose. Six meetings of the Board were held during the year. Written notices/e-mails of the Board meetings, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

9. The management of the Bank has circulated a summary of provisions of various laws i.e. the Companies Ordinance 1984, the Code of Corporate Governance, the Banking Companies Ordinance 1962, the Prudential Regulations of the State Bank of Pakistan and the Listing Regulations of Karachi Stock Exchange as required clause (xiv) of the Code i.e. with respect of 'Orientation Course' of Directors to acquaint them of their duties and responsibilities and enable them to manage the affairs of the Bank on behalf of the shareholders.

10. The Board approved appointments of the Chief Financial Officer (CFO) cum Company Secretary and the Head of Internal Audit including their remuneration and terms of conditions of employment as determined by the CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirement of the Code and fully described the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by CEO & CFO before the approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Bank, other than that disclosed in the pattern of shareholding.

14. The Bank has compiled with all corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive director including the Chairman of the committee.

16. Four meetings of the Audit Committee were held during the year prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the Committee have been formed, approved by the Board and advised to the Committee for compliance.

17. The Board has set up an internal audit function, the members of which are considered suitably qualified and experienced for the purposes and are conversant with the policies and procedures of the Bank.

18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountant of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partner are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all others material principles contained in the Code have been complied with.

Hasan A. Bilgrami
Chief Executive Officer
March 04, 2010

Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance (the statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2009 prepared by the Board of Directors of BankIslami Pakistan Limited (the Bank) to comply with the regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiry of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular number KSE / N-269 dated 19 January 2009 requires the Bank to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code, for the year under review.

Ernst & Young Ford Rhodes Sidat Hyder

KARACHI:
March 04,2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

بینک اسلامی
پاکستان

BankIslami

MUSKUN - Home Financing

Build
(Build your own Home)

Buy
(Buy your own Home)

Renovate
(Renovate your Home)

Replacement (BTF)
(Transfer Interest Based Loan)

BankIslami brings to you "MUSKUN" – Home Financing, the simplest and most convenient way to live in your dream home, the Shariah Compliant way. The features of "MUSKUN" – Home Financing are:

- Approved from renowned Shariah Board
- Tenure up to 20 years
- No payment penalty after first year
- Financing up to 50% of the value of the property
- Financing limit upto Rs. 10 million

Serving you, the Right way

BankIslami Pakistan

بینک اسلامی
پاکستان

BankIslami

Islami Auto Ijarah

BankIslami brings to you Islami Auto Ijarah which is authenticated by our renowned Shariah Board. Islami Auto Ijarah offers the following features:

- No rentals before the delivery of the vehicle
- Tenure from 3 to 5 years
- Ease of acquiring any new, used or imported vehicle
- Low Security Deposit
- Facility of Takaful coverage (Islamic Insurance)

Serving you, the Right way

BankIslami Pakistan

Shari'ah Adviser's Annual Report

بسم الله الرحمن الرحيم

الحمد لله رب العالمين، و الصلاة و السلام على خاتم الانبياء و المرسلين، و على آله و صحبه اجمعين، و بعد!

The year under review was the fourth year of Islamic Commercial Banking Operations of BankIslami. This was a year of consolidation for the Bank. To ensure and maintain Shari'ah compliance of highest possible standards in all transactions (particularly Murabahah transactions) in the increased branch network remained the matter of focus. Following were the major development of the period under review:

Product Development

BankIslami Pakistan Limited had voluntarily stopped Commodity Murabahah transaction after some scholarly reservations raised on the transaction structure. However, huge liquidity arising from tremendous deposits growth necessitated an efficient but Shari'ah compliant Treasury Product for management of liquidity. For this reason, Product Development and Shari'ah team of BankIslami in coordination with prominent market players brought certain improvements in the existing structure of Commodity Murabahah transactions. After considerable efforts BankIslami undertook a few transactions, under the revised structure, during last quarter of the year 2009. Efforts are still in progress to further improve the process which are expected to bring fruits shortly and BankIslami plans to present the revised structure and processes to prominent Shari'ah scholars InshaAllah after post-launching study of the product.

The Bank also carried out major revision of Policy and Procedure Manuals for Deposit, Murabahah, Ijarah, Diminishing Musharakah and Istisnaa' products to make them more user friendly. Finished goods purchase product with the name “Karobar Financing” has been developed for working capital financing during the year.

Islamic Banking Training

Besides Systems and SOPs employees are the major contributor to success or failure of any organization. BankIslami has greatly emphasized on Islamic banking products to ensure Shari'ah compliance from their end. With a handsome budget allocated for training program and state of the art Training Centers have been established in Karachi, Lahore and Islamabad, a detailed Training Calender was prepared to organize the sessions properly and to ensure that every employee gets proper training. Following Training Methodology was adopted during the training sessions:

Methodology	Target Audience
General Islamic Banking Concepts	All Staff
Specialized Product Training	Staff related to Corporate, Credit, CAD and Audit

Case study based Method of training was introduced which was found very useful by the participants. Training manuals for Murabahah, Ijarah and Diminishing Musharakah products were also developed.

Following are the details of the training sessions held in 2009:

Type	Number of sessions held	Staff trained
General Islamic Banking	29	762
Specialized Product Training	6	231

I am thankful to the members of Product Development and Shari'ah teams who worked hard and travelled extensively to train staff members.

Review of Assets and Liabilities

Murabahah, Diminishing Musharakah and Istisnaa' remained the main modes of Corporate financing. Murabahah transactions accounted for 44% of the total financing while Istisnaa' and Diminishing Musharakah stood at 39% and 17% respectively. All transaction were done under a specifically approved transaction process flow. All efforts were done to ensure that process flow is developed by the concerned Relationship Manager and his supervisor to ensure that they execute the transaction properly. A system has been placed which ensures that no disbursement takes place without approved process flow. Most of the Murabahah transaction were undertaken under direct payment modality. In case of indirect payment specific reason was recorded before approval of the transaction.

Excess liquidity was placed with Islamic banks through Musharakah and Wakalah modes. A few Commodity Murabahah transactions were undertaken during the last quarter.

On the Liability side, Bank is offering remunerative deposit products on Mudarabah basis and non remunerative deposits are received on the basis of Qard.

Shari'ah Compliance

In order to maintain Shari'ah compliance following measures were taken;

- Check on Murabahah transactions was increased. After one year, process flows of all Clients are reviewed and compliance check of the transactions is carried out on random basis. This helped in identifying deficiencies in the transactions and correction of the same;
- Branches were required to maintain and provide 'Murabahah Surveillance and Control Sheet' to Shari'ah department on a monthly basis. The excel based model helps in keeping a check on the timely signing of Murabahah Declaration and other details.
- As per SBP guidelines Shari'ah Audit has been separated from Shari'ah Compliance. Under the new system Shari'ah Audit is done by Internal Audit Department which was extensively trained in Islamic Banking products. Internal Audit Department ensures that transactions are done according to the approved process flows and manuals. All deviations are reported to Shari'ah Advisor for review and decision.

Shari'ah Advisory

During the year bank provided Shari'ah Advisory to an Islamic fund, IGI. Although the progress in this area remained slow due to capital market situations, BankIslami intends to expand this function.

Furtherance of Islamic Banking

BankIslami took a significant step in promotion of Islamic Banking in different circles. A team of Islamic Scholars from Jamia-tur-Rasheed held a series of sessions with Shari'ah and Product Development Team to seek further clarifications about Islamic Banking and its practical application. Extensive discussions on different products and services were carried out. Alhamdulillah Scholars of Jamia-tur-Rasheed has issued a detailed fatwa in favor of Islamic Banking. We are thankful to the Jamia who acknowledged efforts of BankIslami team in their fatwa.

Based on the above, I report:

- Each class of transactions with respect to the relevant documentation and procedures adopted by BankIslami has been examined on test check basis;
- In my opinion, the business affairs of BankIslami have been generally carried out in accordance with rules and principles of Shari'ah, SBP regulations and guidelines related to Shari'ah compliance and other rules as well as specific Fatwas and rulings issued by me from time to time;
- In my opinion, the allocation of funds, weightages, profit sharing ratios and profit relating to PLS accounts conform to the basis vetted by me in accordance with Shari'ah rules and principles;

- In my opinion, any earning realized from sources or by means prohibited by Shari'ah rules and principles have been credited to charity account. An amount of Rs. 8.071 million was received from customers in respect of charity and credited to relevant account.

Recommendations

Based on review, feedback from and interaction with customers of BankIslami, I recommend the following to the management:

- Improvement in area of customer relationship especially with regards to correspondence and sharing of necessary information with customer should be focused by the Bank especially the Credit Administration Department of the Bank should be equipped with relevant training and SOPs;
- Micro finance, Agricultural finance and Education finance should be paid attention in future;
- Although the bank has pioneered Mudarabah financing through its subsidiary BankIslami Mudarabah, more focus on participatory modes of financing is required;
- Commodity Murabahah and other interbank modes need research and improvement in processes and methodology;

May Allah make our efforts successful, determination fortified and Islamic banking prosperous.

و صلى الله على نبينا محمد و بارك و سلم

Irshad Ahmad Aijaz
Shari'ah Adviser

Auditors' Report to the Members

We have audited the annexed balance sheet of BankIslami Pakistan Limited (the Bank) as at 31 December 2009 and the related profit and loss account, cash flow statement, statement of comprehensive income and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for seven branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances (financings) covered more than sixty percent of the total loans and advances (financings) of the Bank, we report that:

(a) in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as disclosed in note 5.1 to the accompanying financial statements, with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement, statement of comprehensive income and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2009 and its true balance of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 1.2 to the accompanying financial statements which states that the Bank has been granted exemption till March 31, 2010 from the requirement to have the minimum paid-up capital (free of losses) of Rs. 6.00 billion as at 31 December 2009.

Ernst & Young Ford Rhodes Sidat Hyder

Karachi
March 04,2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Balance Sheet
As at December 31, 2009

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
ASSETS			
Cash and balances with treasury banks	8	**4,217,515**	2,175,413
Balances with other banks	9	**2,059,550**	2,207,490
Due from financial institutions	10	**4,018,813**	40,351
Investments	11	**6,813,191**	5,019,525
Financings	12	**13,282,152**	6,527,531
Operating fixed assets	13	**2,395,304**	1,910,648
Deferred tax assets	14	**347,016**	265,257
Other assets	15	**1,153,230**	942,385
		34,286,771	19,088,600
LIABILITIES			
Bills payable	16	**485,608**	353,646
Due to financial institutions	17	**156,160**	245,939
Deposits and other accounts	18	**27,987,378**	12,477,955
Sub-ordinated loan		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	19	**917,332**	819,239
		29,546,478	13,896,779
NET ASSETS		**4,740,293**	5,191,821
REPRESENTED BY			
Share capital	20	**5,279,679**	5,279,679
Reserves		**-**	-
Accumulated losses		**(577,246)**	(98,307)
		4,702,433	5,181,372
Surplus on revaluation of assets - net of deferred tax	21	**37,860**	10,449
		4,740,293	5,191,821
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman	**Chief Executive Officer**	**Director**	**Director**

Profit and Loss Account
For the Year Ended December 31, 2009

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
Profit / return on financings, investments and placements earned	23	**2,193,891**	1,468,688
Return on deposits and other dues expensed	24	**1,222,169**	729,528
Net spread earned		**971,722**	739,160
Provision against non-performing financings - net	12.8	**89,780**	130,556
Provision for diminution in the value of investments	11.6	**15,000**	-
Provision against sukuk murabaha	10.5	**6,418**	-
Bad debts written off directly		**-**	-
		111,198	130,556
Net spread after provisions		**860,524**	608,604
OTHER INCOME			
Fee, commission and brokerage income		**37,854**	112,117
Dividend income		**-**	1,741
Income from dealing in foreign currencies		**278,054**	29,273
Capital gain / (loss) on sale of securities - net	25	**2,356**	31,273
Unrealised gain / (loss) on revaluation of investments classified as held for trading		**-**	-
Other income	26	**24,423**	21,735
Total other income		**342,687**	196,139
		1,203,211	804,743
OTHER EXPENSES			
Administrative expenses	27	**1,755,503**	1,028,232
Other provisions / write offs		**-**	-
Other charges	28	**10,617**	5,663
Total other expenses		**1,766,120**	1,033,895
		(562,909)	(229,152)
Extra ordinary / unusual items		**-**	-
LOSS BEFORE TAXATION		**(562,909)**	(229,152)
Taxation - Current		**(12,549)**	(87)
- Prior years		**-**	-
- Deferred		**96,519**	176,309
	29	**83,970**	176,222
LOSS AFTER TAXATION		**(478,939)**	(52,930)
Accumulated losses brought forward		**(98,307)**	(45,377)
Accumulated losses carried forward		**(577,246)**	(98,307)
Basic loss per share - Rupee	30	**(0.91)**	(0.12)
Diluted loss per share - Rupee	30	**(0.91)**	(0.12)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Director	Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
Loss after taxation		**(478,939)**	**(52,930)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(478,939)**	**(52,930)**

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman **Chief Executive Officer** **Director** **Director**

Cash Flow Statement
For the Year Ended December 31, 2009

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(562,909)**	(229,152)
Less: Dividend income		**-**	(1,741)
		(562,909)	(230,893)
Adjustments:			
Depreciation		**305,284**	163,211
Amortisation		**25,453**	5,657
Depreciation on operating Ijarah assets		**29,266**	-
Provision against non-performing financings		**89,780**	130,556
Provision for diminution in the value of investments		**15,000**	-
Provision against sukuk murabaha		**6,418**	-
Gain on sale of property and equipment - net		**(192)**	(1,297)
Deferred cost amortised		**16,083**	16,019
		487,092	314,146
		(75,817)	83,253
(Increase) / decrease in operating assets			
Due from financial institutions		**(3,984,880)**	584,686
Financings		**(6,873,667)**	(2,695,220)
Others assets (excluding advance taxation and deferred cost)		**(232,822)**	(150,988)
		(11,091,369)	(2,261,522)
Increase / (decrease) in operating liabilities			
Bills payable		**131,962**	268,648
Due to financial institutions		**(89,779)**	175,939
Deposits and other accounts		**15,509,423**	2,543,673
Other liabilities		**98,093**	305,772
		15,649,699	3,294,032
		4,482,513	1,115,763
Income tax paid		**(6,656)**	(6,360)
Net cash flow from operating activities		**4,475,857**	1,109,403
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		**(1,766,494)**	(1,152,273)
Dividend received		**-**	1,741
Investments in operating fixed assets		**(817,702)**	(990,641)
Sale proceeds of property and equipment disposed off		**2,501**	5,746
Net cash used in investing activities		**(2,581,695)**	(2,135,427)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		**-**	1,398,270
Net cash flow from financing activities		**-**	1,398,270
Net increase in cash and cash equivalents		**1,894,162**	372,246
Cash and cash equivalents at beginning of the year	31	**4,382,903**	4,010,657
Cash and cash equivalents at end of the year	31	**6,277,065**	4,382,903

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman	**Chief Executive Officer**	**Director**	**Director**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Share capital	Accumulated loss	Total
		Rupees in `000	
Balance as at January 01, 2008	**3,200,000**	**(45,377)**	**3,154,623**
Issue of right shares during the year	1,079,679	-	1,079,679
Allotment of right shares during the year - pending issuance	1,000,000	-	1,000,000
Net loss for the year	-	(52,930)	(52,930)
Other comprehensive income	-	-	-
Total comprehensive loss for the year ended December 31, 2008	-	(52,930)	(52,930)
Balance as at December 31, 2008	**5,279,679**	**(98,307)**	**5,181,372**
Net loss for the year	-	(478,939)	(478,939)
Other comprehensive income	-	-	-
Total comprehensive loss for the year ended December 31, 2009	-	(478,939)	- (478,939)
Balance as at December 31, 2009	**5,279,679**	**(577,246)**	**4,702,433**

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman **Chief Executive Officer** **Director** **Director**

Notes to the Financial Statement
For the Year Ended December 31, 2009

1. STATUS AND NATURE OF BUSINESS

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

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

The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The Bank commenced its operations from April 07, 2006. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with 102 branches including 32 sub branches (2008: 102 branches) as at December 31, 2009. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank as A ("Single A") and the short term rating as A1 ("A One").

1.2 The State Bank of Pakistan (SBP) vide BSD Circular No. 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 Minimum Capital Requirement (free of losses) as of December 31, 2009 was Rs 6 billion. The paid up capital of the Bank (free of losses) as of December 31, 2009 amounts to Rs 4.702 billion. The Board of Directors, in order to comply with the enhanced capital requirement, is considering various options including but not limited to issue of right shares and acquisition options. In this connection, the Bank has already made an announcement to Karachi Stock Exchange about its decision to enter into a Memorandum of Understanding (MoU) with another Islamic Commercial Bank in relation to its merger/acquisition into/by the Bank. The Board is confident that it will meet the Minimum Capital Requirement within the stipulated time. In view of the above, the Bank has been granted an exemption till March 31, 2010 to meet the Minimum Capital Requirement by the SBP, vide its letter BSD/BAI-3/608/191/2010 dated March 3, 2010.

2. BASIS OF PRESENTATION

2.1 These financial statements have been prepared in accordance with the requirements of State Bank of Pakistan (SBP) vide BSD Circular No. 4 dated February 17, 2006.

2.2 The Bank provides financing mainly through shariah compliant financial products. Except for Murabaha transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), the purchases, sales and rentals arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of rental / profit thereon. Income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable.

2.3 These financial statements are separate financial statements of the Bank in which investments in subsidiary are accounted for on the basis of direct equity interest and are not consolidated. The consolidated financial statements of the Group are being issued separately.

3. STATEMENT OF COMPLIANCE

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

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

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain financial instruments which have been marked to market and are carried at fair value as stated in note 5.3.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policies and disclosure

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Bank's financial statements for the year ended 31 December 2008, except for changes resulting from the adoption of the following accounting standards as described below:

5.1.1 IAS 1 - Presentation of Financial Statements (Revised)

The revised standard became effective for accounting period beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Bank has adopted two statement approach and, has accordingly, presented profit and loss account and statement of comprehensive income separately. However, in accordance with the requirements of the Companies Ordinance, 1984 and SBP directives, surplus / (deficit) on revaluation of available-for-sale investments is reported under separate account shown below equity and is not taken to the statement of comprehensive income and statement of changes in equity.

5.1.2 Adoption of IFAS - 2 Ijarah

The standard became effective during the year and deals with the accounting for Ijarah financing contracts undertaken by the Bank. The standard is applicable prospectively for Ijarah contracts entered into on or after 01 January 2009. As a result of application of this standard, the Bank has recorded the assets leased out under Ijarah arrangements at cost less depreciation and impairment, if any which have been included under "financings". The rentals from Ijarah and depreciation expense on ijarah assets are recognised in the profit and loss account over the term of the contract and have been reported under "profit / return on financings , investments and placements earned" in these financial statements. Previously, the Ijarah arrangements were accounted for by the Bank as finance leases. Had the Bank applied its previous accounting policy in respect of Ijarah contracts entered into on or after 01 January 2009, the loss before taxation for the year and total assets would have been decreased and increased by Rs 29.506 million.

5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury and balances with other banks in current and deposit accounts.

5.3 Investments

In accordance with BSD Circular No.10 and 14 dated July 13, 2004 and September 24, 2004 respectively, issued by SBP, the Bank classifies its investment portfolio into 'held for trading', 'held to maturity' and 'available for sale' securities as follows:

Held for trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices or dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

Investments are initially recognised at cost which in case of investments other than 'held for trading' includes transaction costs associated with the investment.

In accordance with the requirements of SBP, quoted securities other than those classified as held to maturity are stated at market value. Investments classified as held to maturity are carried at amortised costs less impairment, if any. Unquoted securities and investment in subsidiary are valued at cost less impairment, if any.

Surplus / (deficit) arising on revaluation of the Bank's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in “Surplus / Deficit on Revaluation of Securities account” and is shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account.

Profit and loss on sale of investments is included in profit and loss currently.

Premium or discount on debt securities classified as available for sale is amortised using effective interest method and taken to the profit and loss account.

5.4 Trade date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Bank. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.5 Financings

Financings are financial products originated by the Bank and principally comprise Murabaha, Istisn'a, Ijarah, Salam, Musawamah and Diminishing Musharaka receivables. These are stated at amortised cost (except for Murabaha which is accounted for at gross receivable) net of general and specific provisions.

Provision against non-performing financing is made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to profit and loss account. Specific provisions are made for identified doubtful financing in addition to general provisioning requirements. Financings are written off when there is no realistic prospect of recovery.

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Bank) sells to the client/customer a Sharia compliant assets / goods for cost plus a pre-agreed profit. In principle on the basis of an undertaking (Promise-to-Purchase) from the client (the purchase orderer), the Bank purchases the assets / goods subject of the Murabaha from a third party and takes the possession thereof, however the Bank can appoint the client as its agent to purchase the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Import Murabaha is a product, used to finance a commercial transaction which consists of purchase by the Bank (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisn'a is an order to manufacture or construct some assets. The Bank purchases marketable / exportable goods under Istisn'a mode and sells them through an agent.

Ijarah is a contract in which the Bank buys and rents a productive asset to a person short of funds and in need of that asset.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

Musawamah is a sale transaction in which price of a commodity to be traded is bargained between seller and the purchaser without any reference to the cost incurred by the seller.

Diminishing Musharaka represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank).

Musharaka / Modaraba are different types of partnerships in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested.

5.6 Operating fixed assets

5.6.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 13.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

The carrying values of property and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use.

Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance are charged to the profit and loss account.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

Gain and loss on disposal of assets are included in profit and loss currently.

5.6.2 Capital work in progress

These are stated at cost less impairment, if any.

5.6.3 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on systematic basis to income applying the straight line method at the rate specified in note 13.3 to the financial statements.

Amortisation on additions is charged from the month in which the assets are put to use while no amotisation is charged in the month in which the assets are deleted.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Bank.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

5.7 Taxation

5.7.1 Current taxation

Provision for taxation is based on the taxable income for the year determined in accounts with the prevailing laws for taxation on income. The charge for tax also includes adjustments, where considered necessary relating to prior years.

5.7.2 Deferred taxation

Deferred tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and un-absorbed tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and un-absorbed tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of assets which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 'Income Taxes'.

5.8 Staff retirement benefits

5.8.1 Defined benefit plan

The Bank operates an approved and unfunded gratuity scheme for all of its permanent employees. The contribution to the scheme is made on the basis of actuarial recommendations. Actuarial valuation is carried out at each year end using the Projected Unit Credit Method. Actuarial gains and losses are recognised as income or expense over the average remaining working lives of the employees, if the net cumulative unrecognised actuarial gains or losses for the Scheme at the end of the previous financial year exceed 10% of the higher of defined benefit obligation and the fair value of the plan assets.

5.8.2 Defined contribution plan

The Bank operates an approved funded contributory provident fund scheme for all of its permanent employees. Equal monthly contributions are made both by the Bank and the employees at the rate of 10 percent of the basic salary. The Bank has no further payment obligations once the contributions have been paid. The contribution made by the Bank is recognised on employee benefit expense when they are done.

5.9 Revenue recognition

5.9.1 Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.

5.9.2 Profit from Istisn'a, Diminishing Musharaka, Salam and Musawamah are recognised on a time proportionate basis.

5.9.3 Profit from Ijarah contracts is recognised on a pattern reflecting a constant periodic return on the net investment outstanding in accordance with International Accounting Standard 17 “Leases”.

Profit from Ijarah contracts entered on or after January 01, 2009 is recognized in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

5.9.4 Profit on Diminishing Musharaka is recognised on an accrual basis.

5.9.5 Provisional profit of Musharaka / Modaraba financing is recognised on accrual basis. Actual profit / loss on Musharaka and Modaraba financings is adjusted for declaration of profit by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.

5.9.6 Profit on classified financing is recognised on receipt basis.

5.9.7 Dividend income is recognised when the right to receive dividend is established.

5.9.8 Gains and losses on sale of investments are included in profit and loss currently.

5.9.9 Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transaction consummates within an accounting period. Fee on guarantees, if considered material, is recognised over the period of guarantee.

5.10 Financial instruments

5.10.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

5.10.2 Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.10.3 Derivatives

Derivative financial instruments are recognised at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are taken to profit and loss currently.

5.11 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.12 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities/commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

5.13 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the financial statements.

5.14 Provisions

Provision are recognised when the Bank has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Charge to profit and loss account is stated net off expected recoveries.

5.15 Deferred costs

These represent preliminary, formation and pre-operating cost and expenses incurred on issue of shares. These are being amortised over a period of five years.

5.16 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events of changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such indication exists, and where the carrying amount exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account.

5.17 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

5.17.1 Business Segments

Trading and Sales

It includes equity, foreign exchanges, commodities, own securities and placements.

Retail Banking

It includes retail financings, deposits and banking services offered to its retail customers and small and medium enterprises.

Commercial Banking

It includes project finance, export finance, trade finance, Ijarah, guarantees and bills of exchange relating to its corporate customers.

5.17.2 Geographical Segments

The Bank has 102 (2008: 102) branches / sub branches and operates only in Pakistan.

5.18 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain financings. These are stated at lower of the net realizable value of the related advances and the current fair value of such assets.

6. Accounting standards not yet effective

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or interpretation		Effective date (accounting periods beginning on or after)
IAS 24 -	Related Party Disclosures (Revised)	January 01, 2011
IAS 27 -	Consolidated and Separate Financial Statements (Amendment)	July 01, 2009
IAS 32 -	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01,2010
IFRS 2 -	Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRS 3 -	Business Combinations (Revised)	July 01, 2009
IFRIC 14 -IAS 19 -	The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 17 -	Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 19 -	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Bank expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially effect the Bank's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

7. Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting polices. Estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The changes in estimate made during the year and impact on the financial statements are disclosed in note 12.8.1. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

	Note
Classification of investments	5.3 & 11
Useful lives of assets and methods of depreciation / amortisation	5.6 & 13
Deferred taxation	5.7.2 & 14
Provision against non-performing financings	5.5 & 12.7
Defined benefit plan	5.8.1 & 33

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		**829,014**	933,924
- foreign currencies		**117,355**	95,300
With State Bank of Pakistan in		**946,369**	1,029,224
- local currency current accounts			
- foreign currency deposit accounts	8.1	**2,564,617**	781,475
- Cash Reserves		**29,484**	11,469
- Special Cash Reserves		**35,803**	13,842
- US Dollar Clearing Account		**23,205**	8,846
	8.2	**88,492**	34,157
With National Bank of Pakistan in		**3,599,478**	815,632
- local currency current accounts			
		618,037	330,557
		4,217,515	2,175,413

8.1 Includes Rs. 2,302.563 million (2008: Rs. 490.766 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement which is to be maintained to comply with the requirements of SBP issued from time to time. Balance amount is available to the Bank for its operations.

8.2 Includes Rs. 63.506 million (2008: Rs. 23.35 million) held against Cash Reserve Requirement and Special Cash Reserves Requirement. Balance amount is available to the Bank for its operations. These deposits do not carry any return.

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
9. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		**16,015**	9,806
- on deposit accounts	9.1	**1,539,014**	2,099,942
		1,555,029	2,109,748
Outside Pakistan			
- on current accounts		**504,521**	89,832
- on deposit accounts		**-**	7,910
		504,521	97,742
		2,059,550	2,207,490

9.1 Represents deposits with various Islamic commercial banks under Musharaka and Modaraba arrangements with maturities less than 3 months. The expected profit rates on these arrangements ranges between 5 % and 9.5 % (2008: 13 % and 13.5 %) per annum.

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
10. DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murabaha	10.1	**6,418**	40,351
Commodity Murabaha - local currency	10.2	**2,218,813**	-
	10.3	**2,225,231**	40,351
Musharaka Placement	10.4	**1,800,000**	-
		4,025,231	40,351
Provision against Sukuk Murabaha	10.5	**(6,418)**	-
		4,018,813	40,351

10.1 The Bank entered into Sukuk Murabaha arrangement under which the Bank appoints its client as an agent under asset purchase agreement to purchase the underlying Sukuks from the open market on its behalf and later sells them on deferred Murabaha basis. This carries profit at the rate of 16.75% (2008: 16.75%) per annum.

10.2 The Bank has entered into Commodity Murabaha agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rate on the Commodity Murabaha ranges between 11.5% and 12.4% (2008:nil) per annum and have a maturity ranging from 2 days to 18 days.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
10.3 Murabaha sale price		**25,898,652**	1,197,413
Purchase price		**(25,850,000)**	(1,165,000)
		48,652	32,413
Deferred Murabaha income			
Opening balance		**582**	11,765
Deferred during the year		**48,652**	32,413
Recognised during the year		**(42,232)**	(43,596)
		7,002	582
Murabaha receivable			
Opening balance		**40,351**	625,037
Sales during the year		**25,898,652**	1,197,413
Received during the year		**(23,713,772)**	(1,782,099)
		2,225,231	40,351

10.4 The Bank has entered into Musharaka Placement arrangements under which the profit rate ranges from 12.35% to 12.50% (2008: Nil) per annum and have a maturity ranging from 2 days to 4 days.

10.5 This represents provisioning in respect of Sukuk Murabaha arrangement with an investment bank undertaken on November 17, 2008. The maturity date of the deal was February 08, 2009. The total murabaha arrangement amounts to Rs 28.5 million against which Rs 22.1 million was received during the year. The Bank is making efforts to recover the balance outstanding, however on the basis of the Bank has made a provision for against the outstanding balance.

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
10.6 Particulars of due from financial institutions			
In local currency		**4,018,813**	40,351
In foreign currency		**-**	-
		4,018,813	40,351

11. INVESTMENTS

	Note	December 31, 2009			December 31, 2008		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
11.1 Investments by types		Rupees in `000					
Available for sale securities							
- Sukuk Certificates	11.3	6,578,908	-	6,578,908	4,812,435	-	4,812,435
- Mutual Funds							
Open ended mutual funds	11.4	15	-	15	-	-	-
Closed end mutual fund	11.4	6	-	6	-	-	-
		6,578,929	-	6,578,929	4,812,435	-	4,812,435
Subsidiary							
- Unlisted company	11.5	191,015	-	191,015	191,015	-	191,015
Total investment at cost		6,769,944	-	6,769,944	5,003,450	-	5,003,450
Less: provision for diminution in value of investments	11.6	(15,000)	-	(15,000)	-	-	-
Investments - net of provision		6,754,944	-	6,754,944	5,003,450	-	5,003,450
Surplus on revaluation of available for sale securities	21.1	58,247	-	58,247	16,075	-	16,075
Total investments at market value		6,813,191	-	6,813,191	5,019,525	-	5,019,525

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
11.2 Investments by segments			
Federal government securities:			
- Sukuk certificates	11.3	**2,250,000**	250,000
Fully paid up ordinary shares:			
- Unlisted subsidiary company	11.5	**191,015**	191,015
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Sukuk certificates	11.3	**4,328,908**	4,562,435
Other investments			
- Mutual Funds			
Open ended mutual funds	11.4	**15**	-
Closed end mutual fund	11.4	**6**	-
Total investments at cost		**6,769,944**	5,003,450
Less: provision for diminution in value of investments and impairment	11.6	**(15,000)**	-
Investments - net of provision		**6,754,944**	5,003,450
Surplus on revaluation of available for sale securities	21.1	**58,247**	16,075
Total investments at market value		**6,813,191**	5,019,525

11.3 Details of investment in Sukuk

Name of the investee company	Note	2009	2008	Face Value (Rupees)	2009	2008	2009	2008
		Number of Certificates			Cost	Cost	Instrument rating	
					Rupees in `000			
Sukuk Certificates								
First WAPDA Sukuk	11.3.1	60,000	50,000	5,000	299,213	250,112	Unrated	Unrated
Second WAPDA Sukuk	11.3.2	134,000	134,000	5,000	668,238	670,000	Unrated	Unrated
KSEW Sukuk-1	11.3.3	38,000	38,000	5,000	190,000	190,000	Unrated	Unrated
KSEW Sukuk-2	11.3.4	92,800	92,800	5,000	464,000	464,000	Unrated	Unrated
Pak Electron Sukuk	11.3.5	60,000	60,000	5,000	257,143	300,000	A+	A+
Amtex Sukuk	11.3.6	59,000	59,000	5,000	295,000	295,000	A-	A
Engro Chemical Sukuk	11.3.7	65,000	50,000	5,000	321,574	250,000	AA	AA
Security Leasing Sukuk	11.3.8	2,000	2,000	5,000	7,500	10,000	BBB-	BBB+
Shahmurad Sugar Mills Sukuk	11.3.9	250	250	1,000,000	250,000	250,000	A-	A-
Second Sitara Chemicals Sukuk	11.3.10	10,000	10,000	5,000	25,000	37,500	AA-	AA-
Third Sitara Chemicals Sukuk	11.3.11	8,000	8,000	5,000	40,000	40,000	AA-	AA-
Sitara Energy Sukuk - 1	11.3.12	5,000	5,000	5,000	10,413	20,413	Unrated	Unrated
Sitara Energy Sukuk - 2	11.3.13	4,000	4,000	5,000	20,000	20,000	Unrated	Unrated
New Allied Electronics (LG) Sukuk	11.3.14	11,000	11,000	5,000	55,000	55,000	Default	Default
Sui Southern Gas Company Sukuk	11.3.15	84,000	84,000	5,000	420,000	420,000	AA	AA
Kohat Cement Sukuk	11.3.16	27,000	27,000	5,000	130,410	130,410	Withdrawn	Withdrawn
Eden Housing Sukuk	11.3.17	50,000	50,000	5,000	218,750	250,000	A	A
Eden Developers Sukuk	11.3.18	40,000	40,000	5,000	100,000	200,000	BBB-	A-
Optimus Sukuk	11.3.19	50,000	50,000	5,000	229,167	250,000	A	A
LESCO Sukuk	11.3.20	42,000	42,000	5,000	210,000	210,000	Unrated	Unrated
HBFC Sukuk	11.3.21	15,000	15,000	5,000	67,500	75,000	A+	A+
Three Star Hosiery Sukuk	11.3.22	-	15,000	5,000	-	75,000	-	Unrated
Haq Bahu Sugar Mill Sukuk - 1	11.3.23	10,000	10,000	5,000	50,000	50,000	Unrated	Unrated
Haq Bahu Sugar Mill Sukuk - 2	11.3.24	-	10,000	5,000	-	50,000	-	Unrated
Ijarah GOP Sukuk	11.3.25	2,500	2,500	100,000	250,000	250,000	Unrated	Unrated
Ijarah GOP Sukuk - 3	11.3.26	20,000	-	100,000	2,000,000	-	Unrated	Unrated
					6,578,908	4,812,435		

11.3.1 These carry profit at the rate of six months KIBOR plus 35 basis points (2008: six months KIBOR plus 35 basis points) receivable on semi-annual basis with maturity in October 2012. The principal will be repaid on maturity. The rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2009, these had a market value of Rs. 311,610 thousand (2008: Rs. 259,487 thousand).

During the year, the Bank purchased 10,000 certificates on June 25, 2009 of WAPDA– I Sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Bank's CDC account. A periodic Ijarah Rental due on October 22, 2009, was not paid to the Bank on the plea that there exists certain discrepancy with respect to ownership of the asset. The Bank and the legal advisers are of the view that the security and the rental purchased through CDC is deemed to be legally bona fide and the issuer itself in the FIR has conceded that a fraud was committed in its office by certain employees, some of whom have been arrested and part of the money have been recovered. The Banks legal advisor is certain that it will be able to recover the rental therefore no provision has been made in these financial statements. Additionally the Bank is also evaluating legal options against the seller for gross misrepresentation, willful omission of material fact and outright deception and as the first step has lodged a formal complaint with its Sharia'h Board.

11.3.2 These carry profit at the rate of six months KIBOR minus 25 basis points (2008: six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal will be repaid in 12 equal semi-annual installment with first installment falling due on the 54th month from the first drawdown date. The rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2009, these had a market value of Rs. 674,154 thousand (2008:Rs. 676,700 thousand).

11.3.3 These carry profit at the rate of six months KIBOR plus 40 basis points (2008: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be redeemed in eight semi-annual installments starting from May 2012. The rentals are backed by Government of Pakistan's Sovereign Guarantee.

11.3.4 These carry profit at the rate of six months KIBOR plus 40 basis points (2008: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be repaid on maturity. The rentals are backed by Government of Pakistan's Sovereign Guarantee.

11.3.5 These carry profit at the rate of three months KIBOR plus 175 basis points (2008: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2012. There is an early purchase option available to the issuer after 30 months from the date of issue.

11.3.6 These carry profit at the rate of three months KIBOR plus 200 basis points (2008: three months KIBOR plus 200 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in October 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

11.3.7 These carry profit at the rate of six months KIBOR plus 150 basis points (2008: six months KIBOR plus 150 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2015. Upto two consecutive, equal semi-annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility.

11.3.8 These carry profit at the rate of six months KIBOR plus 195 basis points (2008: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. The principal to be redeemed in eight equal semi-annual installments commencing from the 18th month from the issue date.

11.3.9 These carry profit at the rate of six months KIBOR plus 225 basis points (2008: six months KIBOR plus 225 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

11.3.10 These carry profit at the rate of three months KIBOR plus 170 basis points (2008: three months KIBOR plus 170 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

11.3.11 These carry profit at the rate of three months KIBOR plus 100 basis points (2008: three months KIBOR plus 100 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 3 years of disbursement with `No Early Payment Penalty'.

11.3.12 These carry profit at the rate of six months KIBOR plus 195 basis points (2008: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in July 2012. The principal with be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue.

11.3.13 These carry profit at the rate of six months KIBOR plus 195 basis points (2008: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue.

11.3.14 These carry profit at the rate of three months KIBOR plus 220 basis points (2008: three months KIBOR plus 220 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years of disbursement.

11.3.15 These carry profit at the rate of three months KIBOR plus 20 basis points (2008: three months KIBOR plus 20 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 1 year of disbursement.

11.3.16 These carry profit at the rate of six months KIBOR plus 180 basis points (2008: six months KIBOR plus 180 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in June 2013.

11.3.17 These carry profit at the rate of six months KIBOR plus 250 basis points (2008: six months KIBOR plus 250 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years of disbursement.

11.3.18 These carry profit at the rate of three months KIBOR plus 300 basis points (2008: three months KIBOR plus 300 basis points) receivable quarterly in arrears based on Diminishing Musharaka mechanism with maturity in May 2010.

11.3.19 These carry profit at the rate of six months KIBOR plus 125 basis points (2008: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly units. The first such unit falling due not later than the end of fifteen months from the last drawdown.

11.3.20 These carry profit at the rate of six months KIBOR plus 90 basis points (2008: six months KIBOR plus 10 basis points) receivable semi-annually. The first payment shall fall due at the end of six months from the issue date with maturity. The principal will be repaid at maturity in April 2010.

11.3.21 These carry profit at the rate of six months KIBOR plus 100 basis points (2008: six months KIBOR plus 100 basis points) receivable semi-annually and the first such profit payment will fall due from the six months from the issue date with maturity in May 2014.

11.3.22 These carry profit at the rate of three months KIBOR plus 325 basis points (2008: three months KIBOR plus 325 basis points) receivable semi annually based on Diminishing Musharaka mechanism. The first payment fall due at the end of six months from the issue date and subsequently after every six months thereafter. The sukuks were fully matured during the year.

11.3.23 These carry profit at the rate of six months KIBOR plus 325 basis points (2008: six months KIBOR plus 325 basis points) receivable semi-annually, the first profit payment shall fall due at the end of six months from the issue date and subsequently after every six months thereafter based on Diminishing Musharaka mechanism with maturity in August 2011.

11.3.24 These carry profit at the rate of three months KIBOR plus 350 basis points (2008: three months KIBOR plus 350 basis points) receivable quarterly, the first profit payment shall fall due at the end of three months from the issue date and subsequently after every three months thereafter, based on Diminishing Musharaka mechanism. The sukuks were fully matured during the year.

11.3.25 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills plus 45 basis points. The principal will be redeemed on maturity in September 2011. These are backed by Government of Pakistan Sovereign Guarantee. At December 31, 2009, these had a market value of Rs. 252,482 thousand.

11.3.26 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills. The principal will be redeemed on maturity in March 2012. These are backed by Government of Pakistan Sovereign Guarantee. At December 31, 2009, these had a market value of Rs. 2,040,000 thousand.

11.4 Details of investments in Mutual Funds

Name of the investee Fund	Number of Units 2009	Number of Units 2008	Mark value (Rupees in '000) 2009	Mark value (Rupees in '000) 2008	Cost (Rupees in '000) 2009	Cost (Rupees in '000) 2008	Entity rating Long term/short term 2009	Entity rating Long term/short term 2008
Units								
Open ended mutual funds								
Al Meezan Cash Fund	**99**	-	**5**	-	**5**	-	AA (f)	-
Meezan Islamic Fund	**107**	-	**5**	-	**5**	-	3 Star	-
Meezan Islamic Income Fund	**97**	-	**5**	-	**5**	-	A+ (f)	-
			15		**15**			
Closed end mutual fund								
Meezan Balanced Fund	**1,000**	-	**6**	-	**6**	-	AM2	-
			21	-	**21**	-		-

11.5 Details of investment in unlisted subsidiary

	Holding %	Book value per share	COST 2009	COST 2008
			Rupees in `000	
BankIslami Modaraba Investments Limited Chief Executive Mr. Zulfiqar Ali 8,000,000 (2008: 8,000,000) Ordinary shares of Rs.10/- each	100	18.36	**191,015**	191,015

Book value per share is based on the reviewed financial statements for the half year ended December 31, 2009.

11.6 Particulars of provision for diminuition in value of invesmtents

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
Opening balance		-	
Charge for the year		**15,000**	-
Reversals		-	-
Closing balance		**15,000**	-

11.6.1 Particulars of provision in respect of type and segment

Sukuk certificates - Available for sale securities	**15,000**	-
	15,000	-

12. FINANCINGS

	Note	December 31, 2009	December 31, 2008
Financings - in Pakistan			
- Murabaha	12.1 & 12.2	**4,180,471**	2,363,736
- Istisn'a	12.1	**2,824,849**	184,797
- Diminishing Mushraka - Housing		**761,743**	682,141
- Diminishing Musharaka - Others		**3,889,569**	1,457,729
- Against Bill- Murabaha		-	3,576
- Against Bills - Musawama		**7,948**	-
- Musawamah		**150,000**	3,387
- Financings to employees	12.4 & 12.9	**300,052**	200,664
		12,114,632	4,896,030
Net investment in Ijarah financings in Pakistan	12.5	**1,230,034**	1,791,430
Net book value of assets/investment in Ijarah under IFAS 2	12.6	**187,195**	-
Financings - gross		**13,531,861**	6,687,460
Provision for non-performing financings	12.7		
- Specific		**(230,928)**	(141,687)
- General		**(18,781)**	(18,242)
Financings - net of provision		**13,282,152**	6,527,531

12.1 Murabaha includes financings amounting to Rs. 169.186 million (2008: Rs. 254.54 million) against Murabaha under Islamic Export Refinance Scheme.

Istisn'a Includes financings amounting to Rs. 42.020 million (2008: Rs. nil) against Istisn'a under Islamic Export Refinance Scheme.

		December 31, 2009	December 31, 2008
		Rupees in `000	
12.2	Murabaha sale price	**7,698,756**	6,289,235
	Purchase price	**(7,445,953)**	(6,034,051)
		252,803	255,184
	Deferred murabaha income		
	Opening balance	**87,584**	38,044
	Deferred during the year	**252,803**	255,184
	Recognised during the year	**(259,075)**	(205,644)
		81,312	87,584
	Murabaha receivable		
	Opening balance	**2,363,736**	581,505
	Sales during the year	**7,698,756**	6,289,235
	Received during the year	**(5,882,021)**	(4,507,004)
		4,180,471	2,363,736

	December 31, 2009	December 31, 2008
	Rupees in `000	

12.3 Particulars of financings

		December 31, 2009	December 31, 2008
12.3.1	In local currency	**13,531,861**	6,687,460
	In foreign currency	**-**	-
		13,531,861	6,687,460
12.3.2	Short-term (for upto one year)	**8,603,246**	2,879,055
	Long-term (for over one year)	**4,928,619**	3,808,405
		13,531,861	6,687,460

12.4 This includes Rs. 1.609 million (2008: Rs. 0.939 million) mark up free financing to employees advanced under Bank's Human Resource Policy.

12.5 Net investment in Ijarah financings

	December 31, 2009				December 31, 2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in `000							
Ijarah rentals receivable	**588,673**	**652,768**	**-**	**1,241,441**	382,509	1,469,483	-	1,851,992
Residual value	**16,981**	**302,297**	**-**	**319,278**	-	365,025	-	365,025
Minimum Ijarah payments	**605,654**	**955,065**	**-**	**1,560,719**	382,509	1,834,508	-	2,217,017
Future rental income	**(102,452)**	**(228,233)**	**-**	**(330,685)**	(123,508)	(302,079)	-	(425,587)
Present value of minimum Ijarah payments	**503,202**	**726,832**	**-**	**1,230,034**	259,001	1,532,429	-	1,791,430

12.6 Ijarah Assets

December 31, 2009

	COST			DEPRECIATION				
	As at January 01, 2009	Additions / (deletions)	As at December 01, 2009	As at January 01, 2009	Charge / Impairment	As at December 01, 2009	Book value as at December 31, 2009	Rate of depreci-ation %
	Rupees in `000							
Plant and Machinery	**-**	**61,356**	**61,356**	-	8,393	8,393	52,963	20-33.33
Vehicles	**-**	**155,105**	**155,105**	-	20,873	20,873	134,232	20-33.33
	-	**216,461**	**216,461**	-	29,266	29,266	187,195	

12.7 Financings includes Rs. 788.665 million (2008: Rs. 186.093 million) which have been placed under non-performing status as follows:

December 31, 2009

	Classified Financings			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification	Rupees in `000								
Substandard	**282,606**	**-**	**282,606**	**45,514**	**-**	**45,514**	**45,514**	**-**	**45,514**
Doubtful	**142,878**	**-**	**142,878**	**50,501**	**-**	**50,501**	**50,501**	**-**	**50,501**
Loss	**363,181**	**-**	**363,181**	**134,913**	**-**	**134,913**	**134,913**	**-**	**134,913**
	788,665	**-**	**788,665**	**230,928**	**-**	**230,928**	**230,928**	**-**	**230,928**

December 31, 2008

	Classified Financings			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification	Rupees in `000								
Substandard	51,168	-	51,168	12,792	-	12,792	12,792	-	12,792
Doubtful	12,059	-	12,059	6,029	-	6,029	6,029	-	6,029
Loss	122,866	-	122,866	122,866	-	122,866	122,866	-	122,866
	186,093	-	186,093	141,687	-	141,687	141,687	-	141,687

12.7.1 Included in loss category are assets amounting to Rs. 218.981 million (2008: 118.662 million) which have been classified under subjective evaluation, resulting in a provision of Rs. 64.411 million (2008: 118.662 million).

12.8 Particulars of provision against non-performing financings

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in `000					
Opening balance	**141,687**	**18,242**	**159,929**	20,285	9,088	29,373
Charge for the year	**179,550**	**539**	**180,089**	137,961	9,154	147,115
Reversals	**(90,309)**	**-**	**(90,309)**	(16,559)	-	(16,559)
	89,241	**539**	**89,780**	121,402	9,154	130,556
Closing balance	**230,928**	**18,781**	**249,709**	141,687	18,242	159,929

12.8.1 Effect of change in accounting estimate

The SBP, vide BSD Circular No. 10, dated October 20, 2009, has amended Prudential Regulations in respect of provisioning against non-performing advances. The revised regulations allow the benefit of 40 percent of Forced Sale Value (FSV) of pledged stocks and mortgaged commercial, residential and industrial property held as collateral by the Bank in determining the amount of provision against non-performing financings. Previously, the Banks were only allowed to take the benefit of 30 percent of FSV of pledged stocks and mortgaged commercial and residential properties. Accordingly, the above change in regulation has resulted in a reduction in provisioning of Rs. 124.553 million against non-performing financings and a consequent decrease in loss before taxation by Rs.124.553 million.

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

12.8.3 Particulars of provisions against non-performing financings

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in `000					
In local currency	**230,928**	**18,781**	**249,709**	141,687	18,242	159,929
In foreign currency	**-**	**-**	**-**	-	-	-
	230,928	**18,781**	**249,709**	141,687	18,242	159,929

12.9 Particulars of financings to directors, associated companies etc.

	December 31, 2009	December 31, 2008
	Rupees in `000	
Financings due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
Balance at beginning of year	**200,664**	112,592
Financing granted during the year	**138,269**	128,827
Repayments	**(38,881)**	(40,755)
Balance at end of year	**300,052**	200,664

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	

13. OPERATING FIXED ASSETS

	Note	December 31, 2009	December 31, 2008
Capital work-in-progress	13.1	**341**	230,240
Property and equipment	13.2	**2,289,816**	1,661,035
Intangible assets	13.3	**105,147**	19,373
		2,395,304	1,910,648

13.1 Capital work-in-progress

	December 31, 2009	December 31, 2008
Property and equipment		
Equipments	**-**	39,648
Advances to suppliers and contractors	**341**	190,592
	341	230,240

13.2 Property and equipment

December 31, 2009

	COST			DEPRECIATION				
	As at January 01, 2009	Additions / (deletions)	As at December 01, 2009	As at January 01, 2009	Charge / (deletions)	As at December 01, 2009	Book value as at December 31, 2009	Rate of depreciation %
	Rupees in `000							
Free hold land	-	275,128	275,128	-	-	-	275,128	-
Building on leasehold land	733,543	179,488	913,031	51,015	41,539	92,554	820,477	5
Furniture and fixture	549,331	206,109	755,440	48,823	68,006	116,829	638,611	10
Electrical, office and computer equipments	524,042	252,610	776,652	126,447	171,851	298,298	478,354	25
Vehicles	108,345	23,039	127,509	27,941	23,888	50,263	77,246	
		(3,875)			(1,566)			20
	1,915,261	936,374	2,847,760	254,226	305,284	557,944	2,289,816	
		(3,875)			(1,566)			

December 31, 2008

	COST			DEPRECIATION				
	As at January 01, 2008	Additions / (deletions)	As at December 31, 2008	As at January 01, 2008	Charge / (deletions)	As at December 31, 2008	Book value as at December 31, 2008	Rate of depreciation %
	Rupees in `000							
Building on leasehold land	608,626	124,917	733,543	19,869	31,146	51,015	682,528	5
Furniture and fixture	157,412	391,919	549,331	16,707	32,116	48,823	500,508	10
Electrical, office and computer equipments	162,487	361,63	524,042	44,030	82,481	126,447	397,595	25
		(75)			(64)			
Vehicles	75,957	41,788	108,345	15,435	17,468	27,941	80,404	20
		(9,400)			(4,962)			
	1,004,482	920,254	1,915,261	96,041	163,21	254,226	1,661,035	
		(9,475)			(5,026)			

13.2.1 The fair value of property and equipment as per the management estimates is not materially different from the carrying amount.

13.3 Intangible assets

	Note	December 31, 2009							
		COST			AMORTISATION				
		As at January 01, 2009	Additions	As at December 31, 2009	As at January 01, 2009	Charge	As at December 31, 2009	Book value as at December 31, 2009	Rate of amortisation %
		Rupees in `000							
Computer software	**13.3.1**	**33,208**	**111,227**	**144,435**	**13,835**	**25,453**	**39,288**	**105,147**	**20**

	December 31, 2008							
	COST			AMORTISATION				
	As at January 01, 2008	Additions	As at December 31, 2008	As at January 01, 2008	Charge	As at December 31, 2008	Book value as at December 31, 2008	Rate of amortisation %
	Rupees in `000							
Computer software	27,067	6,141	33,208	8,178	5,657	13,835	19,373	20

13.3.1 Additions represent Islamic Banking Software and License acquired during the year.

13.4 Details of property and equipment disposed-off

The following assets were disposed-off during the year:

	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	(Rupees '000)					
Vehicles						
Suzuki Liana	709	47	662	563	Auction	Mr. Imran Sheikh
Toyota Corolla	1,082	271	811	818	Auction	Bank Islami Modaraba Ltd
Suzuki Cultus	636	382	254	450	Insurance Claim	EFU General Insurance Ltd
Suzuki Mehran	430	272	158	246	Bank Policy – Employee	Sarwar Imam
Toyota Corolla	1,018	594	424	424	Bank Policy – CEO	Hasan Aziz Bilgrami
Total	3,875	1,566	2,309	2,501		

	Note	2009	2008
		Rupees in '000	
14. DEFERRED TAX ASSETS			
Deferred tax credits arising due to			
Accelerated tax depreciation		**(273,854)**	(195,056)
Ijarah financings		**(109,108)**	(82,960)
Amortisation of deferred cost		**(4,631)**	(870)
Surplus on revaluation of assets		**(20,387)**	(5,626)
		(407,980)	(284,512)
Deferred tax debits arising in respect of			
Available tax losses		**720,042**	491,162
Minimum tax credit carried forward		**17,324**	4,775
Provision against investment and sukuk murabaha		**7,496**	-
Provision against non-performing financings	14.2	**10,134**	53,832
		754,996	549,769
		347,016	265,257

14.1 The above net deferred tax asset has been recognised in accordance with the Bank's accounting policy as stated in note 5.7.2 above. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which this deferred tax assets could be realised.

14.2 During the year, amendments were brought in the Income Tax Ordinance, 2001 through the Finance Act 2009 regarding tax allowability of provision against non-performing financings and off balance sheet exposures applicable from tax year 2010 (accounting year 31 December 2009) and onwards. The said amendments made in the tax law do not explicitly provide for a transitional mechanism with regard to the provision for non-performing financings made prior to the applicability of the above amendments. However, the Bank upon the opinion of its tax advisor and in the view of the Circular No. 01/2010 dated 13 January 2010 of ICAP on the subject matter, is confident about the allowability of such provisions relating to prior periods which approximates to Rs 28.954 million, hence the tax impact of the same amounting to Rs 10.134 million has been carried forward and treated as addition to deferred tax assets as reported in these financial statements.

15. OTHER ASSETS

	Note	2009	2008
		Rupees in '000	
Profit / return accrued in local currency		**546,166**	342,394
Profit / return accrued in foreign currency		**-**	77
Advances, deposits, advance rent and other prepayments		**92,476**	159,113
Advance against financings	15.1	**397,285**	153,600
Advance taxation (payments less provision)		**16,980**	22,873
Branch adjustment account		**-**	2,951
Deferred costs	15.2	**20,169**	36,252
Insurance claim receivable		**12,169**	14,816
Car ijarah repossession		**3,960**	11,048
Other receivables	15.3	**64,025**	199,261
		1,153,230	942,385

15.1 Represents advance given in respect of Murabaha and Ijarah financings.

	Note	2009	2008
		Rupees in '000	
15.2 Deferred costs			
Balance at the beginning of the year		**36,252**	52,271
Less: Amortised during the year		**16,083**	16,019
Balance at the end of the year		**20,169**	36,252

15.3 Includes Rs. nil (2008: 190.781 million) in respect of payment to various banks against letter of credits.

16. BILLS PAYABLE

	Note	2009	2008
		Rupees in '000	
In Pakistan		**485,608**	353,646
Outside Pakistan		-	-
		485,608	353,646

	Note	2009	2008
		Rupees in '000	

17. DUE TO FINANCIAL INSTITUTIONS

	Note	2009	2008
In Pakistan	17.3	**156,160**	245,939
outside Pakistan		**-**	-
		156,160	245,939

17.1 Particulars of due to financial institutions with respect to currencies

		2009	2008
In local currency		**156,160**	245,939
In foreign currencies		**-**	-
		156,160	245,939

17.2 Particulars of due to financial institutions

		2009	2008
Short term		**156,160**	245,939
Long term		**-**	-
		156,160	245,939

17.3 Represents Musharaka contributions by SBP against Islamic Export Refinance Scheme. These carry expected profit rate ranges from 6.5% to 7.0% (2008: 6.5%) per annum and are secured against collateral.

	Note	2009	2008
		Rupees in '000	

18. DEPOSITS AND OTHER ACCOUNTS

		2009	2008
Customers			
Fixed deposits		**12,652,075**	6,500,115
Savings deposits		**7,555,064**	2,846,686
Current accounts – non-remunerative		**7,265,287**	2,865,180
Margin accounts – non-remunerative		**40,749**	190,461
		27,513,175	12,402,442
Financial institutions			
Remunerative deposits		**201,845**	75,268
Non remunerative deposits		**272,358**	245
		27,987,378	12,477,955

18.1 Particulars of deposits

		2009	2008
In local currency		**27,410,046**	12,265,687
In foreign currencies		**577,332**	212,268
		27,987,378	12,477,955

	Note	2009	2008
		Rupees in '000	

19. OTHER LIABILITIES

	Note	2009	2008
Profit / return payable in local currency		**185,512**	130,104
Profit / return payable in foreign currency		**-**	18
Unearned fees and commission		**5,887**	6,096
Accrued expenses		**110,714**	62,972
Deferred Murabaha Income – Financings	12.2	**81,312**	87,584
Deferred Murabaha Income – Commodity Murabaha	10.3	**7,002**	582
Payable to defined benefit plan	33	**37,411**	18,820
Payable to defined contribution plan		**1,187**	2,294
Unearned rent		**1,096**	10,358
Security deposits against Ijarah		**382,822**	379,357
Sundry creditors		**51,957**	35,925
Charity payable	19.1	**8,071**	1,852
Retention money		**11,929**	28,539
Withholding tax payable		**4,831**	2,178
Others		**27,601**	52,560
		917,332	819,239

19.1 Charity fund

	2009	2008
Balance at the beginning of the year	**1,852**	2,824
Additions during the year	**6,219**	1,791
Payment / utilization during the year	**-**	(2,763)
Balance at the end of the year	**8,071**	1,852

19.1.1 During the year, management paid charity of Rs. nil (2008: Rs. 2.763 million).

19.1.2 Charity was not paid to any individual / organisation in which a director or his spouse had any interest at any time during the year.

20. SHARE CAPITAL

20.1 Authorised capital

2009	2008		2009	2008
Number of shares			Rupees in '000	
600,000,000	600,000,000	Ordinary shares of Rs.10/- Each	**6,000,000**	6,000,000

20.2 Issued, subscribed and paid up capital

2009	2008		2009	2008
Number of shares			Rupees in '000	
		Ordinary shares of Rs.10 each Fully paid in cash		
527,967,898	320,000,000	- Opening balance	5,279,679	3,200,000
-	107,967,898	- Issued during the year	-	1,079,679
527,967,898	427,967,898		5,279,679	4,279,679
-	100,000,000	- Shares pending issuance	-	1,000,000
527,967,898	527,967,898		5,279,679	5,279,679

	Note	2009	2008
		Rupees in '000	

21. SURPLUS ON REVALUATION OF ASSETS – NET OF DEFERRED TAX

21.1 Surplus on revaluation of available for sale securities

		2009	2008
Sukuk Certificates		**58,247**	16,075
Less: Related deferred tax liability		**(20,387)**	(5,626)
		37,860	10,449

22. CONTINGENCIES AND COMMITMENTS

22.1 Trade-related contingent liabilities

		2009	2008
Import letters of credit		**353,063**	405,055
Acceptances		**98,079**	426,982

22.2 Transaction-related contingent liabilities

Guarantees favoring

		2009	2008
- Banks		**-**	245,000
- Government		**643,793**	426,740
- Others		**141,141**	104,597

22.3 Commitments in respect of promises

		2009	2008
Purchase		**8,099**	3,670
Sale		**16,848**	-

		2009	2008
22.4 Commitments for the acquisition of operating fixed assets		**1,726**	32,744

22.5 Commitments in respect of financing facilities

The Bank makes commitments to extend financings in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	2009	2008
		Rupees in '000	
22.6 Other commitments			
Bills for collection		**177,235**	107,126

23. PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED

		2009	2008
On financings to:			
• Customers		**1,021,395**	717,268
• Financial institutions		**49,173**	50,146
		1,070,568	767,414
On Investments in available for sale securities		**894,868**	555,423
On deposits / placements with financial institutions		**218,381**	139,101
Others		**10,074**	6,750
		2,193,891	1,468,688

	Note	2009	2008
		Rupees in '000	

24. RETURN ON DEPOSITS AND OTHER DUES EXPENSED

	Note	2009	2008
Deposits		**1,210,677**	710,177
Other short-term due to financial institutions		**11,492**	19,351
		1,222,169	729,528

25. CAPITAL GAIN ON SALE OF SECURITIES

	Note	2009	2008
Shares – Listed		**-**	23,771
Mutual fund units		**2,356**	5,527
Sukuk certificates		**-**	1,975
		2,356	31,273

26. OTHER INCOME

	Note	2009	2008
Rent on property		**13,473**	12,531
Gain on termination of Ijarah financing		**4,190**	1,833
Gain on disposal of property and equipment - net		**192**	1,297
Others		**6,568**	6,074
		24,423	21,735

27. ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, allowances and other benefits		**531,431**	335,305
Charge for defined benefit plan	33	**18,709**	9,879
Contribution to defined contribution plan		**20,851**	13,410
Non-executive directors' fees		**1,350**	1,350
Insurance on consumer car ijarah		**23,348**	22,346
Rent, taxes, insurance and electricity		**292,320**	160,958
Legal and professional charges		**10,972**	8,145
Communication		**82,578**	43,276
Repairs and maintenance		**106,064**	57,576
Stationery and printing		**43,204**	23,756
Advertisement and publicity		**58,405**	41,265
Auditors' remuneration	27.1	**2,736**	2,030
Depreciation	13.2	**305,284**	163,211
Amortisation	27.2	**41,536**	21,676
CDC and share registrar services		**5,628**	3,621
Entertainment expense		**13,882**	6,086
Security service charges		**47,505**	18,739
Brokerage and commission		**6,079**	15,760
Travelling and conveyance		**11,787**	9,546
Remuneration to Shariah Board		**252**	249
Fees and subscription		**69,664**	33,711
Vehicle running and maintenance		**30,315**	16,636
Others		**31,603**	19,701
		1,755,503	1,028,232

27.1 Auditors' remuneration

	Note	2009	2008
Audit fee		**1,500**	1,300
Review of half yearly financial statements		**400**	300
Special certifications and sundry advisory services		**451**	175
Tax services		**210**	186
Out-of-pocket expenses		**175**	69
		2,736	2,030

27.2 Amortisation

	Note	2009	2008
Intangible assets	13.3	**25,453**	5,657
Deferred costs	15.2	**16,083**	16,019
		41,536	21,676

	Note	2009	2008
		Rupees in '000	

28. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan		**6,370**	228
Others		**4,247**	5,435
		10,617	5,663

29. TAXATION

For the year			
- Current		**(12,549)**	(87)
- Deferred		**96,519**	176,309
		83,970	176,222

The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements due to taxable loss during the year.

Under Section 114 of the Income Tax Ordinance, 2001 (the Ordinance), the Bank has filed the returns of income for the tax years 2006, 2007, 2008 and 2009 on due dates. The said returns were deemed completed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years.

The return of income filed by the Bank for the tax year 2008 has been selected for tax audit under section 177 of the Ordinance.

	Note		2009	2008
			Rupees in '000	

30. BASIC AND DILUTED LOSS PER SHARE

	Note		2009	2008
Loss for the year		Rupees in '000	**(478,939)**	(52,930)
Weighted average number of ordinary shares		Number	**527,967,898**	421,895,427
Basic loss per share	30.1	Rupee	**(0.91)**	(0.12)

30.1 There is no dilution effect on the basic loss per share as the Bank has no outstanding commitments for issue of shares. Accordingly, diluted loss per share is equal to the basic loss per share as reported above.

	Note	2009	2008
		Rupees in '000	

31. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks		**4,217,515**	2,175,413
Balances with other banks		**2,059,550**	2,207,490
		6,277,065	4,382,903

	Note	2009	2008
		Number	

32. STAFF STRENGTH

Permanent		**1,063**	786
Temporary / on contractual basis		**408**	402
Total staff strength		**1,471**	1,188

33. DEFINED BENEFIT PLAN

General description

The Bank has a gratuity scheme for its employees (members of the scheme). The scheme entitles the members to lump sum payment at the time of retirement, resignation or death. Permanent staff are eligible for such benefits after 3 years of service.

The number of employees covered under the following defined benefit scheme are 833 (2008: 349) The present value of obligation under the scheme at the balance sheet date were as follows:

	Note	2009	2008
		Rupees in '000	
Present value of defined benefit obligation		**34,755**	19,092
Net actuarial gains / (losses) not recognised		**2,656**	(272)
Liability recognised in the balance sheet		**37,411**	18,820
Amounts charged to profit and loss account:			
Current service cost		**15,845**	8,864
Finance cost		**2,864**	1,015
Actuarial loss recognised		**-**	-
		18,709	9,879
Movement in the liability recognised in the balance sheet:			
Opening balance		**18,820**	9,521
Expense for the year		**18,709**	9,879
Benefits paid		**(118)**	(580)
Closing balance		**37,411**	18,820
Movement in the present value of defined benefit obligation:			
Opening balance		**19,092**	10,150
Current service cost		**15,845**	8,864
Finance cost		**2,864**	1,015
Benefit paid		**(118)**	(580)
Actuarial gain		**(2,928)**	(357)
Closing balance		**34,755**	19,092
Actuarial loss to be recognised			
Corridor limit			
The limits of the corridor at the beginning of the year / period			
10% of obligations		**1,909**	1,015
10% of plan assets		**-**	-
Which works out to		**1,909**	1,015
Unrecognised actuarial losses as at the beginning of the year		**(272)**	(629)
Excess		**-**	-
Average expected remaining working lives in years		**14**	15
Actuarial loss to be recognised		**-**	-
Unrecognised actuarial losses			
Unrecognised actuarial losses at the beginning of the year		**(272)**	(629)
Actuarial gains on obligation		**2,928**	357
Subtotal		**2,656**	(272)
Actuarial loss recognised		**-**	-
Unrecognised actuarial gains / losses at the end of the year		**2,656**	(272)

	Note	2009	2008
		Rupees in '000	
Principal actuarial assumptions used are as follows:			
Expected rate of increase in salary level		12%	15%
Valuation discount rate		14%	15%

Historical information:

As at December 31	2009	2008	2007
	(Rupees in '000)		
Present value of defined benefit obligation	**34,755**	19,092	10,150
Fair value of plan assets	**-**	-	-
Deficit	**34,755**	19,092	10,150
Experience adjustment on plan liabilities	**(2,928)**	(357)	(505)

34. DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salary to the funded scheme every month. Equal monthly contribution by employer and employees during the year amounted to Rs. 20.851 million (2008: Rs. 13.410 million) each.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	Rupees in '000					
Fees	-	-	1,350	1,350		-
Managerial remuneration	9,781	8,785	-	-	106,615	92,432
Bonus-	-	-	-	-	-	2,500
Charge for defined benefit plan	815	760	-	-	6,669	5,987
Salary in lieu of provident fund	978	878	-	-		-
Contribution to defined contribution plan	-	-	-	-	9,659	6,595
Rent and house maintenance	270	270	-	-	28,142	25,770
Utilities	978	878	-	-	10,079	9,243
Medical	978	878	-	-	10,079	9,243
	13,800	12,449	1,350	1,350	171,243	151,770
Number of Persons	1	1	4	4	107	98

35.1 In addition to the above, an amount of Rs nil (2008: Rs.8 million) was paid to the President/Chief Executive as bonus.

35.2 The Bank's President / Chief Executive and certain Executives are provided with free use of Bank's maintained cars in accordance with the Banks service rules.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the investments other than those classified as held to maturity is based on quoted market price except for unquoted investment which is carried at cost.

Fair value of fixed-term financing, other assets, other liabilities and fixed-term deposits can not be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provisions for impairment of financing have been calculated in accordance with the Bank's accounting policy as stated in note 5.5 to the financial statements.

The repricing and maturity profile and effective rates are stated in note 40 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in the nature or in the case of customer financing and deposits are frequently repriced.

37. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

2009	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Total income	1,440,031	224,416	872,131	2,536,578
Total expenses	(1,407,749)	(444,319)	(1,163,449)	3,015,157
Net income / (loss)	32,282	(219,903)	(291,318)	(478,939)
Segment assets (gross)	17,027,102	3,568,241	13,962,555	34,557,898
Segment non performing loan	(61,418)	(179,185)	(609,480)	(850,803)
Segment provision required	(21,418)	(84,983)	(164,726)	(271,127)
Segment liabilities	7,105	6,133,159	23,406,213	29,546,477
Segment return on net asset (ROA) (%)	0.2%	(8.9)%	(3.1)%	
Segment cost of funds (%)	10.21%	10.21%	10.21%	

2008	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Total income	807,113	253,733	603,982	1,664,828
Total expenses	934,104	206,785	576,869	1,717,758
Net income / (loss)	(126,991)	46,949	27,113	201,053
Segment assets (gross)	11,202,263	2,460,327	5,585,941	19,248,131
Segment non performing loan	-	(122,471)	(63,622)	(186,093)
Segment provision required	-	(107,513)	(52,417)	(159,930)
Segment liabilities	7,418,504	2,173,229	4,305,045	13,896,778
Segment return on net asset (ROA) (%)	(3.4%)	16.4%	2.1%	
Segment cost of funds (%)	12.34%	12.34%	12.34%	

38. RELATED PARTY TRANSACTIONS

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.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 33 are as follows:

	2009	2008
	Rupees in '000	
SUBSIDIARY		
Financings:		
At the beginning of the year	**-**	189,000
Disbursed during the year	**-**	-
Repaid during the year	**-**	(189,000)
At the end of the year	**-**	-
Deposits:		
At the beginning of the year	**357**	315,355
Deposit during the year	**632,165**	244,823
Withdrawal during the year	**(621,796)**	(559,821)
At the end of the year	**10,726**	357
Transactions, income and expenses:		
Profit earned on financing	**-**	131
Return on deposits expensed	**8,430**	4,526
Acquisition of vehicle	**829**	-

	2009	2008
	---- Rupees in '000 ----	
ASSOCIATES		
Deposits:		
At the beginning of the year	**35,386**	36,649
Deposit during the year	**364,904**	493,484
Withdrawal during the year	**(326,931)**	(494,747)
At the end of the year	**73,359**	35,386
Transactions, income and expenses:		
Return on deposits expensed	**3,114**	4,949
Disposal of vehicle (Note 13.4)	**1,082**	-
KEY MANAGEMENT PERSONNEL		
Financings:		
At the beginning of the year	**43,871**	40,230
Disbursed during the year	**15,000**	19,101
Repaid during the year	**(10,075)**	(15,460)
At the end of the year	**48,796**	43,871
Deposits:		
At the beginning of the year	**323**	205
Deposit during the year	**49,526**	6,930
Withdrawal during the year	**(49,118)**	(6,812)
At the end of the year	**731**	323
Employee Benefit Plans:		
Contribution to Employees Gratuity Fund	**18,709**	9,879
Contribution to Employees Provident Fund	**20,851**	13,410
Transactions, income and expenses:		
Profit earned on financing	**2,002**	1,509
Return on deposits expensed	**126**	9
Disposal of vehicle (Note 13.4)	**1,018**	-

39. CAPITAL ASSESSMENT AND ADEQUACY

39. 1 Scope Of Applications

The Basel II Framework is applicable at the level of standalone financial statements of BankIslami Pakistan Limited. The capital assessment and adequacy of the Group financial statements under Basel-II is separately calculated and disclosed in the consolidated financial statements of the Group.

39.2 Capital Structure

Bank's regulatory capital is analyzed into three tiers

Tier 1 capital

Tier 1 capital, which includes fully paid up capital, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary companies being commercial entities and significant minority investments in entities engaged in banking and financial activities.

Tier 2 capital

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25% of risk weighted assets), reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, foreign exchange translation reserves, etc after 50% deduction for investments in the equity of subsidiary companies being commercial entities and significant minority investments in entities engaged in banking and financial activities.

Tier 3 capital

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Bank is not eligible for the Tier 3 capital.

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy are as follows:

		2009	2008
		Rupees in '000	
Regulatory Capital Base			
Tier I Capital			
Shareholders Capital		**5,279,679**	5,279,679
Accumulated loss		**(577,246)**	(98,307)
		4,702,433	5,181,372
Less: Cost of investment in subsidiary -50%		**(95,508)**	(95,508)
Less: Book value of goodwill and intangibles		**(105,147)**	(19,373)
		4,501,778	5,066,491
Tier II Capital			
General provisions subject to 1.25% of total risk weighted assets		**18,781**	18,242
Revaluation Reserve (upto 45%)		**26,211**	-
Less: Cost of investment in subsidiary -50%		**(95,508)**	(95,508)
Total Tier II Capital		**(50,516)**	(77,266)
Eligible Tier III Capital		**-**	-
Total Regulatory Capital	(a)	**4,451,262**	4,989,225

39.3 Capital Adequacy

The capital requirements for the Bank as per the major risk categories is indicated in the manner given below:

	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
	Rupees in '000			
Credit Risk				
Portfolios subject to standardized approach (Simple)				
Corporate Portfolio	**899,125**	442,911	**8,991,248**	4,921,234
Retail Portfolio	**24,656**	25,546	**246,559**	283,847
Mortgage Portfolio	**35,008**	27,111	**350,083**	301,237
Past due financings	**55,207**	3,725	**552,073**	41,391
Claims on Banks	**241,061**	106,267	**2,410,612**	1,180,745
Investment	**-**	190,391	**-**	2,115,454
Fixed Assets	**229,016**	171,958	**2,290,157**	1,910,647
Others	**96,013**	77,865	**960,128**	865,171
	1,580,086	1,045,775	**15,800,860**	11,619,726
Portfolios subject to off balance sheet exposure –non market related				
Corporate Portfolio	52,427	32,955	524,270	366,167

	Capital Requirements 2009	Capital Requirements 2008	Risk Weighted Assets 2009	Risk Weighted Assets 2008
	Rupees in '000			
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Foreign Exchange Risk	**12,429**	1,679	**124,286**	18,659
Interest Rate Risk	**450,003**	-	**4,500,034**	-
Equity Risk	**4**	-	**42**	-
	462,436	1,679	**4,624,362**	18,659
Operational Risk				
Capital Requirement for operational risks				
Operational Risk	**87,645**	46,931	**876,446**	521,460
TOTAL	**2,182,594**	1,127,340	**21,825,938**	12,526,012

		2009	2008
		Rupees in '000	
Capital Adequacy Ratio			
Total eligible regulatory capital held	(a)	**4,451,262**	4,989,225
Total Risk Weighted Assets	(b)	**21,825,938**	12,526,012
Capital Adequacy Ratio	(a) / (b)	**20.39%**	39.83%

39.4 Capital Management

Our objectives for a sound capital management are: 1) to ensure that the Bank complies with the regulatory Minimum Capital Requirement (MCR) 2) maintain a strong credit rating 3) maintain healthy capital ratios to support business and to maximize shareholder value and 4) to operate with a Revolving Planning Horizon and be able to take advantage of new investment opportunities when they appear.

The State Bank of Pakistan through its BSD Circular No.07 dated April 15, 2009 requires the minimum paid up capital (free of losses) for Banks / Development Finance Institutions to be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.6 billion paid up capital (free of losses) by the end of the financial year 2009.

The paid up capital of the Bank (free of losses) as of December 31, 2009 amounts to Rs 4.702 billion. However, the Bank has been granted an exemption till March 31, 2010 to meet the Minimum Capital Requirement by the SBP, vide its letter BSD/BAI-3/608/191/2010 dated March 3, 2010. The Board of Directors, in order to comply with the enhanced capital requirement, is considering various options including but not limited to issue of right shares and acquisition options. In this connection, the Bank has already made an announcement to Karachi Stock Exchange about its decision to enter into a Memorandum of Understanding (MOU) with another Islamic Commercial Bank in relation to its merger/acquisition into/by the Bank. The Board is confident that it will meet the Minimum Capital Requirement within the stipulated time.

In addition, the Bank was also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Bank. The Bank CAR as at December 31, 2009 was 20.39% of its risk weighted exposures.

40. RISK MANAGEMENT

Risk Management is the process of managing uncertainties that arises in the normal course of business activities. It also encapsules risk/reward trade-off. The function of risk management is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk categories; including Credit, Market, Liquidity, Operational etc. The Bank follows an effective risk governance which commensurate's well with our current size and structure.

During the last couple of years risk management has weathered a lot of criticism with relations to its effectiveness in the global financial markets. While financial managers at the time were clearly divided from the center on the role of risk management in the global crisis of the recent past, the division now is at the furthest from the equator. More and more significance is being attached to an effective and integrated risk management.

The Bank is also committed to the full and a timely implementation of Basel II (B2) which would effectively provide for a risk-based capital approach. Currently, the Bank adheres to the regulatory requirement in this respect, and conducts its business accordingly. Risk-exposure limits in compliance with regulatory and Banks own internal policies have also been defined for each asset class.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical for an effective risk management framework; it than needs to be reinforced through a strong control culture that promotes sound risk governance. Our Risk Management Frame work has been developed keeping in mind, that:

- To be effective, strong monitoring and control activities should be integral to the Bank.
- Critical Decision Making should be based on relevant research, proper analysis and effective communication within the Bank.
- Every loss or near miss event should provide some KLO (Key Learning Outcome), developing a better risk analysis ability.

Strategic Level
At strategic level, the risk related functions are approved by the senior management and the Board. These include; defining risks, setting parameters, ascertaining institutions risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates' for the risk taken.

Macro Level
It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical sensitivity / scenario analysis, stress testing is performed, to review sensitivity & resilience of the portfolio.

Micro Level
Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management includes the business line acquisition, strong adherence to the credit and other related criteria.

RISK APPETITE OF THE BANK
The risk appetite of the Bank is an outcome of its corporate goal, economic profitability, available resources and most significantly, its controls. The Bank believes in a cautious yet steady approach towards its business objectives. It takes a holistic view of its investment and financing needs.

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration remains the health of the portfolios.

RISK ORGANIZATION
A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Banks risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run on an enterprise level. Risk governance must involve all relevant parties.

The risk management function at the Bank, along with the different committees including ALCO (Asset Liability Committee) and MCC (Management Credit Committee) manage and adhere to the risk management policies and procedures, with an explicit aim to mitigate/ manage risk in line with the Banks objectives.

40.1 Credit Risk

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The term Credit Risk has certain sub-categories as follows:

i) Price risk

There is a risk that the asset repossessed due to default of the lessee may be sold or leased out to another party at a price lower than the original contract price.

ii) Counter party risk

The risk that the counter-party defaults during the term of a transaction (Murabaha, Ijarah etc.).

iii) Settlement risk

The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Bank has already met its commitments.

iv) Country risk

The risk that a country in its function as contracting partner defaults during the term of a transaction and / or the risk that the cross-border transfer of funds could be restricted or completely blocked, i.e. that a country issues legislation to prohibit free transfer rights of funds including foreign exchange restrictions and / or the risk that country's specific economic and political factors precipitate the default of private sector counterparties (social unrest, civil war etc.)

The Bank places a strong emphasis on long-term stability before high returns. It is the Bank's strategy to keep risks to a minimum through broad diversification in terms of geography and product mix and to spread the Bank's credit and trade financing activities over a wide range of customers. Financing should as a rule be secured and self liquidating.

40.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of financings, deposits and contingencies and commitments.

40.1.1.1 Segments by class of business

	2009					
	Financings (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing1,	1,393,750	10.3%	1,272,868	4.5%	-	-
Mining and Quarrying	-	-	345,598	1.2%	-	-
Textile	1,835,647	13.6%	454,334	1.6%	179,210	12.4%
Chemical and pharmaceuticals	866,027	6.4%	598,799	2.1%	6,027	0.4%
Cement	761,592	5.6%	44,316	0.2%	30,000	2.1%
Sugar	396,967	2.9%	114,415	0.4%	-	-
Footwear and leather garments	114,322	0.8%	66,145	0.2%	8,946	0.6%
Automobile and transportation equipment	187,978	1.4%	197,062	0.7%	110,846	7.7%
Education	9,518	0.1%	159,646	0.6%	-	-
Electronics and electrical appliances	150,014	1.1%	82,041	0.3%	16,753	1.2%
Production and transmission of energy	747,088	5.5%	123,813	0.4%	42,704	3.0%
Construction	192,490	1.4%	744,283	2.7%	62,767	4.4%
Power (electricity), gas, water, sanitary	-	-	21,221	0.1%	-	-
Wholesale and retail trade	290,287	2.1%	1,817,606	6.5%	-	-
Exports / imports	76,372	0.6%	160,501	0.6%	197,299	13.6%
Transport, storage and communication	926,070	6.8%	149,459	0.5%	8,000	0.6%
Financial	1,724,828	12.8%	474,203	1.7%	32,083	2.2%
Insurance	1,315	0.01%	70,482	0.3%	-	-
Services	469,805	3.5%	917,035	3.3%	97,221	6.8%
Individuals	1,605,761	11.9%	8,199,113	29.3%	-	-
Others*	1,782,030	13.2%	11,974,438	42.8%	648,128	45.0%
	13,531,861	100.0%	27,987,378	100.0%	1,439,984	100.0%

* Others include Sole Proprietors, trusts, fund accounts, government accounts etc.

	2008					
	Financings (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	250,000	3.7%	376,399	3.0%	-	-
Textile	1,644,862	24.6%	91,885	0.7%	450,434	25.7%
Chemical and pharmaceuticals	73,663	1.1%	42,236	0.3%	112,898	6.4%
Cement	23,250	0.3 %	12,545	0.1%	245,000	14.%
Sugar	372,986	5.6%	453	-	-	-
Footwear and leather garments	247,957	3.7%	34,663	0.3%	32,682	1.9%
Automobile and transportation equipment	170,952	2.6%	61,537	0.5%	69,063	3.9%
Education	15,702	0.2 %	218,276	1.7%	-	-
Electronics and electrical appliance	5,376	0.1%	23,897	0.2%	4,092	0.2%
Production and transmission of energy	-	-	92,495	0.7%	-	-
Construction	256,589	3.8%	476,776	3.8%	43,142	2.5%
Power (electricity), gas, water, sanitary	69,353	1.0%	-	-	85,208	4.9%
Wholesale and retail trade	154,706	2.3%	369,359	3.0%	1,735	0.1%
Exports / imports	25,427	0.4%	17,053	0.1%	13,507	0.8%
Transport, storage and communication	285,189	4.3%	-	-	-	-
Financial	284,221	4.3%	75,513	0.6%	7,735	0.4%
Insurance	1,235	-	3,930	-	-	-
Services	484,577	7.2%	105,243	0.8%	63,144	3.6%
Individuals	1,481,866	22.2%	4,060,087	32.5%	-	-
Others*	839,549	12.6%	6,415,608	51.4%	623,274	35.6%
	6,687,460	100%	12,477,955	100%	1,751,914	100%

* Others include Sole Proprietors, trusts, fund accounts, government accounts etc.

40.1.1.2 Segments by sector

	2009					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	600,000	4%	1,250,055	4%	166,176	12%
Private	12,931,861	96%	26,737,323	96%	1,273,808	88%
	13,531,861	100%	27,987,378	100%	1,439,984	100%

	2008					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	-	-	1,123,784	9%	64,469	4%
Private	6,687,460	100%	11,354,171	91%	1,687,445	96%
	6,687,460	100%	12,477,955	100%	1,751,914	100%

40.1.1.3 Details of non-performing financings and specific provisions by class of business segment

	2009		2008	
	Rupees in '000			
	Classified Financings	Specific Provisions Held	Classified Financing	Specific Provisions Held
Wholesale and retail trade	**63,758**	**5,483**	12,289	3,199
Textile *	**155,997**	**102,473**	-	-
Chemical and pharmaceuticals	**2,117**	**-**	696	174
Power (electricity), gas, water, sanitary	**599**	**150**	6,683	3,341
Cement	**23,750**	**12,422**	23,250	23,250
Automobile and Transportation equipment	**-**	**-**	2,432	2,432
Import/Export	**21,360**	**1,108**	5,000	1,250
Construction	**123,058**	**32,486**	69,980	69,980
Services	**-**	**-**	30,101	18,775
Paper product *	**100,000**	**-**	-	-
Transport, Storage and Communication	**-**	**-**	9,940	2,485
Individuals*	**120,667**	**38,941**	16,913	8,599
Others *	**177,359**	**37,865**	8,809	8,202
	788,665	**230,928**	186,093	141,687

* Provisions have been made under subjective evaluation.

40.1.1.4 Details of non-performing financings and specific provisions by sector

	2009 Classified Financings	2009 Specific Provisions Held	2008 Classified Financing	2008 Specific Provisions Held
	Rupees in '000			
Public/ Government	-	-	-	-
Private	788,665	230,928	186,093	141,687
	788,665	230,928	186,093	141,687

40.1.1.5 Geographical segment analysis

	2009 Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	**(562,909)**	**34,286,771**	**4,740,293**	**1,439,984**

	2008 Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	(229,152)	19,088,600	5,191,821	1,751,914

40.1.2 Credit Risk: Standardized Approach

Credit risk arises due to the risk of a borrower defaulting on his commitment ether in part or as a whole. The Bank has currently employed standardized approach for evaluation of credit risk. It uses CRM (Credit Risk Mitigation) technique where applicable. The Bank carries a strong desire to move towards the FIRB and Advanced approach.

Credit Risk : Disclosures for portfolio subject to the Standardized Approach & supervisory risk weights in the IRB Approach

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures, where available. The bank has also recently employed a credit rating model, which is compatible to the rating guidelines of SBP, which will support us in internally rating our credit clients.

Types of Exposures and ECAI's used

	2009		
Exposures	JCR - VIS	PACRA	Others
Corporate	✓	✓	N/A
Banks	✓	✓	N/A

40.1.2.1 Credit Risk: Standardized Approach

Credit Exposures subject to Standardised approach

Exposures	Rating Category	2009 Amount Outstanding	2009 Deduction CRM	2009 Net amount	2008 Amount Outstanding	2008 Deduction CRM	2008 Net amount
		Rs. In '000					
Corporate	0%	-	-	-	-	-	-
	20%	3,343,580	-	3,343,580	37,645	-	37,645
	50%	382,879	-	382,879	55,496	-	55,496
	100%	13,313	-	13,313	-	-	-
	150%	248,256	-	248,256	-	-	-
	Unrated	7,955,492	210,097	7,745,395	5,100,971	215,014	4,885,957
Retail	0%	-	-	-	-	-	-
	20%	-	-	-	-	-	-
	50%	-	-	-	-	-	-
	75%	501,021	172,275	328,746	542,737	164,274	378,463
Total		12,444,541	382,372	12,062,169	5,736,849	379,288	5,357,561

CRM = Credit Risk Mitigation

40.1.2.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standard and IRB Approaches - Basel II Specific.

Bank obtains capital relief for both on and off-balance sheet non-market related exposures by using simple approach for Credit Risk Mitigation (CRM). Off-balance sheet items under the simplified standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Bank has taken advantage of the cash collaterals available with the Bank in the form of security deposits and cash margins.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Bank in terms of change in their valuation due to changes in the market conditions.

The Bank takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 11,943.520 million is subject to the CRM of Rs. 210.097 million whereas a claim on retail portfolio of Rs. 501.020 million is subject to CRM of Rs. 172.275 million. The total benefit of Rs. 382.372 million was availed through CRM against total on-balance sheet exposure of Rs. 12,444.541 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs 1,237.802 million is subject to the CRM of Rs. 38.842 million. Hence total benefit of Rs 38.842 million was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs. 1,237.802 million.

During the year, total amount of cash collateral used for CRM purposes was Rs. 421.214 million as against amount of Rs 567.698 million in year 2008.The difference in the value of cash collateral is due to the changes in the exposure amounts and the resultant amount of cash collateral obtained.

40.2 Equity Position Risk in the Banking book –Basel II Specific

Equity position includes the following:

- Strategic investments
- Investment in equities for generating revenue in short term

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Accounting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any in their value and charged to profit and loss account.

40.3 Yield / Profit Rate Risk in the banking book – Basel II specific

It includes all material yield risk positions of the bank taken into account all repricing and maturity data. It includes current balances and contractual yield rates; bank understands that its financing shall be repriced as per their respective contracts.

Bank estimates changes in the economic value of equity due to change in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Bank by applying upward and downward shocks.

40.4 Market Risk

Market risk encompasses the risk of losses due to adverse movements in markets for instruments carrying a fixed rate, foreign exchange rates, securities, precious metals or other commodities.

The strategy of Bank is to keep market risks to the minimum in that the Bank does not enter into any speculative transaction. In general the Bank ensures that an adequate hedging mechanism is in place before it enters into financial markets for trading.

Moreover, since the Bank does not deal in interest based products, the impact of the above risks will be very minimal. The Bank does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

40.4.1 Foreign Exchange Risk

Foreign exchange or currency risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank's foreign exchange exposure comprises of forward promises, foreign currency cash in hand, balances with banks abroad, foreign currency deposits, foreign currency placements with State Bank of Pakistan and other banks etc. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position is managed within the statutory limits as fixed by the State Bank of Pakistan.

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	33,576,402	28,969,147	8,749	4,616,004
United States Dollar	529,105	408,379	(8,749)	111,977
Great Britain Pound	91,463	90,714	-	749
Japanese Yen	494	-	-	494
Euro	79,676	78,238	-	1,438
U.A.E Dirham	475	-	-	475
ACU	5,923	-	-	5,923
CHF	538	-	-	538
Saudi Riyal	2,695	-	-	2,695
	34,286,771	29,546,478	-	4,740,293

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	18,861,324	13,684,492	(3,670)	5,173,162
United States Dollar	174,791	169,779	3,670	8,682
Great Britain Pound	12,635	9,650	-	2,985
Japanese Yen	599	-	-	599
Euro	34,105	32,858	-	1,247
U.A.E Dirham	493	-	-	493
ACU	2,545	-	-	2,545
Saudi Riyal	2,108	-	-	2,108
	19,088,600	13,896,779	-	5,191,821

40.4.2 Mismatch of Profit / Yield Rate Sensitive Assets and Liabilities

2009

	Effective yield / Profit rate	Total	Exposed to Yield / Profit risk: Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments		-	-	-	-	-	-	-	-	-	-	-
Assets												
Cash and balances with treasury banks		4,217,515	-	-	-	-	-	-	-	-	-	4,217,515
Balances with Other banks	9.43%	2,059,550	1,539,014	-	-	-	-	-	-	-	-	520,536
Due from financial institutions	12.14%	4,018,813	4,018,813	-	-	-	-	-	-	-	-	-
Investments	13.33%	6,813,191	-	-	310,000	-	302,483	3,426,204	706,250	1,877,218		191,036
Financings	14.00%	13,282,152	537,591	624,986	1,560,266	5,878,793	735,527	1,909,165	977,695	479,504	577,015	1,609
Other assets		546,166	-	-	-	-	-	-	-	-	-	546,166
		30,937,387	6,095,418	624,986	1,870,266	5,878,793	1,038,010	5,335,369	1,683,945	2,356,722	577,015	5,476,862
Liabilities												
Bills payable		485,608	-	-	-	-	-	-	-	-	-	485,608
Due to financial institutions	6.50%	156,160	-	84,490	71,670	-	-	-	-	-	-	-
Deposits and other accounts	6.74%	27,987,378	8,264,904	1,380,956	933,579	3,103,787	401,287	1,275,356	3,395,503	1,653,612	-	7,578,394
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		225,838	-	-	-	-	-	-	-	-	-	225,838
		28,854,984	8,264,904	1,465,446	1,005,249	3,103,787	401,287	1,275,356	3,395,503	1,653,612		8,289,840
On-balance sheet gap		2,082,403	(2,169,486)	(840,460)	865,017	2,775,006	636,723	4,060,013	(1,711,558)	703,110	577,015	(2,812,978)
Total Yield / Profit Risk Sensitivity Gap			(2,169,486)	(840,460)	865,017	2,775,006	636,723	4,060,013	(1,711,558)	703,110	577,015	(2,812,978)
Cumulative Yield/Profit Risk Sensitivity Gap			(2,169,486)	(3,009,946)	(2,144,928)	630,078	1,266,800	5,326,813	3,615,255	4,318,366	4,895,381	2,082,403

40.4.2 Mismatch of Profit / Yield Rate Sensitive Assets and Liabilities

2008

	Effective yield / Profit rate	Total	Exposed to Yield / Profit risk: Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments		-	-	-	-	-	-	-	-	-	-	-
Assets												
Cash and balances with treasury banks		2,175,413	-	-	-	-	-	-	-	-	-	2,175,413
Balances with Other banks	13.50%	2,207,490	2,099,942	-	7,910	-	-	-	-	-	-	99,638
Due from financial institution	16.75%	40,351	11,804	28,547	-	-	-	-	-	-	-	-
Investments	15.48%	5,019,525	-	-	-	-	460,000	300,000	2,162,810	1,905,700	-	191,015
Financings	15.06%	6,527,531	927,223	798,501	994,474	157,918	342,011	573,602	1,637,473	665,421	429,969	939
Other assets		342,471	-	-	-	-	-	-	-	-	-	342,471
		16,312,781	3,038,969	827,048	1,002,384	157,918	802,011	873,602	3,800,283	2,571,121	429,969	2,809,476
Liabilities												
Bills payable		353,646	-	-	-	-	-	-	-	-	-	353,646
Due to financial institutions	6.50%	245,939	728	135,980	109,231	-	-	-	-	-	-	-
Deposits and other accounts	7.28%	12,477,955	3,420,878	879,707	647,802	1,155,743	240,384	355,522	2,417,374	304,659	-	3,055,886
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		238,802	-	-	-	-	-	-	-	-	-	238,802
		13,316,342	3,421,606	1,015,687	757,033	1,155,743	240,384	355,522	2,417,374	304,659	-	3,648,334
On-balance sheet gap		2,996,439	(382,637)	(188,639)	245,351	(997,825)	561,627	518,080	1,382,909	2,266,462	429,969	(838,858)
Total Yield / Profit Risk Sensitivity Gap			(382,637)	(188,639)	245,351	(997,825)	561,627	518,080	1,382,909	2,266,462	429,969	(838,858)
Cumulative Yield/Profit Risk Sensitivity Gap			(382,637)	(571,276)	(325,925)	(1,323,750)	(762,123)	(244,043)	1,138,866	3,405,328	3,835,297	2,996,439

40.5 Liquidity Risk

Liquidity risk is defined as inability to raise deposits at a competitive rate. It can be caused by the withdrawal of important customer deposits (including interbank deposits). A sudden surge in liability withdrawals may leave the Bank in a position of having to liquidate assets in a very short period of time and at low prices.

Under refinance risk we understand the risk of holding longer-term assets relative to liabilities. Generally this is caused by a discrepancy of the cash flows from the two sides of the balance sheet due to a faulty Asset-Liability Management (ALM) process (strongly differing maturity profiles).

The risk is minimized by broad diversification and a minimum of concentrations on both sides of the balance sheet.

An Assets-Liabilities Committee (ALCO) is responsible for monitoring the liquidity and market risks of the Bank.

Maturities of Assets and Liabilities

	2009									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
						Rupees in '000				
Assets										
Cash and balances with treasury banks	4,217,515	4,217,515	-	-	-	-	-	-	-	-
Balances with other banks	2,059,550	2,059,550	-	-	-	-	-	-	-	-
Due from financial institutions	4,018,813	4,018,813	-	-	-	-	-	-	-	-
Investments	6,813,191	21	-	310,000	-	302,483	3,426,204	706,250	1,877,218	191,015
Financings	13,282,152	537,746	625,191	1,561,515	5,878,793	735,527	1,909,165	977,695	479,50	577,016
Other assets	1,153,230	609,789	397,285	16,129	109,858	-	20,169	-	-	-
Operating fixed assets	2,395,304	30,812	61,626	92,437	185,215	369,747	369,747	157,482	489,149	639,089
Deferred tax assets	347,016	-	-	-	-	-	-	-	-	347,016
	34,286,771	11,474,246	1,084,102	1,980,081	6,173,866	1,407,757	5,725,285	1,841,427	2,845,871	1,754,136
Liabilities										
Bills payable	485,608	485,608	-	-	-	-	-	-	-	
Due to financial institutions	156,160		84,490	71,670	-	-	-	-	-	-
Deposits and other accounts	27,987,378	15,843,298	1,380,956	933,579	3,103,787	401,287	1,275,356	3,395,503	1,653,612	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to Finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	917,332	334,545	58,959	-	102,408	-	-	421,420	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	29,546,478	16,663,451	1,524,405	1,005,249	3,206,195	401,287	1,275,356	3,816,923	1,653,612	-
Net assets	4,740,293	(5,189,205)	(440,303)	974,832	2,967,671	1,006,470	4,449,929	(1,975,496	1,192,259	1,754,136
Share capital / Head office capital account	5,279,679									
Reserves	-									
Accumalated Losses	(577,246)									
Surplus/(Deficit) on revaluation of assets	-									
	37,860									
	4,740,293									

	2008									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
						Rupees in '000				
Assets										
Cash and balances with treasury banks	2,175,413	2,175,413	-	-	-	-	-	-	-	-
Balances with other banks	2,207,490	2,199,580	-	7,910	-	-	-	-	-	-
Due from financial institutions	40,351	11,804	28,547	-	-	-	-	-	-	-
Investments	5,019,525	-	-	-	-	460,000	300,000	2,162,810	1,905,700	191,015
Financings	6,527,531	927,225	798,518	994,606	158,706	342,011	573,602	1,637,473	665,421	429,969
Other assets	942,385	543,981	153,600	25,864	182,688	-	36,252	-	-	-
Operating fixed assets	1,910,648	20,911	41,822	62,733	355,705	250,931	250,931	202,629	409,229	315,757
Deferred tax assets	265,257	-	-	-	-	-	-	-	-	265,257
	19,088,600	5,878,914	1,022,487	1,091,113	697,099	1,052,942	1,160,785	4,002,912	2,980,350	1,201,998
Liabilities										
Bills payable	353,646	353,646	-	-	-	-	-	-	-	-
Due to financial institutions	245,939	728	135,980	109,231	-	-	-	-	-	-
Deposits and other accounts	12,477,955	6,476,764	879,707	647,802	1,155,743	240,384	355,522	2,417,374	304,659	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to Finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	819,239	253,928	36,507	-	128,333	-	-	400,471	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	13,896,779	7,085,066	1,052,194	757,033	1,284,076	240,384	355,522	2,817,845	304,659	-
Net assets	5,191,821	(1,206,152)	(29,707)	334,080	(586,977)	812,558	805,263	1,185,067	2,675,691	1,201,998
Share capital / Head office capital account	5,279,679									
Reserves										
Accumalated Losses	(98,307)									
Surplus/(Deficit) on revaluation of assets	10,449									
	5,191,821									

40.6 Operational Risk

This is the collective term for all risks which arise through inadequate or failed internal processes, employees and systems or from external events and which can only be partially quantified. In addition, legal risks fall into this category. The Bank is currently pursuing a Basic Indicator Approach (BIA), but wishes to move towards a more sophisticated approach in the coming years.

40.7 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Bank follows a deliberate low-risk strategy. Within the general constraints of its niche market the Bank is aware of the need of reducing risk. The Bank has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

40.8 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Bank actively supports these organizations through its membership of relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Bank also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

40.9 Shariah Non-Compliance Risk

Shariah Non-compliance risk arises due to the lack of awareness amongst the staff while processing a particular transaction which may result in reputational loss to the Bank, as well as, reversal of income of the Bank in respect of that transaction.

This risk is covered by carrying out extensive Shariah training and orientation and frequent reviews by the Shariah department of the Bank.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Bank on March 04, 2010.

42. GENERAL

42.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the balance sheet and profit and loss account.

42.2 The figures in the financial statements are rounded off to the nearest thousand of rupees.

Chairman	Chief Executive Officer	Director	Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of BankIslami Pakistan Limited (the Bank) and its subsidiary company, BankIslami Modaraba Investment Limited (together referred to as Group) as at 31 December 2009, and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof for the year then ended, in which are incorporated the unaudited certified returns from the branches except for seven branches which have been audited by us. The financial statements of the subsidiary were reviewed in accordance with the International Standards on Review Engagements 2410 by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the subsidiary, is based solely on the report of other auditor. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to note 1.1 to the accompanying financial statements wherein the Bank has disclosed that the Bank has been granted exemption from the requirement to have the minimum paid-up capital (free of losses) of Rs. 6.00 billion as at 31 December 2009 till March 31, 2010.

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

March 04, 2010

Karachi

بینک اسلامی
پاکستان

BankIslami

Islami Amadni Certificate

Banking with Purity,
Solutions with Authenticity

With Islami Amadni Certificate, your hard earned investment works harder to yield high expected profits to help you build your wealth for a prosperous future. You get the best of both worlds in a safe, secure and flexible package to perfectly meet your needs. Islami Amadni Certificate provides you the following features:

- Investment with as low as Rs. 10,000/-
- Profit payment at maturity
- Tenure of investment from 1 month to 5 years
- Free Internet Banking Facility
- No penalty on premature encashment of investment
- Nationwide network of 102* Online branches in 49 Cities

*Including sub branches

Serving you, the Right way

BankIslami Pakistan

بینک اسلامی
پاکستان

BankIslami

Authentic Portfolio of Shariah Compliant Products
From 102* Online Branches in 49 Cities

With a network of 102* Online branches in 49 cities, BankIslami offers authentic Islamic banking products and services to suit your banking needs.

BankIslami offers free countrywide Online banking facility to its customers so you can avail banking services from any of our 102* Online branches in 49 cities.

*Including sub branches

Serving you, the Right way

BankIslami Pakistan

Consolidated Balance Sheet
As at December 31, 2009

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
ASSETS			
Cash and balances with treasury banks	8	**4,217,520**	2,175,418
Balances with other banks	9	**2,059,808**	2,207,640
Due from financial institutions	10	**4,018,813**	40,351
Investments	11	**6,653,447**	4,861,883
Financings	12	**13,282,152**	6,527,531
Operating fixed assets	13	**2,375,515**	1,889,543
Deferred tax assets	14	**358,625**	276,283
Other assets	15	**1,241,621**	1,032,375
		34,207,501	19,011,024
LIABILITIES			
Bills payable	16	**485,608**	353,646
Due to financial institutions	17	**156,160**	245,939
Deposits and other accounts	18	**27,911,651**	12,412,598
Sub-ordinated loan		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	19	**918,705**	818,421
		29,472,124	13,830,604
NET ASSETS		**4,735,377**	5,180,420
REPRESENTED BY			
Share capital	20	**5,279,679**	5,279,679
Reserves		**-**	-
Accumulated losses		**(574,078)**	(101,364)
		4,705,601	5,178,315
Surplus on revaluation of assets - net of deferred tax	21	**29,776**	2,105
		4,735,377	5,180,420
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

Chairman **Chief Executive Officer** **Director** **Director**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
Profit / return on financings, investments and placements earned	23	**2,198,633**	1,472,425
Return on deposits and other dues expensed	24	**1,215,019**	723,685
Net spread earned		**983,614**	748,740
Provision against non-performing financings - net	12.8	**89,780**	130,556
Provision for diminution in the value of investments	11.6	**15,000**	-
Provision against sukuk murabaha	10.5	**6,418**	-
Bad debts written off directly		**-**	-
		111,198	130,556
Net spread after provisions		**872,416**	618,184
OTHER INCOME			
Fee, commission and brokerage income		**37,854**	112,117
Dividend income		**-**	2,327
Income from dealing in foreign currencies		**278,054**	29,273
Capital gain / (loss) on sale of securities	25	**2,356**	31,273
Unrealised gain / (loss) on revaluation of investments classified as held for trading		**-**	-
Other income	26	**24,423**	20,889
Total other income		**342,687**	195,879
		1,215,103	814,063
OTHER EXPENSES			
Administrative expenses	27	**1,760,047**	1,030,911
Other provisions / write offs		**-**	-
Other charges	28	**10,617**	5,663
Total other expenses		**1,770,664**	1,036,574
		(555,561)	(222,511)
Extra ordinary / unusual items		**-**	-
LOSS BEFORE TAXATION		**(555,561)**	(222,511)
Taxation - Current		**(14,393)**	(874)
- Prior years		**-**	-
- Deferred		**97,240**	175,502
	29	**82,847**	174,628
LOSS AFTER TAXATION		**(472,714)**	(47,883)
Accumulated losses brought forward		**(101,364)**	(53,481)
Accumulated losses carried forward		**(574,078)**	(101,364)
Basic loss per share - Rupee	30	**(0.90)**	(0.11)
Diluted loss per share - Rupee	30	**(0.90)**	(0.11)

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

Chairman	**Chief Executive Officer**	**Director**	**Director**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
Loss after taxation		**(472,714)**	(47,883)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(472,714)**	(47,883)

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

Chairman **Chief Executive Officer** **Director** **Director**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(555,561)**	(222,511)
Less: Dividend income		**-**	(2,327)
		(555,561)	(224,838)
Adjustments:			
Depreciation		**303,420**	161,159
Amortisation		**25,453**	5,676
Depreciation on operating Ijarah assets		**29,266**	-
Provision against non-performing financings		**89,780**	130,556
Provision for diminution in the value of investments		**15,000**	-
Provision against sukuk murabaha		**6,418**	-
Gain on sale of property and equipment - net		**(192)**	(1,015)
Deferred cost amortised		**16,083**	16,019
		485,228	312,395
		(70,333)	87,557
(Increase) / decrease in operating assets			
Due from financial institutions		**(3,984,881)**	584,686
Financings		**(6,873,667)**	(2,884,221)
Others assets (excluding advance taxation and deferred cost)		**(232,147)**	(135,870)
		(11,090,695)	(2,435,405)
Increase / (decrease) in operating liabilities			
Bills payable		**131,962**	268,648
Due to financial institutions		**(89,779)**	175,939
Deposits and other accounts		**15,499,053**	2,794,863
Other liabilities		**100,284**	277,125
		15,641,520	3,516,575
		4,480,492	1,168,727
Income tax paid		**(7,576)**	(6,865)
Net cash flow from operating activities		**4,472,916**	1,161,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		**(1,763,994)**	(1,183,897)
Dividend received		**-**	2,327
Investments in operating fixed assets		**(817,982)**	(1,012,505)
Sale proceeds of property and equipment disposed off		**3,330**	5,746
Net cash used in investing activities		**(2,578,646)**	(2,188,329)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		**-**	1,398,270
Net cash flow from financing activities		**-**	1,398,270
Net increase in cash and cash equivalents		**1,894,270**	371,803
Cash and cash equivalents at beginning of the year	31	**4,383,058**	4,011,255
Cash and cash equivalents at end of the year	31	**6,277,328**	4,383,058

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

Chairman	Chief Executive Officer	Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Share capital	Accumulated losses	Total
		Rupees in `000	
Balance as at January 01, 2008	**3,200,000**	**(53,481)**	**3,146,519**
Issue of right shares during the year	1,079,679	-	1,079,679
Allotment of right shares during the year - pending issuance	1,000,000	-	1,000,000
Net loss for the year	-	(47,883)	(47,883)
Other comprehensive income	-	-	-
Total comprehensive loss for the year ended December 31, 2008	-	(47,883)	(47,883)
Balance as at December 31, 2008	**5,279,679**	**(101,364)**	**5,178,315**
Net loss for the year	-	(472,714)	(472,714)
Other comprehensive income	-	-	-
Total comprehensive loss for the year ended December 31, 2009	-	(472,714)	(472,714)
Balance as at December 31, 2009	**5,279,679**	**(574,078)**	**4,705,601**

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

Chairman **Chief Executive Officer** **Director** **Director**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprise of:

BankIslami Pakistan Limited (Holding Company)

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

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

The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The Bank commenced its operations from April 07, 2006. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with 102 branches including 32 sub branches (2008: 102 branches) as at December 31, 2009. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank as A ("Single A") and the short term rating as A1 ("A One").

The State Bank of Pakistan (SBP) vide BSD 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 Minimum Capital Requirement (free of losses) as of December 31, 2009 was Rs 6 billion. The paid up capital of the Bank (free of losses) as of December 31, 2009 amounts to Rs. 4.706 billion. The Board of Directors, in order to comply with the enhanced capital requirement, is considering various options including but not limited to issue of right shares and acquisition options. In this connection, the Bank has already made an announcement to Karachi Stock Exchange about its decision to enter into a Memorandum of Understanding (MoU) with another Islamic Commercial Bank in relation to its merger/acquisition into/by the Bank. The Board is confident that it will meet the Minimum Capital Requirement within the stipulated time. In view of the above, the Bank has been granted an exemption till March 31, 2010 to meet the Minimum Capital Requirement by the SBP, vide its letter BSD/BAI-3/608/191/2010 dated March 3, 2010.

BankIslami Modaraba Investments Limited (Subsidiary company)

The subsidiary was incorporated in Pakistan on January 22, 1986 under the Companies Ordinance, 1984. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The principal activity of the subsidiary is to float and operate Modaraba. The subsidiary is managing its Modaraba with the name of MODARABA-AL-MALI. The principal place of business of the Subsidiary is situated at Tenth Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

The financial statements of the subsidiary company have been consolidated on a line-by-line basis and the carrying value of the investments held by the holding company has been eliminated against the shareholder's equity in the subsidiary company. Intra group balances or transactions have been eliminated.

The financial statements of the subsidiary have been consolidated on their reviewed interim condensed financial statements for the half year ended December 31, 2009.

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements have been prepared in accordance with the requirements of State Bank of Pakistan (SBP) vide BSD Circular No. 4 dated February 17, 2006.

2.2 The Group provides financing mainly through shariah compliant financial products. Except for Murabaha transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), the purchases, sales and rentals arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. Income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable.

3. STATEMENT OF COMPLIANCE

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

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

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which have been marked to market and are carried at fair value as stated in note 5.3.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policies and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended December 31, 2008, except for changes resulting from the adoption of the following accounting standards as described below:

5.1.1 IAS 1 - Presentation of Financial Statements (Revised)

The revised standard became effective for accounting period beginning on or after January 01, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has adopted two statement approach and, has accordingly, presented profit and loss account and statement of comprehensive income separately. However, in accordance with the requirements of the Companies Ordinance, 1984 and SBP directives, surplus / (deficit) on revaluation of available-for-sale investments is reported under separate account shown below equity and is not taken to the statement of comprehensive income and statement of changes in equity.

5.1.2 Adoption of IFAS - 2 Ijarah

The standard became effective during the year and deals with the accounting for ijarah financing contracts undertaken by the Bank. The standard is applicable prospectively for Ijarah contracts entered into on or after January 01, 2009. As a result of application of this standard, the Group has recorded the assets leased out under ijarah arrangements at cost less depreciation and impairment, if any which have been included under "financings". The rentals from ijarah and depreciation expense on ijarah assets are recognised in the profit and loss account over the term of the contract and have been reported under "profit / return on financings , investments and placements earned" in these financial statements. Previously, the Ijarah arrangements were accounted for by the Group as finance leases. Had the Group applied its previous accounting policy in respect of ijarah contracts entered into on or after January 01, 2009, the loss before taxation for the year and total assets would have been decreased and increased by Rs 29.506 million respectively.

5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.3 Investments

In accordance with BSD Circular No.10 and 14 dated July 13, 2004 and September 24, 2004 respectively, issued by SBP, the Group classifies its investment portfolio into 'held for trading', 'held to maturity' and 'available for sale' securities as follows:

Held for trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices or dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

Investments are initially recognised at cost which in case of investments other than 'held for trading' includes transaction costs associated with the investment.

In accordance with the requirements of SBP, quoted securities other than those classified as held to maturity are stated at market value. Investments classified as held to maturity are carried at amortised costs less impairment, if any. Unquoted securities are valued at cost less accumulated impairment, if any.

Surplus / (deficit) arising on revaluation of the Group's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in “Surplus / Deficit on Revaluation of Securities account” and is shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Provision for diminution in the value of securities is made after considering impairment, if any in their value and charged to profit and loss account.

Profit and loss on sale of investments is included in profit and loss currently.

Premium or discount on debt securities classified as available for sale is amortised using effective Interest method and taken to the profit and loss account.

5.4 Trade date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.5 Financings

Financings are financial products originated by the Group and principally comprise Murabaha, Istisn'a, Ijarah, Salam, Musawamah and Diminishing Musharaka receivables. These are stated at amortised cost (except for Murabaha which is accounted for at gross receivable) net of general and specific provisions.

Provision against non-performing financing is made in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to profit and loss account. Specific provisions are made for identified doubtful financing in addition to general provisioning requirements. Financings are written off when there is no realistic prospect of recovery.

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Bank) sells to the client / customer a Sharia compliant asset / good for cost plus a pre-agreed profit. In principle on the basis of an undertaking (Promise-to-Purchase) from the client (the purchase orderer), the Group purchases the goods / assets subject of the Murabaha from a third party and takes the possession thereof, however the Group can appoint the client as its agent to purchase the goods / assets on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the Promise.

Import Murabaha is a product, used to finance a commercial transaction which consists of purchase by the Group (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisn'a is an order to manufacture or construct some assets. The Group purchases marketable / exportable goods under Istisn'a mode and sells them through an agent.

Ijarah is a contract in which the Group buys and rents a productive asset to a person short of funds and in need of that asset.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

Musawamah is a sale transaction in which price of a commodity to be traded is bargained between seller and the purchaser without any reference to the cost incurred by the seller.

Diminishing Musharaka represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank).

Musharaka / Modaraba are different types of partnerships in business with distribution of profit in agreed ratio and distribution of loss in the in the ratio of capital invested.

5.6 Operating fixed assets

5.6.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 13.2 to the consolidated financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

The carrying values of property and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use.

Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance are charged to the profit and loss account.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

Gain and loss on disposal of assets are included in profit and loss currently.

5.6.2 Capital work in progress

These are stated at cost less impairment, if any.

5.6.3 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on systematic basis to income applying the straight-line method at the rate specified in note 13.3 to the consolidated financial statements.

Amortisation on additions is charged from the month in which the assets are put to use while no amortisation is charged in the month in which the assets are deleted.

Software and other development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Group.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

5.7 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of net identifiable assets of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

5.8 Taxation

5.8.1 Current taxation

Provision for taxation is based on the taxable income for the year determined in accounts with the prevailing laws for taxation on income. The charge for tax also includes adjustments, where considered necessary relating to prior years.

5.8.2 Deferred taxation

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and un-absorbed tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and un-absorbed tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of assets which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 “Income Taxes”.

5.9 Staff retirement benefits

5.9.1 Defined benefit plan

The Group operates an approved and unfunded gratuity scheme for all of its permanent employees. The contribution to the scheme is made on the basis of actuarial recommendations. Actuarial valuation is carried out at each year end using the Projected Unit Credit Method. Actuarial gains and losses are recognised as income or expense over the average remaining useful lives of the employees, if the cumulative recognised actuarial gains or losses for the Scheme at the end of the previous reporting period exceed 10% of the higher of defined benefit obligation and the fair value of the plan assets.

5.9.2 Defined contribution plan

The Group operates an approved funded contributory provident fund scheme for all of its permanent employees. Equal monthly contributions are made both by the Group and the employees at the rate of 10 percent of the basic salary. The Group has no further payment obligations once the contributions have been paid. The contribution made by the Group is recognised as an employee benefit expense when they are done.

5.10 Revenue recognition

5.10.1 Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.

5.10.2 Profit from Istisn'a, Diminishing Musharaka, Salam and Musawamah are recognised on a time proportionate basis.

5.10.3 Profit from Ijarah contracts is recognised on a pattern reflecting a constant periodic return on the net investment outstanding in accordance with International Accounting Standard 17 "Leases".

Profit from Ijarah contracts entered on or after January 01, 2009 is recognized in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

5.10.4 Profit on diminishing Musharaka is recognised on an accrual basis.

5.10.5 Provisional profit of Musharaka / Modaraba financing is recognised on accrual basis. Actual profit / loss or loss on Musharaka and Modaraba financings is adjusted for declaration of profit by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.

5.10.6 Profit on classified financing is recognised on receipt basis.

5.10.7 Dividend income is recognised when the right to receive dividend is established.

5.10.8 Gains and losses on sale of investments are included in income currently.

5.10.9 Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transaction consummates within an accounting period. Fee on guarantees, if considered material, is recognised over the period of guarantee.

5.10.10 Modaraba management fee is recognised on an accrual basis.

5.11 Financial instruments

5.11.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

5.11.2 Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.11.3 Derivatives

Derivative financial instruments are recognised at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are taken to income currently.

5.12 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.13 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

5.14 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated financial statements.

5.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Group to settle the obligation. Charge to profit and loss account is stated net off expected recoveries.

5.16 Deferred costs

These represent preliminary, formation and pre-operating cost and expenses incurred on issue of shares. These are being amortised over a period of five years.

5.17 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events of changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such indication exists, and where the carrying amount exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account.

5.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.

5.18.1 Business Segments

Trading and Sales

It includes equity, foreign exchanges, commodities, own securities and placements.

Retail Banking

It includes retail financings, deposits and banking services offered to its retail customers and small and medium enterprises.

Commercial Banking

It includes project finance, export finance, trade finance, Ijarah, guarantees and bills of exchange relating to its corporate customers.

5.18.2 Geographical Segments

The Group has 102 (2008: 102) branches / sub branches and operates only in Pakistan.

5.19 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain financings. These are stated at lower of the net realizable value of the related advances and the current fair value of such assets.

6. **Accounting standards not yet effective**

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 27 - Consolidated and Separate Financial Statements (Amendment)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 17 - Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Group expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially effect the Group's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

7. **Accounting judgments and estimates**

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting polices. Estimates / judgments and associated assumptions used in the preparation of the consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The changes in estimates made during the year and impact on the consolidated financial statements are disclosed in note 12.8.1. The estimates, judgments and assumptions that have significant effect on the consolidated financial statements are as follows:

	Note
Classification of investments	5.3 & 11
Useful lives of assets and methods of depreciation / amortisation	5.6 & 13
Deferred taxation	5.8.2 & 14
Provision against non-performing financings	5.15 & 12.6
Defined benefit plan	5.9.1 & 33

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	

8. CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31, 2009	December 31, 2008
In hand			
- local currency		**829,019**	933,929
- foreign currency		**117,355**	95,300
		946,374	1,029,229
With State Bank of Pakistan in			
- local currency current accounts	8.1	**2,564,617**	781,475
- foreign currency deposit accounts			
- Cash Reserves		**29,484**	11,469
- Special Cash Reserves		**35,803**	13,842
- US Dollar Clearing Account		**23,205**	8,846
	8.2	**88,492**	34,157
		3,599,483	1,844,861
With National Bank of Pakistan in			
- local currency current accounts		**618,037**	330,557
		4,217,520	2,175,418

8.1 Includes Rs. 2,302.563 million (2008: Rs. 490.766 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement which is to be maintained to comply with the requirements of SBP issued from time to time. Balance amount is available to the Group for its operations.

8.2 Includes Rs. 63.506 million (2008: Rs. 23.35 million) held against Cash Reserve Requirement and Special Cash Reserves Requirement. Balance amount is available to the Group for its operations. These deposits do not carry any return.

9. BALANCES WITH OTHER BANKS

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
In Pakistan			
- on current accounts		**16,015**	9,806
- on deposit accounts	9.1	**1,539,272**	2,100,092
		1,555,287	2,109,898
Outside Pakistan			
- on current accounts		**504,521**	89,832
- on deposit accounts	9.2	**-**	7,910
		504,521	97,742
		2,059,808	2,207,640

9.1 Represents deposits with various Islamic Commercial Banks under Musharaka and Modaraba arrangements with maturities less than 3 months. The expected profit rates on these arrangements ranges between 5 % to 9.5 % per annum (2008: 13 % to 13.5 % per annum).

9.2 The expected profit rate on these arrangements is nil % (2008: 3.75%) per annum.

10. DUE FROM FINANCIAL INSTITUTIONS

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
Sukuk Murabaha	10.1	**6,418**	40,351
Commodity Murabaha - local currency	10.2	**2,218,813**	-
	10.3	**2,225,231**	40,351
Musharaka Placement	10.4	**1,800,000**	-
		4,025,231	40,351
Provision against Sukuk Murabaha	10.5	**(6,418)**	-
		4,018,813	40,351

10.1 The Group entered into Sukuk Murabaha arrangement under which the Group appoints its client as an agent under asset purchase agreement to purchase the underlying Sukuks from the open market on its behalf and later sells them on deferred Murabaha basis. This carries profit at the rate of 16.75% (2008: 16.75%) per annum.

10.2 The Group has entered into Commodity Murabaha agreements under which the Group purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rate on the Commodity Murabaha ranges between 11.5% and 12.4% (2008:nil) per annum and have a maturity ranging from 2 days to 18 days.

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
10.3 Murabaha sale price		**25,898,652**	1,197,413
Purchase price		**(25,850,000)**	(1,165,000)
		48,652	32,413
Deferred Murabaha income			
Opening balance		**582**	11,765
Deferred during the year		**48,652**	32,413
Recognised during the year		**(42,232)**	(43,596)
		7,002	582
Murabaha receivable			
Opening balance		**40,351**	625,037
Sales during the year		**25,898,652**	1,197,413
Received during the year		**(23,713,772)**	(1,782,099)
		2,225,231	40,351

10.4 The Group has entered into Musharaka Placement arrangements under which the profit rate ranges from 12.35% to 12.50% (2008: Nil) per annum and have a maturity ranging from 2 days to 4 days.

10.5 This represents provisioning in respect of Sukuk Murabaha arrangement with an investment bank undertaken on November 17, 2008. The maturity date of the deal was February 08, 2009. The total murabaha arrangement amounts to Rs 28.5 million against which Rs 22.1 million was received during the year. The Group is making efforts to recover the balance outstanding, however the Group has made for provision against the outstanding balance.

11. INVESTMENTS

	Note	December 31, 2009			December 31, 2008		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as	Total collateral
		(Rupees in '000)					
11.1 Investments by types							
Available for sale securities							
- Sukuk Certificates	11.3	**6,606,408**	**-**	**6,606,408**	4,842,435	-	4,842,435
- Mutual Funds							
Open ended mutual funds	11.4	**15**	**-**	**15**	-	-	-
Closed end mutual fund	11.4	**6**	**-**	**6**	-	-	-
- Modarba Certificate	11.5	**16,208**	**-**	**16,208**	16,208	-	16,208
Total investment at cost		**6,622,637**	**-**	**6,622,637**	4,858,643	-	4,858,643
Less: provision for diminution in value of investments	11.6	**(15,000)**	**-**	**(15,000)**	-	-	-
Investments - net of provision		**6,607,637**	**-**	**6,607,637**	4,858,643	-	4,858,643
Surplus on revaluation of available for sale securities	21.1	**45,810**	**-**	**45,810**	3,240	-	3,240
Total investments at market value		**6,653,447**	**-**	**6,653,447**	4,861,883	-	4,861,883

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
11.2 Investments by segments			
Federal government securities:			
- Sukuk certificates	11.3	**2,250,000**	250,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Sukuk certificates	11.3	**4,356,408**	4,592,435
Other investments			
- Mutual Funds			
Open ended mutual funds	11.4	**15**	-
Closed end mutual fund	11.4	**6**	-
- Modaraba Certificates	11.5	**16,208**	16,208
Total investments at cost		**6,622,637**	4,858,643
Less: provision for diminution in value of investments and impairment	11.6	**(15,000)**	-
Investments - net of provision		**6,607,637**	4,858,643
Surplus on revaluation of available for sale securities	21.1	**45,810**	3,240
Total investments at market value		**6,653,447**	4,861,883

11.3 Details of investment in Sukuk

Name of the investee company	Note	December 31, 2009	December 31, 2008	Face Value (Rupees)	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
		Number of Certificates			Cost	Cost	Instrument rating	
					(Rupees in '000)			
Sukuk Certificates								
First WAPDA Sukuk	11.3.1	**60,000**	50,000	5,000	**299,213**	250,112	Unrated	Unrated
Second WAPDA Sukuk	11.3.2	**134,000**	134,000	5,000	**668,238**	670,000	Unrated	Unrated
KSEW Sukuk-1	11.3.3	**38,000**	38,000	5,000	**190,000**	190,000	Unrated	Unrated
KSEW Sukuk-2	11.3.4	**92,800**	92,800	5,000	**464,000**	464,000	Unrated	Unrated
Pak Elektron Sukuk	11.3.5	**60,000**	60,000	5,000	**257,143**	300,000	A+	A+
Amtex Sukuk	11.3.6	**59,000**	59,000	5,000	**295,000**	295,000	A-	A
Engro Chemical Sukuk	11.3.7	**65,000**	50,000	5,000	**321,574**	250,000	AA	AA
Security Leasing Sukuk	11.3.8	**2,000**	2,000	5,000	**7,500**	10,000	BBB-	BBB+
Shahmurad Sugar Mills Sukuk	11.3.9	**250**	250	1,000,000	**250,000**	250,000	A-	A-
Second Sitara Chemicals Sukuk	11.3.10	**10,000**	10,000	5,000	**25,000**	37,500	AA-	AA-
Third Sitara Chemicals Sukuk	11.3.11	**8,000**	8,000	5,000	**40,000**	40,000	AA-	AA-
Sitara Energy Sukuk - 1	11.3.12	**5,000**	5,000	5,000	**10,413**	20,413	Unrated	Unrated
Sitara Energy Sukuk - 2	11.3.13	**4,000**	4,000	5,000	**20,000**	20,000	Unrated	Unrated
New Allied Electronics (LG) Sukuk	11.3.14	**11,000**	11,000	5,000	**55,000**	55,000	Default	Default
Sui Southern Gas Company Sukuk	11.3.15	**84,000**	84,000	5,000	**420,000**	420,000	AA	AA
Kohat Cement Sukuk	11.3.16	**27,000**	27,000	5,000	**130,410**	130,410	Withdrawn	Withdrawn
Eden Housing Sukuk	11.3.17	**54,000**	54,000	5,000	**236,250**	270,000	A	A
Eden Developers Sukuk	11.3.18	**40,000**	40,000	5,000	**100,000**	200,000	BBB-	A-
Optimus Sukuk	11.3.19	**50,000**	50,000	5,000	**229,167**	250,000	A	A
LESCO Sukuk	11.3.20	**42,000**	42,000	5,000	**210,000**	210,000	Unrated	Unrated
HBFC Sukuk	11.3.21	**15,000**	15,000	5,000	**67,500**	75,000	A+	A+
Three Star Hosiery Sukuk	11.3.22	**-**	15,000	5,000	**-**	75,000	-	Unrated
Haq Bahu Sugar Mill Sukuk - 1	11.3.23	**12,000**	10,000	5,000	**60,000**	60,000	Unrated	Unrated
Haq Bahu Sugar Mill Sukuk - 2	11.3.24	**-**	10,000	5,000	**-**	50,000	-	Unrated
Ijarah GOP Sukuk	11.3.25	**2,500**	2,500	100,000	**250,000**	250,000	Unrated	Unrated
Ijarah GOP Sukuk - 3	11.3.26	**20,000**	-	100,000	**2,000,000**	-	Unrated	Unrated
					6,606,408	4,842,435		

11.3.1 These carry profit at the rate of six months KIBOR plus 35 basis points (2008: six months KIBOR plus 35 basis points) receivable on semi-annual basis with maturity in October 2012. The principal will be repaid on maturity. The rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2009, these had a market value of Rs. 311,610 thousand (2008: Rs. 259,487 thousand).

During the year, the Group purchased 10,000 certificates on June 25, 2009 of WAPDA- I Sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Group's CDC account. A periodic Ijarah Rental due on October 22, 2009, was not paid to the Group on the plea that there exists certain discrepancy with respect to ownership of the asset. The Group and the legal advisers are of the view that the security and the rental purchased through CDC is deemed to be legally bona fide and the issuer itself in the FIR has conceded that a fraud was committed in its office by certain employees, some of whom have been arrested and part of the money have been recovered. The Group's legal advisor is certain that it will be able to recover the rental therefore no provision has been made in these financial statements. Additionally the Group is also evaluating legal options against the seller for gross misrepresentation, willful omission of material fact and outright deception and as the first step has lodged a formal complaint with its Sharia'h Board.

11.3.2 These carry profit at the rate of six months KIBOR minus 25 basis points (2008: six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal will be repaid in 12 equal semi-annual installment with first installment falling due on the 54th month from the first drawdown date. The rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2009, these had a market value of Rs. 674,154 thousand (2008: Rs. 676,700 thousand).

11.3.3 These carry profit at the rate of six months KIBOR plus 40 basis points (2008: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be redeemed in eight semi-annual installments starting from May 2012. The rentals are backed by Government of Pakistan's Sovereign Guarantee.

11.3.4 These carry profit at the rate of six months KIBOR plus 40 basis points (2008: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be repaid on maturity. The rentals are backed by Government of Pakistan's Sovereign Guarantee.

11.3.5 These carry profit at the rate of three months KIBOR plus 175 basis points (2008: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2012. There is an early purchase option available to the issuer after 30 months from the date of issue.

11.3.6 These carry profit at the rate of three months KIBOR plus 200 basis points (2008: three months KIBOR plus 200 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in October 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

11.3.7 These carry profit at the rate of six months KIBOR plus 150 basis points (2008: six months KIBOR plus 150 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2015. Upto two consecutive, equal semi-annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility.

11.3.8 These carry profit at the rate of six months KIBOR plus 195 basis points (2008: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. The principal to be redeemed in eight equal semi-annual installments commencing from the 18th month from the issue date.

11.3.9 These carry profit at the rate of six months KIBOR plus 225 basis points (2008: six months KIBOR plus 225 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

11.3.10 These carry profit at the rate of three months KIBOR plus 170 basis points (2008: three months KIBOR plus 170 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

11.3.11 These carry profit at the rate of three months KIBOR plus 100 basis points (2008: three months KIBOR plus 100 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 3 years of disbursement with "No Early Payment Penalty".

11.3.12 These carry profit at the rate of six months KIBOR plus 195 basis points (2008: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in July 2012. The principal with be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue.

11.3.13 These carry profit at the rate of six months KIBOR plus 195 basis points (2008: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue.

11.3.14 These carry profit at the rate of three months KIBOR plus 220 basis points (2008: three months KIBOR plus 220 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years of disbursement.

11.3.15 These carry profit at the rate of three months KIBOR plus 20 basis points (2008: three months KIBOR plus 20 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 1 year of disbursement.

11.3.16 These carry profit at the rate of six months KIBOR plus 180 basis points (2008: six months KIBOR plus 180 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in June 2013.

11.3.17 These carry profit at the rate of six months KIBOR plus 250 basis points (2008: six months KIBOR plus 250 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years of disbursement.

11.3.18 These carry profit at the rate of three months KIBOR plus 300 basis points (2008: three months KIBOR plus 300 basis points) receivable quarterly in arrears based on Diminishing Musharaka mechanism with maturity in May 2010.

11.3.19 These carry profit at the rate of six months KIBOR plus 125 basis points (2008: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly units. The first such unit falling due not later than the end of fifteen months from the last drawdown.

11.3.20 These carry profit at the rate of six months KIBOR plus 90 basis points (2008: six months KIBOR plus 10 basis points) receivable semi-annually. The first payment shall fall due at the end of six months from the issue date with maturity. The principal will be repaid at maturity in April 2010.

11.3.21 These carry profit at the rate of six months KIBOR plus 100 basis points (2008: six months KIBOR plus 100 basis points) receivable semi-annually and the first such profit payment will fall due from the six months from the issue date with maturity in May 2014.

11.3.22 These carry profit at the rate of three months KIBOR plus 325 basis points (2008: three months KIBOR plus 325 basis points) receivable semi annually based on Diminishing Musharaka mechanism. The first payment fall due at the end of six months from the issue date and subsequently after every six months thereafter. The sukuks were fully matured during the year.

11.3.23 These carry profit at the rate of six months KIBOR plus 325 basis points (2008: six months KIBOR plus 325 basis points) receivable semi-annually, the first profit payment shall fall due at the end of six months from the issue date and subsequently after every six months thereafter based on Diminishing Musharaka mechanism with maturity in August 2011.

11.3.24 These carry profit at the rate of three months KIBOR plus 350 basis points (2008: three months KIBOR plus 350 basis points) receivable quarterly, the first profit payment shall fall due at the end of three months from the issue date and subsequently after every three months thereafter, based on Diminishing Musharaka mechanism. The sukuks were fully matured during the year.

11.3.25 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills plus 45 basis points. The principal will be redeemed on maturity in September 2011. These are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2009, these had a market value of Rs. 252,482 thousand.

11.3.26 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills. The principal will be redeemed on maturity in March 2012. These are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2009, these had a market value of Rs. 2,040,000 thousand.

11.4 Details of investments in Mutual Funds

Name of the investee Fund	2009	2008	2009	2008	2009	2008	2009	2008
	Number of Units		Mark value (Rupees in '000)		Cost (Rupees in '000)		Entity rating Long term/short term	
Units								
Open ended mutual funds								
Al Meezan Cash Fund	**99**	-	**5**	-	**5**	-	AA (f)	-
Meezan Islamic Fund	**107**	-	**5**	-	**5**	-	3 Star	-
Meezan Islamic Income Fund	**97**	-	**5**	-	**5**	-	A+ (f)	-
			15	-	**15**	-		
Closed end mutual fund								
Meezan Balanced Fund	**1,000**	-	**6**	-	**6**	-	AM2	-
			21	-	**21**	-		

11.5 Details of investments in Modaraba Certificates

Name of the investee	2009	2008	2009	2008	2009	2008	2009	2008
	Percentage holding Units		Number of Certificates		Market value (Rupees in '000)		Cost (Rupees in '000)	
Certificates								
Modaraba Al-Mali (related party)	13	13	2,342,177	2,342,177	3,371	3,373	16,208	16,208

11.6 Particulars of provision for diminution in value of investments

	2009	2008
	Rupees in `000	
Opening balance	**-**	-
Charge for the year	**15,000**	-
Reversals	**-**	-
Closing balance	**15,000**	-

11.6.1 Particulars of provision in respect of type and segment

	2009	2008
Sukuk certificates - Available for sale securities	**15,000**	-
	15,000	-

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	

12. FINANCINGS

	Note	December 31, 2009	December 31, 2008
Financings - in Pakistan			
- Murabaha	12.1 & 12.2	**4,180,471**	2,363,736
- Istisn'a	12.1	**2,824,849**	184,797
- Diminishing Mushraka - Housing		**761,743**	682,141
- Diminishing Musharaka - Others		**3,889,569**	1,457,729
- Against Bills - Murabaha		**-**	3,576
- Against Bills - Musawamah		**7,948**	-
- Musawamah		**150,000**	3,387
- Financings to employees	12.4 & 12.9	**300,052**	200,664
		12,114,632	4,896,030
Net investment in Ijarah financings in Pakistan	12.5	**1,230,034**	1,791,430
Net book value of assets/investment in Ijarah under IFAS 2	12.6	**187,195**	-
Financings - gross		**13,531,861**	6,687,460
Provision for non-performing financings	12.7		
- Specific		**(230,928)**	(141,687)
- General		**(18,781)**	(18,242)
Financings - net of provision		**13,282,152**	6,527,531

12.1 Murabaha includes financings amounting to Rs. 169.186 million (2008: Rs. 254.54 million) against Murabaha under Islamic Export Refinance Scheme.

Istisn'a includes financings amounting to Rs. 42.020 million (2008: Rs. nil) against Istisn'a under Islamic Export Refinance Scheme.

		December 31, 2009	December 31, 2008
		Rupees in `000	
12.2	Murabaha sale price	**7,698,756**	6,289,235
	Purchase price	**(7,445,953)**	(6,034,051)
		252,803	255,184
	Deferred murabaha income		
	Opening balance	**87,584**	38,044
	Deferred during the year	**252,803**	255,184
	Recognised during the year	**(259,075)**	(205,644)
		81,312	87,584
	Murabaha receivable		
	Opening balance	**2,363,736**	581,505
	Sales during the year	**7,698,756**	6,289,235
	Received during the year	**(5,882,021)**	(4,507,004)
		4,180,471	2,363,736
12.3	**Particulars of financings**		
12.3.1	In local currency	**13,531,861**	6,687,460
	In foreign currency	**-**	-
		13,531,861	6,687,460
12.3.2	Short-term (for upto one year)	**8,603,245**	2,879,055
	Long-term (for over one year)	**4,928,616**	3,808,405
		13,531,861	6,687,460

12.4 This includes Rs. 1.609 million (2008: Rs. 0.939 million) mark-up free financing to employees advanced under Bank's Human Resource Policy.

12.5 Net investment in Ijarah financings

	December 31, 2009				December 31, 2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	**588,673**	**652,768**	**-**	**1,241,441**	382,509	1,469,483	-	1,851,992
Residual value	**16,981**	**302,297**	**-**	**319,278**	-	365,025	-	365,025
Minimum Ijarah payments	**605,654**	**955,065**	**-**	**1,560,719**	382,509	1,834,508		2,217,017
Future rental income	**(102,452)**	**(228,233)**	**-**	**(330,685)**	(123,508)	(302,079)	-	(425,587)
Present value of minimum Ijarah payments	**503,202**	**726,832**	**-**	**1,230,034**	259,001	1,532,429	-	1,791,430

12.6 Ijarah Assets

	December 31, 2009							
	COST			DEPRECIATION				
	As at January 01, 2009	Additions / (deletions)	As at December 31, 2009	As at January 01, 2009	Charge / Impairment	As at December 31, 2009	Book value as at December 31, 2009	Rate of depreciation %
	Rupees in '000							
Plant and Machinery	**-**	**61,356**	**61,356**	**-**	**8,393**	**8,393**	**52,963**	20-33.33
Vehicles	**-**	**155,105**	**155,105**	**-**	**20,873**	**20,873**	**134,232**	20-33.33
	-	**216,461**	**216,461**	**-**	**29,266**	**29,266**	**187,195**	

12.7 Financings includes Rs. 788.665 million (2008: Rs. 186.093 million) which have been placed under non-performing status as follows:

	December 31, 2009								
	Classified Financings			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees '000)								
Category of classification									
Substandard	**282,606**	**-**	**282,606**	**45,514**	**-**	**45,514**	**45,514**	**-**	**45,514**
Doubtful	**142,878**	**-**	**142,878**	**50,501**	**-**	**50,501**	**50,501**	**-**	**50,501**
Loss	**363,181**	**-**	**363,181**	**134,913**	**-**	**134,913**	**134,913**	**-**	**134,913**
	788,665	**-**	**788,665**	**230,928**	**-**	**230,928**	**230,928**	**-**	**230,928**

	December 31, 2008								
	Classified Financings			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees '000)								
Category of classification									
Substandard	51,168	-	51,168	12,792	-	12,792	12,792	-	12,792
Doubtful	12,059	-	12,059	6,029	-	6,029	6,029	-	6,029
Loss	122,866	-	122,866	122,866	-	122,866	122,866	-	122,866
	186,093	-	186,093	141,687	-	141,687	141,687	-	141,687

12.7.1 Included in loss category are assets amounting to Rs. 218.981 million (2008: Rs.118.662 million) which have been classified under subjective evaluation, resulting in a provision of Rs. 64.411 million (2008: Rs.118.662 million).

12.8 Particulars of provision against non-performing financings

	December 31, 2009			December 31, 2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	**141,687**	**18,242**	**159,929**	20,285	9,088	29,373
Charge for the year	**179,550**	**539**	**180,089**	137,961	9,154	147,115
Reversals	**(90,309)**	**-**	**(90,309)**	(16,559)	-	(16,559)
	89,241	**539**	**89,780**	121,402	9,154	130,556
Closing balance	**230,928**	**18,781**	**249,709**	141,687	18,242	159,929

12.8.1 Effect of change in accounting estimate

The SBP, vide BSD Circular No. 10, dated October 20, 2009, has amended Prudential Regulations in respect of provisioning against non-performing financings. The revised regulations allow the benefit of 40 percent of Forced Sale Value (FSV) of pledged stocks and mortgaged commercial, residential and industrial property held as collateral by the Group in determining the amount of provision against non-performing financings. Previously, the Banks were only allowed to take the benefit of 30 percent of FSV of pledged stocks and mortgaged commercial and residential properties. Accordingly, the above change in regulation has resulted in a reduction in provisioning of Rs. 124.553 million against non-performing financings and a consequent decrease in loss before taxation by Rs. 124.553 million.

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

12.8.3 Particulars of provisions against non-performing financings

	December 31, 2009			December 31, 2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	**230,928**	**18,781**	**249,709**	141,687	18,242	159,929
In foreign currency	**-**	**-**	**-**	-	-	-
	230,928	**18,781**	**249,709**	141,687	18,242	159,929

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
12.9 Particulars of financings to directors, associated companies etc.			
Financings due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		**200,664**	112,592
Financing granted during the year		**138,269**	128,827
Repayments		**(38,881)**	(40,755)
Balance at end of the year		**300,052**	200,664
13. OPERATING FIXED ASSETS			
Capital work-in-progress	13.1	**20,341**	250,240
Property and equipment	13.2	**2,250,027**	1,619,930
Intangible assets	13.3	**105,147**	19,373
		2,375,515	1,889,543

13.1 Capital work-in-progress

Civil works	**20,000**	20,000
Equipments	**-**	39,648
Advances to suppliers and contractors	**341**	190,592
	20,341	250,240

13.2 Property and equipment

December 31, 2009

	COST			DEPRECIATION				
	Balance at January 01, 2009	Additions / (deletions)	Balance at December 31, 2009	Balance at January 01, 2009	Charge / acquired from subsidiary */ (adjustment)	Balance at January 01, 2009	Book value at December 31, 2009	Rate of depreciation %
	Rupees in '000							
Free hold land	**-**	**275,128**	**275,128**	**-**	**-**	**-**	**275,128**	**-**
Buildings on leasehold land	**690,370**	**179,488**	**869,858**	**50,414**	**39,380**	**89,794**	**780,064**	**5**
Furniture and fixture	**550,016**	**206,109**	**756,125**	**49,504**	**68,004**	**117,508**	**638,617**	**10**
Electrical, office and computer equipments	**524,332**	**252,609**	**776,941**	**126,564**	**171,913**	**298,477**	**478,464**	**25**
Vehicles	**109,741**	**23,321**	**128,172**	**28,047**	**24,123**	**50,418**	**77,754**	**20**
		(4,890)			**(1,752)**			
	1,874,459	**936,655**	**2,806,224**	**254,529**	**303,420**	**556,197**	**2,250,027**	
		(4,890)			**(1,752)**			

December 31, 2008

	COST			DEPRECIATION				
	Balance at January 01, 2008	Additions / (deletions)	Balance at December 31, 2008	Balance at January 01, 2008	Charge / acquired from subsidiary */ (adjustment)	Balance at January 01, 2008	Book value at December 31, 2008	Rate of depreciation %
	Rupees in '000							
Buildings on leasehold land	565,452	124,918	690,370	21,426	28,988	50,414	639,956	5
Furniture and fixture	158,098	391,918	550,016	17,384	32,120	49,504	500,512	10
Electrical, office and computer equipments	162,609	361,798	524,332	44,152	82,476	126,564	397,768	25
		(75)			(64)			
Vehicles	75,957	43,184	109,741	15,435	17,574	28,047	81,694	20
		(9,400)			(4,962)			
	962,116	921,818	1,874,459	98,397	161,158	254,529	1,619,930	
		(9,475)			(5,026)			

13.2.1 The fair value of property and equipment as per the management estimates is not materially different from the carrying amount.

13.3 Intangible assets

December 31, 2009

	Note	COST			AMORTISATION				
		Balance at January 01, 2009	Additions / (deletions)	Balance at December 31, 2009	Balance at January 01, 2009	Charge /	Balance at January 01, 2009	Book value at December 31, 2009	Rate of amortisation %
		Rupees in '000							
Computer software	**13.3.1**	**33,227**	**111,227**	**144,435**	**13,854**	**25,453**	**39,288**	**105,147**	**20**
			(19)			**(19)**			

December 31, 2008

	COST			AMORTISATION				
	Balance at January 01, 2008	Additions / (deletions)	Balance at December 31, 2008	Balance at January 01, 2008	Charge /	Balance at January 01, 2008	Book value at December 31, 2008	Rate of amortisation %
	Rupees in '000							
Computer software	27,067	6,160	33,227	8,178	5,676	13,854	19,373	20

13.3.1 Additions represent Islamic Banking Software and License acquired during the year.

13.4 Details of property and equipment disposed-off

The following assets were disposed-off during the year:

	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particular of buyers
	(Rupees '000)					
Vehicles						
Suzuki Liana	709	47	662	563	Auction	Imran Sheikh
Suzuki Cultus	636	382	254	450	Insurance Claim	EFU General Insurance Ltd
Suzuki Mehran	430	272	158	246	Bank Policy - Employee	Sarwar Imam
Toyota Corolla	1,018	594	424	424	Bank Policy - CEO	Hasan Aziz Bilgrami

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
14. DEFERRED TAX ASSETS			
Deferred tax credits arising due to			
Accelerated tax depreciation		**(273,818)**	(195,102)
Ijarah financings		**(109,108)**	(82,960)
Amortisation of Deferred cost		**(4,631)**	(870)
Surplus on revaluation of assets		**(16,034)**	(1,135)
		(403,591)	(280,067)
Deferred tax debits arising in respect of			
Available tax losses		**727,219**	497,697
Minimum tax credit carried forward		**17,324**	4,777
Provision against investment and lending		**7,496**	-
Provision against non-performing financings	14.2	**10,177**	53,876
		762,216	556,350
		358,625	276,283

14.1 The above net deferred tax asset has been recognised in accordance with the Group's accounting policy as stated in note 5.8.2 above. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which these deferred tax assets could be realised.

14.2 During the year, amendments were brought in the Income Tax Ordinance, 2001 through the Finance Act, 2009, regarding tax allowability of provision against non-performing financings and off -balance sheet exposures applicable from tax year 2010 (accounting year December 31, 2009) and onwards. The said amendments made in the tax law do not explicitly provide for a transitional mechanism with regard to the provision for non-performing financings made prior to the applicability of the above amendments. However, the Group upon the opinion of its tax advisor and in the view of the Circular no. 01/2010 dated January 13, 2010 of ICAP on the subject matter, is confident about the allowability of such provisions relating to prior periods which approximates to Rs 28.954 million, hence the tax impact of the same amounting to Rs 10.134 million has been carried forward and treated as addition to deferred tax assets as reported in these financial statements.

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	

15. OTHER ASSETS

	Note	December 31, 2009	December 31, 2008
Profit / return accrued in local currency		**547,456**	343,899
Profit / return accrued in foreign currency		**-**	77
Advances, deposits, advance rent and other prepayments		**115,043**	181,890
Advance against financings	15.1	**397,285**	153,600
Advance taxation (payments less provision)		**15,180**	21,997
Branch adjustment account		**-**	2,951
Deferred costs	15.2	**20,169**	36,252
Goodwill	15.3	**59,232**	59,232
Insurance claim receivable		**12,169**	14,816
Car Ijarah Repossession		**3,960**	11,048
Other receivable	15.4	**71,127**	206,613
		1,241,621	1,032,375

15.1 Represents advance given in respect of Murabaha and Ijarah financings.

15.2 Deferred costs

	December 31, 2009	December 31, 2008
	Rupees in `000	
Balance at the beginning of the year	**36,252**	52,271
Less: Amortised during the year	**16,083**	16,019
Balance at the end of the year	**20,169**	36,252

15.3 Goodwill

	December 31, 2009	December 31, 2008
As at 1st January	**59,232**	59,232
Arising on acquisition	**-**	-
	59,232	59,232
Amortisation and impairment		
Amortisation charge for the year	**-**	-
Net book value as at December 31	**59,232**	59,232

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following Cash Generating Unit (CGU):

- BankIslami Modaraba Investments Limited

The carrying amount of goodwill allocated to the CGU is as follows:

	December 31, 2009	December 31, 2008
	Rupees in `000	
- BankIslami Modarba Investments Limited	**59,232**	59,232

Key assumptions used in value in use calculation

The recoverable amount of the business operation of the cash generating unit has been determined based on a value in use calculation, using cash flow projections based on business plan approved by the management covering a five year period. The discount rate applied to cash flow projections beyond the fifth year period are extrapolated using a terminal growth rate. The following rates are being used:

	2009	2008
Discount rate - discrete period	**19.40%**	16.50%
Terminal growth rate	**10.00%**	8.00%

The calculation of value in use for the business operation is most sensitive to the following assumptions:
- Management fees;
- Income from education division;
- Dividend Income;
- Discount rate.

Management fees

Management fees have been assumed at 10 percent per annum based on prevailing industry trends and anticipated market conditions.

Income from education division

Fee levels are based on expected fees benchmarked against comparable educational institutions.

Dividend Income

Dividend Income on investment in the Modarabas has been projected on the expected returns estimated on the basis of historical performance and prevailing industry trends.

Discount rate

Discount rate reflects management estimates of the rate of return required for the business and are calculated using the capital asset pricing model. Discount rates are calculated by using the weighted average cost of capital of the company.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the entity will not result in an impairment of goodwill.

15.4 Includes Rs. nil (2008: Rs. 190.781 million) in respect of payment to various banks against letter of credits.

		Note	December 31, 2009	December 31, 2008
			Rupees in `000	
16.	**BILLS PAYABLE**			
	In Pakistan		**485,608**	353,646
	Outside Pakistan		**-**	-
			485,608	353,646
17.	**DUE TO FINANCIAL INSTITUTIONS**			
	In Pakistan	17.3	**156,160**	245,939
	Outside Pakistan		**-**	-
			156,160	245,939

	December 31, 2009	December 31, 2008
	Rupees in `000	

17.1 Particulars of due to financial institutions with respect to currencies

In local currency	**156,160**	245,939
In foreign currencies	**-**	-
	156,160	245,939

17.2 Particulars of due to financial institutions

Short-term	**156,160**	245,939
Long-term	**-**	-
	156,160	245,939

17.3 Represents Musharaka contributions by SBP against Islamic Export Refinance Scheme. These carry expected profit rate ranges from 6.5% to 7.0% per annum (2008: 6.5% per annum) and are secured against collateral.

18. DEPOSITS AND OTHER ACCOUNTS

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	
Customers			
Fixed deposits		**12,652,075**	6,500,115
Savings deposits		**7,555,064**	2,846,687
Current accounts - non-remunerative		**7,265,287**	2,865,180
Margin accounts - non-remunerative		**40,749**	190,461
		27,513,175	12,402,443
Financial institutions			
Remunerative deposits		**126,118**	9,910
Non remunerative deposits		**272,358**	245
		398,476	10,155
		27,911,651	12,412,598

18.1 Particulars of deposits

In local currency	**27,334,319**	12,200,330
In foreign currencies	**577,332**	212,268
	27,911,651	12,412,598

19. OTHER LIABILITIES

	Note	December 31, 2009	December 31, 2008
Profit / return payable in local currency		**184,767**	127,625
Profit / return payable in foreign currency		**-**	18
Unearned fees and commission		**5,887**	6,096
Accrued expenses		**111,936**	62,972
Deferred Murabaha Income - financings	12.2	**81,312**	87,584
Deferred Murabaha Income - Commodity Murabaha	10.3	**7,002**	582
Payable to defined benefit plan	33	**37,411**	18,820
Payable to defined contribution plan		**1,187**	2,294
Unearned rent		**1,096**	10,358
Security deposits against Ijarah		**382,822**	379,357
Sundry creditors		**52,854**	37,586
Charity payable	19.1	**8,071**	1,852
Retention money		**11,929**	28,539
Withholding tax payable		**4,831**	2,178
Others		**27,600**	52,560
		918,705	818,421

	Note	December 31, 2009	December 31, 2008
		Rupees in `000	

19.1 Charity fund

Balance at the beginning of the year		**1,852**	2,824
Additions during the year		**6,219**	1,791
Payment / utilization during the year		**-**	(2,763)
Balance at the end of the year		**8,071**	1,852

19.1.1 During the year, management paid charity of Rs. nil (2008: Rs. 2.763 million).

19.1.2 Charity was not paid to any individual / organisation in which a director or his spouse had any interest at any time during the year.

20. SHARE CAPITAL

20.1 Authorised capital

2009	2008		2009	2008
Number of shares			------- Rupees in '000 -------	
600,000,000	600,000,000	Ordinary shares of Rs.10/- each	**6,000,000**	6,000,000

20.2 Issued, subscribed and paid- up- capital

2009	2008		2009	2008
---------Number of shares------		Ordinary shares of Rs.10 each	------- Rupees in '000 -------	
		Fully paid in cash		
527,967,898	320,000,000	- Opening balance	**5,279,679**	3,200,000
-	107,967,898	- Issued during the year	**-**	1,079,679
527,967,898	427,967,898		**5,279,679**	4,279,679
-	100,000,000	- Shares pending issuance	**-**	1,000,000
527,967,898	527,967,898		**5,279,679**	5,279,679

21. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

21.1 Surplus on revaluation of available for sale securities

Sukuk Certificates	**58,247**	16,075
Modaraba certificates	**(12,437)**	(12,835)
	45,810	3,240
Less: Related deferred tax liability	**(16,034)**	(1,135)
	29,776	2,105

22. CONTINGENCIES AND COMMITMENTS

22.1 Trade-related contingent liabilities

Import letters of credit	**353,063**	405,055
Acceptances	**98,079**	426,982

22.2 Transaction-related contingent liabilities

Guarantees favouring		
- Banks	**-**	245,000
- Government	**643,793**	426,740
- Others	**141,141**	104,597

	December 31, 2009	December 31, 2008
	Rupees in `000	

22.3 Commitments in respect of promises

Purchase	**8,099**	3,670
Sale	**16,848**	-

22.4 Commitments for the acquisition of operating fixed assets	**1,726**	32,744

22.5 Commitments in respect of financing facilities

The Group 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.

	December 31, 2009	December 31, 2008
	Rupees in `000	

22.6 Other commitments

Bills for collection	**177,235**	107,126

22.7 Claim against the group not acknowledged as debt

The ownership of the Group in respect of its investment in 400,000 certificates of Modaraba Al-Mali costing Rs 2,972,822 was disputed by a person. The Group rejected this claim and filed a suit against that party in the High Court of Sindh claiming damages of Rs 20,000,000. The High Court granted an injunction in favour of the Group restraining the person to deal with the shares pending hearing and disposal of the suit. Meanwhile a suit filed by the same party for winding up of the Group was dismissed by the High Court. After dismissal the party has now filed a suit against the Group in the Banking Court, Karachi, claiming Rs 19,200,000.

The management and the Group's lawyers are of the opinion that the Group has a strong case and the suit filed against the Group will also be dismissed. Accordingly, no provision in respect of the above claim has been made in the interim condensed financial statements of the subsidiary.

	December 31, 2009	December 31, 2008
	Rupees in `000	

23. PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED

On financings to:			
- Customers	-	**1,021,395**	717,131
- Financial institutions		**49,173**	50,146
		1,070,568	767,277
On Investments in available for sale securities		**899,566**	558,206
On deposits / placements with financial institutions		**218,425**	140,192
Others		**10,074**	6,750
		2,198,633	1,472,425

24. RETURN ON DEPOSITS AND OTHER DUES EXPENSED

Deposits	**1,203,527**	704,334
Other short-term due to financial institutions	**11,492**	19,351
	1,215,019	723,685

25. CAPITAL GAIN / (LOSS) ON SALE OF SECURITIES

Shares - Listed	**-**	23,771
Mutual fund units	**2,356**	5,527
Sukuk certificates	**-**	1,975
	2,356	31,273

	Note	December 31, 2009	December 31, 2008
		---------- Rupees in `000 ----------	

26. OTHER INCOME

	Note	December 31, 2009	December 31, 2008
Rent on Property		**13,473**	12,531
Gain on termination of Ijarah financing		**4,190**	1,833
Gain on disposal of property and equipment-net		**192**	1,015
Others		**6,568**	5,510
		24,423	20,889

27. ADMINISTRATIVE EXPENSES

	Note	December 31, 2009	December 31, 2008
Salaries, allowances and other benefits		**535,210**	339,253
Charge for defined benefit plan	33	**18,709**	9,879
Contribution to defined contribution plan		**20,851**	13,410
Non-executive directors' fees	35	**1,350**	1,350
Insurance on consumer car ijarah		**23,348**	22,346
Rent, taxes, insurance and electricity		**292,396**	161,010
Legal and professional charges		**12,598**	8,246
Communication		**82,634**	43,318
Repairs and maintenance		**106,150**	57,661
Stationery and printing		**43,210**	23,769
Advertisement and publicity		**58,809**	41,353
Auditors' remuneration	27.1	**2,923**	2,187
Depreciation	13.2	**303,421**	161,158
Amortisation	27.2	**41,536**	21,676
CDC and share registrar services		**5,699**	3,670
Entertainment expense		**13,888**	6,094
Security service charges		**47,505**	18,739
Brokerage and commission		**6,079**	15,760
Travelling and conveyance		**11,882**	9,693
Remuneration to Shariah Board		**252**	249
Fees and Subscription		**69,651**	33,724
Vehicle running and maintenance		**30,315**	16,636
Others		**31,631**	19,730
		1,760,047	1,030,911

27.1 Auditors' remuneration

	Note	December 31, 2009	December 31, 2008
Audit fee		**1,500**	1,300
Review of half yearly condensed financial statements		**638**	457
Special certifications and sundry advisory services		**400**	175
Tax services		**210**	186
Out-of-pocket expenses		**175**	69
		2,923	2,187

27.2 Amortisation

	Note	December 31, 2009	December 31, 2008
Intangible assets	13.3	**25,453**	5,657
Deferred costs	15.2	**16,083**	16,019
		41,536	21,676

28. OTHER CHARGES

	Note	December 31, 2009	December 31, 2008
Penalties imposed by the State Bank of Pakistan		**6,370**	228
Others		**4,247**	5,435
		10,617	5,663

29. TAXATION

	Note	December 31, 2009	December 31, 2008
For the year			
- Current		**(14,393)**	(874)
- Deferred		**97,240**	175,502
		82,847	174,628

The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements due to taxable loss during the year.

Under Section 114 of the Income Tax Ordinance, 2001 (the Ordinance), the Bank has filed the returns of income for tax years 2006, 2007, 2008 and 2009 on due dates. The said returns were deemed completed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years.

The return of income filed by the Bank for the tax year 2008 has been selected for tax audit under section 177 of the Ordinance.

The income tax assessments of the subsidiary company have been finalised upto and including the assessment year 2002-2003. The income tax assessments for the tax years 2003 to 2009 have been filed under the self assessment scheme and are deemed to be finalised under section 120 of the Income Tax Ordinance, 2001.

30. BASIC AND DILUTED LOSS PER SHARE

	Note		December 31, 2009	December 31, 2008
			Rupees in `000	Rupees in `000
Loss for the year		Rupees in '000	**(472,714)**	(47,883)
Weighted average number of ordinary shares		Number	**527,967,898**	421,895,427
Basic loss per share	30.1	Rupee	**(0.90)**	(0.11)

30.1 There is no dilution effect on the basic loss per share as the Group has no outstanding commitments for issue of shares. Accordingly, diluted loss per share is equal to the basic loss per share as reported above.

31. CASH AND CASH EQUIVALENTS

	December 31, 2009	December 31, 2008
	Rupees in `000	Rupees in `000
Cash and balances with treasury banks	**4,217,520**	2,175,418
Balances with other banks	**2,059,808**	2,207,640
	6,277,328	4,383,058

32. STAFF STRENGTH

	December 31, 2009	December 31, 2008
	Number	Number
Permanent	**1,066**	786
Temporary / on contractual basis	**408**	402
Total staff strength	**1,474**	1,188

33. DEFINED BENEFIT PLAN

General description

The Group has a gratuity scheme for its employees (members of the scheme). The scheme entitles the members to lump sum payment at the time of retirement, resignation or death. Permanent staff are eligible for such benefits after 3 years of service.

The number of employees covered under the following defined benefit scheme are 833 (2008: 349) The present value of obligation under the scheme at the balance sheet date were as follows:

The present value of obligation under the scheme at the balance sheet date were as follows:

	December 31, 2009	December 31, 2008
	Rupees in `000	
Present value of defined benefit obligation	**34,755**	19,092
Net actuarial gains/ (losses) not recognised	**2,656**	(272)
Liability recognised in the balance sheet	**37,411**	18,820
Amounts charged to profit and loss account:		
Current service cost	**15,845**	8,864
Finance cost	**2,864**	1,015
Actuarial loss recognised	**-**	-
	18,709	9,879
Movement in the liability recognised in the balance sheet:		
Opening balance	**18,820**	9,521
Expense for the year	**18,709**	9,879
Benefits paid	**(118)**	(580)
Closing balance	**37,411**	18,820
Movement in the present value of defined benefit obligation:		
Opening balance	**19,092**	10,150
Current service cost	**15,845**	8,864
Finance cost	**2,864**	1,015
Benefit paid	**(118)**	(580)
Actuarial gain	**(2,928)**	(357)
Closing balance	**34,755**	19,092
Actuarial loss to be recognised		
Corridor limit		
The limits of the corridor at the beginning of the year		
10% of obligations	**1,909**	1,015
10% of plan assets		-
Which works out to	**1,909**	1,015
Unrecognised actuarial losses as at the beginning of the year	**(272)**	(629)
Excess	**-**	-
Average expected remaining working lives in years	**14**	15
Actuarial loss to be recognised	**-**	-
Unrecognised actuarial losses		
Unrecognised actuarial losses at the beginning of the year	**(272)**	(629)
Actuarial loss on obligation	**2,928**	357
Subtotal	**2,656**	(272)
Actuarial losses recognised	**-**	-
Unrecognised actuarial gains/ (losses)at the end of the year	**2,656**	(272)
Principal actuarial assumptions used are as follows:		
Expected rate of increase in salary level	**12%**	15%
Valuation discount rate	**14%**	15%

Historical information:

As at December 31	2009	2008	2007
	(Rupees in '000)		
Present value of defined benefit obligation	**34,755**	19,092	10,150
Fair value of plan assets	**-**	-	-
Deficit	**34,755**	19,092	10,150
Experience adjustment on plan liabilities	**(2,928)**	(357)	(505)

34. DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Group operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Equal monthly contribution by employer and employees during the year amounted to Rs. 20.851 million (2008: Rs. 13.410 million) each.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	Rupees in '000					
Fees		-	**1,350**	1350	**-**	-
Managerial remuneration	**9,781**	8,785	-	-	**108,040**	92,432
Bonus	**-**	-	-	-	**-**	2,500
Charge for defined benefit plan	**815**	760	-	-	**6,669**	5,987
Salary in lieu of provident fund	**978**	878	-	-	**-**	-
Contribution to defined contribution plan	**-**	-	-	-	**9,778**	6,595
Rent and house maintenance	**270**	270	-	-	**28,783**	25,770
Utilities	**978**	878	-	-	**10,221**	9,243
Medical	**978**	878	-	-	**10,103**	9,243
	13,800	12,449	**1,350**	1,350	**173,594**	151,770
Number of Persons	**1**	1	**4**	4	**108**	98

35.1 In addition to the above, an amount of Rs nil (2008: Rs.8 million) was paid to the President/Chief Executive as bonus.

35.2 The Group's President/Chief Executive and certain Executives are provided with free use of Group's maintained cars in accordance with the Groups service rules.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the investments other than those classified as held to maturity is based on quoted market price except for unquoted investment which is carried at cost.

Fair value of fixed-term financing, other assets, other liabilities and fixed-term deposits can not be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provisions for impairment of financing have been calculated in accordance with the Group's accounting policy as stated in note 5.5 to the consolidated financial statements.

The repricing and maturity profile and effective rates are stated in note 40.4.2 and 40.4.3.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in the nature or in the case of customer financing and deposits are frequently repriced.

37. 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			
2009				
Total income	1,444,772	224,417	872,131	2,541,320
Total expenses	(1,405,142)	(445,087)	(1,163,805)	(3,014,034)
Net income / (loss)	39,630	(220,670)	(291,674)	(472,714)
Segment assets (gross)	16,890,683	3,586,512	14,001,433	34,478,628
Segment non -performing financings	(61,418)	(179,185)	(609,480)	(850,083)
Segment provision required	(21,418)	(84,983)	(164,726)	(271,127)
Segment liabilities	7,106	6,135,566	23,329,452	29,472,124
Segment return on net asset (ROA) (%)	0.2%	(9)%	(3.2)%	
Segment cost of funds (%)	10.24%	10.24%	10.24%	

2008	Trading & Sales	Retail Banking	Commercial Banking	Total
	---------------------Rupees in '000 ---------------------			
Total income	811,376	253,170	603,845	1,668,391
Total expenses	(927,318)	(208,224)	(580,733)	(1,716,275)
Net income / (loss)	(115,942)	44,946	23,113	(47,883)
Segment assets (gross)	11,080,124	2,470,284	5,616,252	19,166,660
Segment non performing financings	-	(122,471)	(63,622)	(186,093)
Segment provision required	-	(89,270)	(52,417)	(141,687)
Segment liabilities	7,331,072	2,178,318	4,321,212	13,830,602
Segment return on net asset (ROA) (%)	(3.1%)	15.4%	1.8%	
Segment cost of funds (%)	12.41%	12.41%	12.41%	

38. RELATED PARTY TRANSACTIONS

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

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 35 are as follows:

ASSOCIATES	December 31, 2009	December 31, 2008
	Rupees in `000	
Deposits:		
At the Beginning of year	**35,386**	36,649
Deposit during the year	**364,904**	493,484
Withdrawal during the year	**(326,931)**	(494,747)
At the end of year	**73,359**	35,386
Transactions, income and expenses:		
Return on deposits expensed	**3,114**	4,949
Modaraba Management fee	**-**	-
Private placements of TFCs	**-**	-

KEY MANAGEMENT PERSONNEL

	December 31, 2009	December 31, 2008
Financings:		
At the Beginning of year	**43,871**	40,230
Disbursed during the year	**15,000**	19,101
Repaid during the year	**(10,075)**	(15,460)
At the end of year	**48,796**	43,871
Deposits:		
At the Beginning of year	**323**	205
Deposit during the year	**49,526**	6,930
Withdrawal during the year	**(49,118)**	(6,812)
At the end of year	**731**	323
Employee Benefit Plans:		
Contribution to Employees Gratuity Fund	**18,709**	9,879
Contribution to Employees Provident Fund	**20,851**	13,410
Transactions, income and expenses:		
Profit earned on financing	**2,002**	1,509
Return on deposits expensed	**126**	9
Disposal of vehicle (refer note 13.4)	**1,018**	-

39. CAPITAL STRUCTURE

Group's regulatory capital is analyzed into three tiers

Tier 1 capital

Tier 1 capital, which includes fully paid up capital and general reserves as per the financial statements and net unappropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary companies being commercial entities and significant minority investments in entities engaged in banking and financial activities.

Tier 2 capital

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, foreign exchange translation reserves, etc after 50% deduction for investments in the equity of subsidiary companies being commercial entities and significant minority investments in entities engaged in banking and financial activities.

Tier 3 capital

Tier 3 capital has also been prescribed by SBP. However the Group is not eligible for the Tier 3 capital.

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy are as follows:

		December 31, 2009	December 31, 2008
		Rupees in `000	
Regulatory Capital Base			
Tier I Capital			
Shareholders Capital		**5,279,679**	5,279,679
Accumulated losses		**(574,078)**	(101,364)
		4,705,601	5,178,315
Less: Book value of goodwill and intangibles		**(164,379)**	(78,605)
Less: Deficit on account of revaluation of investments held in AFS category		**(12,437)**	(12,835)
		4,528,785	5,086,875
Tier II Capital			
General provisions subject to 1.25% of total risk weighted assets		**18,781**	18,242
Revaluation Reserve (upto 45%)		**20,615**	-
Total Tier II Capital		**39,396**	18,242
Eligible Tier III Capital		**-**	-
Total Regulatory Capital	(a)	**4,568,181**	5,105,117

39.1 Capital Adequacy

The capital requirements for the Group as per the major risk categories is indicated in the manner given below:

	Capital Requirements 2009	Capital Requirements 2008	Risk Weighted Assets 2009	Risk Weighted Assets 2008
	Rupees in '000			
Credit Risk				
Portfolios subject to standardized approach (Simple)				
Corporate Portfolio	**899,125**	442,911	**8,991,248**	4,921,234
Retail Portfolio	**24,656**	25,546	**246,559**	283,847
Mortgage Portfolio	**35,008**	27,111	**350,083**	301,237
Past due financings	**55,207**	3,725	**552,073**	41,391
Claims on Banks	**241,067**	106,270	**2,410,668**	1,180,775
Investment	**-**	167,072	**-**	1,856,351
Fixed Assets	**227,037**	170,084	**2,270,368**	1,889,823
Others	**99,961**	86,417	**999,606**	960,190
	1,582,061	1,029,136	**15,820,605**	11,434,848
Portfolios subject to off balance sheet exposure -non market related				
Corporate Portfolio	**52,427**	32,955	**524,270**	366,167

	Capital Requirements 2009	Capital Requirements 2008	Risk Weighted Assets 2009	Risk Weighted Assets 2008
	Rupees in '000			
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Foreign Exchange Risk	**12,429**	1,679	**124,287**	18,659
Interest Rate Risk	**453,556**	-	**4,535,563**	-
Equity Risk	**759**	-	**7,587**	-
	466,744	1,679	**4,667,437**	18,659
Operational Risk				
Capital Requirement for operational risks				
Operational Risk	**87,951**	46,559	**879,511**	517,320
TOTAL	**2,189,182**	1,110,329	**21,891,823**	12,336,994

Capital Adequacy Ratio		**December 31, 2009**	**December 31, 2008**
		Rupees in `000	
Total eligible regulatory capital held	(a)	**4,568,181**	5,105,117
Total Risk Weighted Assets	(b)	**21,891,823**	12,336,994
Capital Adequacy Ratio (a) / (b)		**20.87%**	41.38%

39.2 Capital Management

Our objectives for a sound capital management are: **1)** to ensure that the Group complies with the regulatory Minimum Capital Requirement (MCR) **2)** maintain a strong credit rating **3)** maintain healthy capital ratios to support business and to maximize shareholder value and **4)** to operate with a **Revolving Planning Horizon** and be able to take advantage of new investment opportunities when they appear.

The State Bank of Pakistan through its BSD Circular No.07 dated April 15, 2009 requires the minimum paid up capital (free of losses) for Banks / Development Finance Institutions to be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.6 billion paid up capital (free of losses) by the end of the financial year 2009.

The paid up capital of the Bank (free of losses) as of December 31, 2009 amounts to Rs 4.706 billion. However, the Bank has been granted an exemption till March 31, 2010 to meet the Minimum Capital Requirement by the SBP, vide its letter BSD/BAI-3/608/191/2010 dated March 3, 2010. The Board of Directors, in order to comply with the enhanced capital requirement, is considering various options including but not limited to issue of right shares and acquisition options. In this connection, the Bank has already made an announcement to Karachi Stock Exchange about its decision to enter into a Memorandum of Understanding (MoU) with another Islamic Commercial Bank in relation to its merger/acquisition into/by the Bank. The Board is confident that it will meet the Minimum Capital Requirement within the stipulated time.

In addition, the Group was also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Group. The Group CAR as at December 31, 2009 was 20.87% of its risk weighted exposures.

40. RISK MANAGEMENT

Risk Management is the process of managing uncertainties that arises in the normal course of business activities. It also encapsules risk/reward trade-off. The function of risk management is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk categories; including Credit, Market, Liquidity, Operational etc. The Group follows an effective risk governance which commensurate's well with our current size and structure.

During the last couple of years risk management has weathered a lot of criticism with relations to its effectiveness in the global financial markets. While financial managers at the time were clearly divided from the center on the role of risk management in the global crisis of the recent past, the division now is at the furthest from the equator. More and more significance is being attached to an effective and integrated risk management.

The Group is also committed to the full and a timely implementation of Basel II (B2) which would effectively provide for a risk-based capital approach. Currently, the Bank adheres to the regulatory requirement in this respect, and conducts its business accordingly. Risk-exposure limits in compliance with regulatory and banks own internal policies have also been defined for each asset class.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical for an effective risk management framework; it than needs to be reinforced through a strong control culture that promotes sound risk governance. Our Risk Management Framework has been developed keeping in mind, that:

- To be effective, strong monitoring and control activities should be integral to the Bank.
- Critical Decision Making should be based on relevant research, proper analysis and effective communication within the Bank.
- Every loss or near miss event should provide some KLO (Key Learning Outcome), developing a better risk analysis ability.

Strategic Level
At strategic level, the risk related functions are approved by the senior management and the Board. These include; defining risks, setting parameters, ascertaining institutions risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates' for the risk taken.

Macro Level
It encompasses risk management within a business area or across business lines. Generally the risk

management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical sensitivity / scenario analysis, stress testing is performed, to review sensitivity and resilience of the portfolio.

Micro Level
Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management includes the business line acquisition, strong adherence to the credit and other related criteria.

RISK APPETITE OF THE GROUP

The risk appetite of the Group is an outcome of its corporate goal, economic profitability, available resources and most significantly, its controls. The Group believes in a cautious yet steady approach towards its business objectives. It takes a holistic view of its investment and financing needs.

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of the portfolios.

RISK ORGANIZATION

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Group's risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run on an enterprise level. Risk governance must involve all relevant parties.

The Risk management Function at the Group, along with the different committees including ALCO (Asset Liability Committee) and MCC (Management Credit Committee) manage and adhere to the risk management policies and procedures, with an explicit aim to mitigate / manage risk in line with the Groups objectives.

40.1 Credit Risk

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The term Credit Risk has certain sub-categories as follows:

i) Price risk

There is a risk that the asset repossessed due to default of the lessee may be sold or leased out to another party at a price lower than the original contract price.

ii) Counter-party risk

The risk that the counter-party defaults during the term of a transaction (Murabaha, Ijarah etc.).

iii) Settlement risk

The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Group has already met its commitments.

iv) Country risk

The risk that a country in its function as contracting partner defaults during the term of a transaction and / or the risk that the cross-border transfer of funds could be restricted or completely blocked, i.e. that a country issues legislation to prohibit free transfer rights of funds including foreign exchange restrictions and / or the risk that country's specific economic and political factors precipitate the default of private sector counterparties (social unrest, civil war etc.)

The Group places a strong emphasis on long-term stability before high returns. It is the Group's strategy to keep risks to a minimum through broad diversification in terms of geography and product mix and to spread the Group's credit and trade financing activities over a wide range of customers. Financing should as a rule be secured and self liquidating.

40.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of financings, deposits and contingencies and commitments.

40.1.1.1 Segments by class of business

	December 31, 2009					
	Financings	(Gross)	Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	1,393,750	10 %	1,272,868	4.6%	-	-
Mining and Quarrying	-	-	345,598	1.2%	-	-
Textile	1,835,647	13.6%	454,334	1.6%	179,210	12.4%
Chemical and pharmaceuticals	866,027	6.4%	598,799	2.1%	6,027	0.4%
Cement	761,592	5.6%	44,316	0.2%	30,000	2.1%
Sugar	396,967	2.9%	114,415	0.4%	-	-
Footwear and leather garments	114,322	0.8%	66,145	0.2%	8,946	0.6%
Automobile and transportation equipment	187,978	1.4%	197,062	0.7%	110,846	7.7%
Education	9,518	0.1%	159,646	0.6%	-	-
Electronics and electrical appliances	150,014	1.1%	82,041	0.3%	16,753	1.2%
Production and transmission of energy	747,088	5.5%	123,813	0.4%	42,704	3.0%
Construction	192,490	1.4%	744,283	2.7%	62,767	4.3%
Power (electricity), gas, water, sanitary	-	-	21,221	0.1%	-	-
Wholesale and retail trade	290,287	2.1%	1,817,606	6.5%	-	-
Exports / imports	76,372	0.6%	160,501	0.6%	197,299	13.7%
Transport, storage and communication	926,070	6.8%	149,459	0.5%	8,000	0.6%
Financial	1,724,828	12.7%	398,476	1.4%	32,083	2.2%
Insurance	1,315	0.01%	70,482	0.3%	-	-
Services	469,805	3.5%	917,035	3.3%	97,221	6.8%
Individuals	1,605,761	11.9%	8,199,113	29.4%	-	-
Others*	1,782,030	13.6%	11,974,438	42.9%	648,128	45.0%
	13,531,861	**100.0%**	**27,911,651**	**100.0%**	**1,439,984**	**100%**

* Others include Sole Proprietors, trusts, fund accounts, government accounts etc.

	December 31, 2008					
	Financings	(Gross)	Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	250,000	3.7%	376,399	3.0%	-	-
Textile	1,644,862	24.6%	91,885	0.7%	450,434	25.7%
Chemical and pharmaceuticals	73,663	1.1%	42,236	0.3%	112,898	6.4%
Cement	23,250	0.3 %	12,545	0.1%	245,000	14%
Sugar	372,986	5.6%	453	-	-	-
Footwear and leather garments	247,957	3.7%	34,663	0.3%	32,682	1.9%
Automobile and transportation equipment	170,952	2.6%	61,537	0.5%	69,063	3.9%
Education	15,702	0.2 %	218,276	1.7%	-	-
Electronics and electrical appliances	5,376	0.1%	23,897	0.2%	4,092	0.2%
Production and transmission of energy	-	-	92,495	0.7%	-	-
Construction	256,589	3.8%	476,776	3.8%	43,142	2.5%
Power (electricity), gas, water, sanitary	69,353	1.0%	-	-	85,208	4.9%
Wholesale and retail trade	154,706	2.3%	369,359	3.0%	1,735	0.1%
Exports / imports	25,427	0.4%	17,053	0.1%	13,507	0.8%
Transport, storage and communication	285,189	4.2%	-	-	-	-
Financial	284,221	4.3%	10,155	0.1%	7,735	0.4%
Insurance	1,235	-	3,930	-	-	-
Services	484,577	7.2%	105,243	0.8%	63,144	3.6%
Individuals	1,481,866	22.2%	4,060,087	32.7%	-	-
Others*	839,549	12.6%	6,415,609	51.7%	623,274	35.6%
	6,687,460	100%	12,412,598	100%	1,751,914	100%

* Others include Sole Proprietors, trusts, fund accounts, government accounts etc.

40.1.1.2 Segments by sector

	December 31, 2009					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	600,000	4%	1,250,055	4%	166,176	13%
Private	12,931,861	96%	26,661,596	96%	1,273,808	87%
	13,531,861	100%	27,911,651	100%	1,439,984	100%

	December 31, 2008					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	-	-	1,123,784	9%	64,469	4%
Private	6,687,460	100%	11,288,814	91%	1,687,445	96%
	6,687,460	100%	12,412,598	100%	1,751,914	100%

40.1.3 Details of non-performing financings and specific provisions by class of business segment

	December 31, 2009		December 31, 2008	
	---------------------- Rupees in '000		----------------------	
	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held
Wholesale and retail trade	**63,758**	**5,483**	12,289	3,199
Textile *	**155,997**	**102,473**	-	-
Chemical and pharmaceuticals	**2,117**	**-**	696	174
Power (electricity), gas, water, sanitary	**599**	**150**	6,683	3,341
Cement	**23,750**	**12,422**	23,250	23,250
Automobile and Transportation equipment	**-**	**-**	2,432	2,432
Import/Export	**21,360**	**1,108**	5,000	1,250
Construction	**123,058**	**32,486**	69,980	69,980
Services	**-**	**-**	30,101	18,775
Paper product*	**100,000**	**-**	-	-
Transport, Storage and Communication	**-**		9,940	2,485
Individuals*	**120,667**	**38,941**	16,913	8,599
Others*	**177,359**	**37,865**	8,809	8,202
	788,665	**230,928**	186,093	141,687

40.1.4 Details of non-performing financings and specific provisions by sector

	December 31, 2009		December 31, 2008	
	---------------------- Rupees in '000		----------------------	
Public / Government	-	-	-	-
Private	**788,665**	**230,928**	186,093	141,687
	788,665	**230,928**	186,093	141,687

*Provision has been made under subjective evaluation.

40.1.5 Geographical segment analysis

	December 31, 2009			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	---------------------------- Rupees in '000----------------------			
Pakistan	**(555,561)**	**34,207,501**	**4,735,377**	**1,439,984**

	December 31, 2008			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	---------------------------- Rupees in '000----------------------			
Pakistan	(222,511)	19,011,024	5,180,420	1,751,914

40.1.6 Credit Risk: Standardized Approach

Credit risk arises due to the risk of a borrower defaulting on his commitment ether in part or as a whole. The Group has currently employed standardized approach for evaluation of credit risk. It uses CRM (Credit Risk Mitigation) technique where applicable. The Group carries a strong desire to move towards the FIRB and Advanced approach.

Credit Risk : Disclosures for portfolio subject to the Standardized Approach & supervisory risk weights in the IRB Approach

The Group uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures, where available. The Group has also recently employed a credit rating model, which is compatible to the rating guidelines of SBP, which will support us in internally rating our credit clients.

	Types of Exposures and ECAI's used 2009		
Exposures	**JCR - VIS**	**PACRA**	**Others**
Corporate	Ã	Ã	N/A
Banks'	Ã	Ã	N/A

40.1.6.1 Credit Risk: Standardized Approach

		Credit Exposures subject to Standardised approach					
		December 31, 2009			December 31, 2008		
		-------------------------------------- Rs. In '000			--------------------------------------		
Exposures	**Rating Category**	**Amount Outstanding**	**Deduction CRM**	**Net amount**	**Amount Outstanding**	**Deduction CRM**	**Net amount**
Corporate	0%	-	-	-	-	-	-
	20%	3,343,580	-	3,343,580	37,645	-	37,645
	50%	382,879	-	382,879	55,496	-	55,496
	100%	13,313	-	13,313	-	-	-
	150%	248,256	-	248,256	-	-	-
	Unrated	7,955,492	210,097	7,745,395	5,100,971	215,014	4,885,957
Retail	0%	-	-	-	-	-	-
	20%	-	-	-	-	-	-
	50%	-	-	-	-	-	-
	75%	501,021	172,275	328,746	542,737	164,274	378,463
Total		**12,444,541**	**382,372**	**12,062,169**	**5,736,849**	**379,288**	**5,357,561**

CRM = Credit Risk Mitigation

40.1.6.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standard and IRB Approaches - Basel II Specific.

Group obtains capital relief for both on and off-balance sheet non-market related exposures by using simple approach for Credit Risk Mitigation (CRM). Off-balance sheet items under the simplified standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Group has taken advantage of the cash collaterals available with the Group in the form of security deposits and cash margins.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Group in terms of change in their valuation due to changes in the market conditions.

The Group takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 11,943.520 million is subject to the CRM of Rs. 210.097 million whereas a claim on retail portfolio of Rs. 501.020 million is subject to CRM of Rs. 172.275 million. The total benefit of Rs. 382.372 million was availed through CRM against total on-balance sheet exposure of Rs. 12,444.541 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs 1,237.802 million is subject to the CRM of Rs. 38.842 million. Hence total benefit of Rs 38.842 million was availed by the Group through CRM against total off-balance sheet, non-market related exposure of Rs. 1,237.802 million.

During the year, total amount of cash collateral used for CRM purposes was Rs. 421.214 million as against amount of Rs 567.698 million in year 2008. The difference in the value of cash collateral is due to the changes in the exposure amounts and the resultant amount of cash collateral obtained.

40.2 Equity Position Risk in the Banking book-Basel II Specific

Equity position includes the following:
- Strategic investments
- Investment in equities for generating revenue in short-term.

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Accounting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any in their value and charged to profit and loss account.

40.3 Yield / Profit Rate Risk in the Banking book - Basel II Specific

It includes all material yield risk positions of the Group taken into account all repricing and maturity data. It includes current balances and contractual yield rates; the Group understands that its financing shall be repriced as per their respective contracts.

The Group estimates changes in the economic value of equity due to change in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Group by applying upward and downward shocks.

40.4 Market Risk

Market risk encompasses the risk of losses due to adverse movements in markets for instruments carrying a fixed rate, foreign exchange rates, securities, precious metals or other commodities.

The strategy of the Group is to keep market risks to the minimum in that the Group does not enter into any speculative transaction. In general the Group ensures that an adequate hedging mechanism is in place before it enters into financial markets for trading.

Moreover, since the Group does not deal in interest based products, the impact of the above risks will be very minimal. The Group does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

40.4.1 Foreign Exchange Risk

Foreign exchange or currency risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Group's foreign exchange exposure comprises of forward promises, foreign currency cash in hand, balances with banks abroad, foreign currency deposits, foreign currency placements with State Bank of Pakistan and other banks etc. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position is managed within the statutory limits as fixed by the State Bank of Pakistan.

	December 31, 2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	33,497,132	28,894,793	8,749	4,611,088
United States Dollar	529,105	408,379	(8,749)	111,977
Great Britain Pound	91,463	90,714	-	749
Japanese Yen	494	-	-	494
Euro	79,676	78,238	-	1,438
U.A.E Dirham	475	-	-	475
ACU	5,923	-	-	5,923
CHF	538	-	-	538
Saudi Riyal	2,695	-	-	2,695
	34,207,501	29,472,124	-	4,735,377

	December 31, 2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	18,783,749	13,618,318	(3,670)	5,161,762
United States Dollar	174,790	169,779	3,670	8,681
Great Britain Pound	12,635	9,650	-	2,985
Japanese Yen	599	-	-	599
Euro	34,105	32,858	-	1,247
U.A.E Dirham	493	-	-	493
ACU	2,545	-	-	2,545
Saudi Riyal	2,108	-	-	2,108
	19,011,024	13,830,604	-	5,180,420

Equity Position Risk

The Group had no significant open exposure to equities as of year end 2009.

40.4.2 Mismatch of Profit / Yield Rate Sensitive Assets and Liabilities

	Effective yield / Profit rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
		December 31, 2009										
		Exposed to Yield / Profit risk										
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury Banks	-	4,217,520	-	-	-	-	-	-	-	-	-	4,217,520
Balances with Other Banks	9.43%	2,059,808	1,539,272	-	-	-	-	-	-	-	-	520,536
Due from financial institutions	12.14%	4,018,813	4,018,813	-	-	-	-	-	-	-	-	-
Investments	13.33%	6,653,447	-	-	310,000	-	312,483	3,426,204	723,750	1,877,218	-	3,792
Financings	14.00%	13,282,152	537,591	624,986	1,560,266	5,878,793	735,527	1,909,165	977,695	479,504	577,016	1,609
Other assets	-	547,457	-	-	-	-	-	-	-	-	-	547,457
		30,779,197	6,095,676	624,986	1,870,266	5,878,793	1,048,010	5,335,369	1,701,445	2,356,722	577,016	5,290,914
Liabilities												
Bills payable	-	485,608	-	-	-	-	-	-	-	-	-	485,608
Due to financial institutions	6.50%	156,160	-	84,490	71,670	-	-	-	-	-	-	-
Deposits and other accounts	6.74%	27,911,651	8,259,177	1,310,956	933,579	3,103,787	401,287	1,275,356	3,395,503	1,653,612	-	7,578,394
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	225,093	-	-	-	-	-	-	-	-	-	225,093
		28,778,512	8,259,177	1,395,446	1,005,249	3,103,787	401,287	1,275,356	3,395,503	1,653,612		8,289,095
On-balance sheet gap		2,000,685	(2,163,501)	(770,460)	865,017	2,775,006	646,723	4,060,013	(1,694,058)	703,110	577,016	(2,998,181)
Total Yield / Profit Risk Sensitivity Gap			(2,163,501)	(770,460)	865,017	2,775,006	646,723	4,060,013	(1,694,058)	703,110	577,016	(2,998,181)
Cumulative Yield/Profit Risk Sensitivity Gap			(2,163,501)	(2,933,961)	(2,068,944)	706,062	1,352,785	5,412,798	3,718,740	4,421,850	4,998,866	2,000,685

	Effective yield / Profit rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-profit bearing financial instruments
		December 31, 2008										
		Exposed to Yield / Profit risk										
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury Banks	-	2,175,418	-	-	-	-	-	-	-	-	-	2,175,418
Balances with Other Banks	13.5%	2,207,640	2,100,092	-	7,910	-	-	-	-	-	-	99,638
Due from financial institutions	16.75%	40,351	11,804	28,547	-	-	-	-	-	-	-	-
Investments	15.48%	4,861,883	-	-	-	-	460,000	310,000	2,182,810	1,905,700	-	3,373
Financings	15.06%	6,527,531	927,223	798,501	994,474	157,918	342,011	573,602	1,637,473	665,421	429,969	939
Other assets	-	343,976	-	-	-	-	-	-	-	-	-	343,976
		16,156,799	3,039,119	827,048	1,002,384	157,918	802,011	883,602	3,820,283	2,571,121	429,969	2,623,344
Liabilities												
Bills payable	-	353,646	-	-	-	-	-	-	-	-	-	353,646
Due to financial institutions	6.50%	245,939	728	135,980	109,231	-	-	-	-	-	-	-
Deposits and other accounts	7.28%	12,412,598	3,420,521	814,707	647,802	1,155,743	240,384	355,522	2,417,374	304,659	-	3,055,886
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	236,905	-	-	-	-	-	-	-	-	-	236,905
		13,249,088	3,421,249	950,687	757,033	1,155,743	240,384	355,522	2,417,374	304,659	-	3,646,437
On-balance sheet gap		2,907,711	(382,130)	(123,639)	245,351	(997,825)	561,627	528,080	1,402,909	2,266,462	429,969	(1,023,093)
Total Yield / Profit Risk Sensitivity Gap			(382,130)	(123,639)	245,351	(997,825)	561,627	528,080	1,402,909	2,266,462	429,969	(1,023,093)
Cumulative Yield/Profit Risk Sensitivity Gap			(382,130)	(505,769)	(260,418)	(1,258,243)	(696,616)	(168,536)	1,234,373	3,500,835	3,930,804	2,907,711

40.5 Liquidity Risk

Liquidity risk is defined as inability to raise deposits at a competitive rate. It can be caused by the withdrawal of important customer deposits (including interbank deposits). A sudden surge in liability withdrawals may leave the Group in a position of having to liquidate assets in a very short period of time and at low prices.

Under refinance risk we understand the risk of holding longer-term assets relative to liabilities. Generally this is caused by a discrepancy of the cash flows from the two sides of the balance sheet due to a faulty Asset-Liability Management (ALM) process (strongly differing maturity profiles).

The risk is minimized by broad diversification and a minimum of concentrations on both sides of the balance sheet.

An Assets-Liabilities Committee (ALCO) is responsible for monitoring the liquidity and market risks of the Group.

Maturities of Assets and Liabilities

December 31, 2009

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	4,217,520	4,217,520	-	-	-	-	-	-	-	-
Balances with other banks	2,059,808	2,059,808	-	-	-	-	-	-	-	-
Due from financial institutions	4,018,813	4,018,813	-	-	-	-	-	-	-	-
Investments	6,653,447	21	-	310,000	-	312,483	3,426,204	723,750	1,877,218	3,771
Financings	13,282,152	537,746	625,191	1,561,515	5,878,794	735,527	1,909,165	977,695	479,504	577,015
Other assets	1,241,621	616,855	397,285	16,129	131,951	-	20,169	59,232	-	-
Operating fixed assets	2,375,515	30,655	61,311	91,966	204,271	367,862	367,862	153,306	478,019	620,263
Deferred tax assets	358,625	-	-	-	-	-	-	-	-	358,625
	34,207,501	11,481,418	1,083,788	1,979,610	6,215,016	1,415,872	5,723,400	1,913,983	2,834,741	1,559,674
Liabilities										
Bills payable	485,608	485,608	-	-	-	-	-	-	-	-
Due to financial institutions	156,160	-	84,490	71,670	-	-	-	-	-	-
Deposits and other accounts	27,911,651	15,837,571	1,310,956	933,579	3,103,787	401,287	1,275,356	3,395,503	1,653,612	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	918,705	335,022	59,855	-	102,408	-	-	421,420	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	29,472,124	16,658,201	1,455,301	1,005,249	3,206,195	401,287	1,275,356	3,816,923	1,653,612	-
Net assets	4,735,377	(5,176,782)	(371,513)	974,361	3,008,821	1,014,585	4,448,044	(1,902,940)	1,181,129	1,559,674
Share capital/ Head office capital account	5,279,679									
Reserves	-									
Accumulated losses	(574,078)									
Surplus / (Deficit) on revaluation of assets	29,776									
	4,735,377									

December 31, 2008

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	2,175,418	2,175,418	-	-	-	-	-	-	-	-
Balances with other banks	2,207,640	2,199,730	-	7910	-	-	-	-	-	-
Due from financial institutions	40,351	11,804	28,547	-	-	-	-	-	-	-
Investments	4,861,883	-	-	-	-	460,000	310,000	2,182,810	1,905,700	3,373
Financings	6,527,531	927,225	798,518	994,606	158,706	342,011	573,602	1,637,473	665,421	429,969
Other assets	1,032,375	552,931	153,600	25,864	204,496	-	36,252	59,232	-	-
Operating fixed assets	1,889,543	20,771	41,542	62,313	374,586	249,253	249,253	198,957	398,096	294,772
Deferred tax assets	276,283	-	-	-	-	-	-	-	-	276,283
	19,011,024	5,887,879	1,022,207	1,090,693	737,778	1,051,264	1,169,107	4,078,472	2,969,217	1,004,397
Liabilities										
Bills payable	353,646	353,646	-	-	-	-	-	-	-	-
Due to financial institutions	245,939	728	135,980	109,231	-	-	-	-	-	-
Deposits and other accounts	12,412,598	6,476,407	814,707	647,802	1,155,743	240,384	355,522	2,417,374	304,659	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	818,421	251,449	37,586	-	128,915	-	-	400,471	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	13,830,604	7,082,230	988,273	757,033	1,284,658	240,384	355,522	2,817,845	304,659	-
Net assets	5,180,420	(1,194,351)	33,934	333,660	(546,880)	810,880	813,585	1,260,627	2,664,558	1,004,397
Share capital/ Head office capital account	5,279,679									
Reserves	-									
Accumulated losses	(101,364)									
Surplus/(Deficit) on revaluation of assets	2,105									
	5,180,420									

40.6 Operational Risk

This is the collective term for all risks which arise through inadequate or failed internal processes, employees and systems or from external events and which can only be partially quantified. In addition, legal risks fall into this category. The Group is currently pursuing a Basic Indicator Approach (BIA), but wishes to move towards a more sophisticated approach in the coming years.

40.7 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Group follows a deliberate low-risk strategy. Within the general constraints of its niche market the Group is aware of the need of reducing risk. The Group has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

40.8 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Group actively supports these organizations through its membership of relevant banking industry association i.e. Pakistan Banks Association (“PBA”). The Group also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

40.9 Shariah Non-Compliance Risk

Shariah Non-compliance risk arises due to the lack of awareness amongst the staff while processing a particular transaction which may result in reputational loss to the Group, as well as, reversal of income of the Group in respect of that transaction.

This risk is covered by carrying out extensive Shariah training and orientation and frequent reviews by the Shariah department of the Group.

41. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements have been approved by the Board of Directors of the Bank on March 04, 2010.

42. GENERAL

42.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the balance sheet and profit and loss account.

42.2 The figures in the consolidated financial statements are rounded off to the nearest thousand of rupees.

Chairman	Chief Executive Officer	Director	Director

PATTERN OF SHAREHOLDING

No. of Shareholders	Shareholding From	To	Shares Held	Total Shares Held %
317	1	100	14,724	0.003
17728	101	500	8,401,453	1.591
4588	501	1000	3,535,727	0.670
3003	1001	5000	6,310,395	1.195
428	5001	10000	3,275,712	0.620
141	10001	15000	1,805,065	0.342
85	15001	20000	1,558,877	0.295
44	20001	25000	1,029,735	0.195
28	25001	30000	795,564	0.151
27	30001	35000	864,735	0.164
26	35001	40000	996,979	0.189
12	40001	45000	512,054	0.097
25	45001	50000	1,230,208	0.233
10	50001	55000	527,131	0.100
6	55001	60000	351,122	0.067
5	60001	65000	314,720	0.060
5	65001	70000	343,281	0.065
6	70001	75000	445,427	0.084
4	75001	80000	315,750	0.060
5	80001	85000	419,754	0.080
3	85001	90000	260,436	0.049
1	90001	95000	92,000	0.017
17	95001	100000	1,690,700	0.320
2	100001	105000	210,000	0.040
3	105001	110000	324,875	0.062
2	110001	115000	225,845	0.043
1	115001	120000	120,000	0.023
2	120001	125000	244,992	0.046
2	130001	135000	261,024	0.049
2	135001	140000	280,000	0.053
3	145001	150000	450,000	0.085
1	160001	165000	164,320	0.031
4	170001	175000	690,629	0.131
2	175001	180000	358,337	0.068
2	180001	185000	365,317	0.069
1	185001	190000	185,937	0.035
5	195001	200000	1,000,000	0.189
1	200001	205000	200,446	0.038
1	220001	225000	225,000	0.043
1	230001	235000	231,328	0.044
1	265001	270000	267,415	0.051
1	285001	290000	286,625	0.054
2	295001	300000	600,000	0.114
1	345001	350000	350,000	0.066
1	370001	375000	371,700	0.070

No. of Shareholders	Shareholding From	To	Shares Held	Total Shares Held %
1	395001	400000	400,000	0.076
1	415001	420000	416,825	0.079
1	420001	425000	422,000	0.080
1	425001	430000	427,396	0.081
1	445001	450000	450,000	0.085
1	475001	480000	475,175	0.090
2	495001	500000	1,000,000	0.189
1	500001	505000	501,000	0.095
1	515001	520000	519,084	0.098
3	595001	600000	1,799,368	0.341
1	695001	700000	698,000	0.132
1	705001	710000	705,250	0.134
1	1055001	1060000	1,059,304	0.201
1	1095001	1100000	1,100,000	0.208
1	1145001	1150000	1,149,679	0.218
1	1230001	1235000	1,231,729	0.233
1	1290001	1295000	1,291,500	0.245
1	1465001	1470000	1,468,500	0.278
1	1525001	1530000	1,529,343	0.290
1	1600001	1605000	1,601,943	0.303
1	1855001	1860000	1,855,519	0.351
1	2355001	2360000	2,356,055	0.446
1	2495001	2500000	2,500,000	0.474
1	3195001	3200000	3,200,000	0.606
1	3835001	3840000	3,836,206	0.727
1	5240001	5245000	5,242,000	0.993
1	5430001	5435000	5,431,880	1.029
1	5700001	5705000	5,702,050	1.080
1	6600001	6605000	6,603,975	1.251
1	7285001	7290000	7,285,517	1.380
1	7650001	7655000	7,650,500	1.449
1	11325001	11330000	11,328,000	2.146
1	13970001	13975000	13,973,500	2.647
1	20770001	20775000	20,771,500	3.934
1	24320001	24325000	24,322,500	4.607
2	51420001	51425000	102,847,766	19.480
1	111255001	111260000	111,256,116	21.073
1	131050001	131055000	131,053,379	24.822
26,597			**527,967,898**	**100**

Categories of Shareholders
As at December 31, 2009

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
Directors, Chief Executive Officer, and their Spouse and Minor Children	4	103,477,674	19.60%
Associated Compnaies, undertakings and related parties	2	242,309,495	45.89%
Banks, Development Financial Instituitions and Non Banking Financial Instituitions	13	7,849,267	1.49%
Insurance Companies	3	6,619,600	1.25%
Modarba and Mutual Funds	19	33,930,009	6.43%
General Public:			
a. Local	26437	47,343,420	8.97%
b. Foreign	15	10,840,044	2.05%
Others	104	75,598,389	14.32%
Total	**26597**	**527,967,898**	**100.00%**

ADDITIONAL INFORMATION
AS AT DECEMBER 31, 2009

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
Associated Companies & Shareholders with more than 10 % shareholding			
Jahangir Siddiqui & Co. Ltd.	1	111,256,116	21.07%
Dubai Bank PJSC	1	131,053,379	24.82%
NIT & ICP			
National Bank of Pakistan-Trustee Depart	1	599,368	0.11%
NBP Trustee-NI (U) T (LOC) Fund	1	350,000	0.07%
Directors, Chief Executive Officer, and their Spouse and Minor Children			
Ahmed G.M. Randeree	1	51,423,883	9.74%
Shabir Ahmed Randeree	1	51,423,883	9.74%
Chief Justice (Rtd.) Mahboob Ahmed	1	130,829	0.025%
Hasan A. Bilgrami	1	499,079	0.095%
Public Sector Companies, Corporations, Banks, DFI's, NBFI's, Insuarance Companies, Modarba, Modarba Funds and other Organizations	141	132,356,279	25.07%
General Public	26448	48,875,082	9.26%
Total	26597	527,967,898	100.00%

بینک اسلامی
پاکستان

BankIslami

Islami Mahana Munafa Account

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Serving you, the Right way

BankIslami Pakistan

CORRESPONDENT BANKING NETWORK

COUNTRY	NAME OF BANK
AUSTRALIA	COMMONWEALTH BANK OF AUSTRALIA KEB AUSTRALIA LIMITED
BAHRAIN	KOREA EXCHANGE BANK
BANGLADESH	BANK ASIA LIMITED STANDARD CHARTERED BANK
BELARUS	JOINT-STOCK SAVINGS BANK BELARUSBANK
BELGIUM	HABIB BANK LIMITED
BRAZIL	BANCO KEB DO BRASIL S.A.
CANADA	HABIB CANADIAN BANK KOREA EXCHANGE BANK OF CANADA
CHINA	CHINA EVERBRIGHT BANK HARBIN COMMERCIAL BANK KOREA EXCHANGE BANK STANDARD CHARTERED BANK WUXI CITY COMMERCIAL BANK YANGZHOU CITY COMMERCIAL BANK ZHEJIANG CHOUZHOU COMMERCIAL BANK CO. LTD
FRANCE	HABIB BANK LIMITED KOREA EXCHANGE BANK UNION DE BANQUES ARABES ET FRANCAISES
GERMANY	COMMERZ BANK AG KOREA EXCHANGE BANK (DEUTSCHLAND) AG NATIONAL BANK OF PAKISTAN UNICREDIT BANK AG
GHANA	STANDARD CHARTERED BANK GHANA LIMITED
HONG KONG	COMMONWEALTH BANK OF AUSTRALIA HABIB BANK LIMITED HBZ FINANCE LIMITED HONGKONG AND SHANGHAI BANKING CORPORATION KOREA EXCHANGE BANK MASHREQ BANK NATIONAL BANK OF PAKISTAN STANDARD CHARTERED BANK UNION BANK OF INDIA UNION DE BANQUES ARABES ET FRANCAISES
INDIA	MASHREQ BANK STANDARD CHARTERED BANK UNION BANK OF INDIA
INDONESIA	KOREA EXCHANGE BANK DANAMON STANDARD CHARTERED BANK
IRAN	BANK MELLI IRAN BANK MILLAT BANK SADERAT IRAN
ITALY	BANCA UBAE SPA BANCO POPOLARE DI VERONA UNICREDIT BANK
JAPAN	COMMONWEALTH BANK OF AUSTRALIA KOREA EXCHANGE BANK STANDARD CHARTERED BANK UNION DE BANQUES ARABES ET FRANCAISES

JORDAN	STANDARD CHARTERED BANK
KENYA	GULF AFRICAN BANK LIMITED
	KENYA COMMERCIAL BANK LIMITED
	STANDARD CHARTERED BANK
KOREA	KOREA EXCHANGE BANK
	STANDARD CHARTERED FIRST BANK KOREA LTD.
	UNION DE BANQUES ARABES ET FRANCAISES
KUWAIT	COMMERCIAL BANK OF KUWAIT SAK, THE
MALAYSIA	BANK MUAMALAT MALAYSIA BERHAD
	EON BANK BERHAD
	STANDARD CHARTERED BANK MALAYSIA BERHAD
MAURITIUS	HABIB BANK LIMITED MAURITIUS
NEPAL	HIMALAYAN BANK LIMITED
	STANDARD CHARTERED BANK
NETHERLANDS	HABIB BANK LIMITED
	KOREA EXCHANGE BANK
NIGERIA	PLATINUM HABIB BANK PLC
OMAN	HABIB BANK OMAN
PAKISTAN	ALBARAKA ISLAMIC BANK B.S.C. (E.C.)
	ALLIED BANK LIMITED
	ARIF HABIB BANK LIMITED
	ASKARI BANK LTD
	ATLAS BANK LIMITED
	BANK AL HABIB LIMITED
	BANK ALFALAH LIMITED
	BANK OF KHYBER (THE)
	BANK OF PUNJAB (THE)
	DUBAI ISLAMIC BANK PAKISTAN LIMITED
	EMIRATES GLOBAL ISLAMIC BANK LIMITED
	FAYSAL BANK LIMITED
	FIRST DAWOOD ISLAMIC BANK LIMITED
	HABIB BANK LIMITED
	HABIB METROPOLITAN BANK LIMITED
	JS BANK LIMITED
	KASB BANK LIMITED
	MCB BANK LIMITED
	MEEZAN BANK LTD
	MY BANK LIMITED
	NATIONAL BANK OF PAKISTAN
	NIB BANK LIMITED
	SAMBA BANK LIMITED
	SILKBANK LIMITED
	SONERI BANK LIMITED
	STANDARD CHARTERED BANK
	UNITED BANK LTD
PANAMA	KOREA EXCHANGE BANK
PHILIPPINE	KOREA EXCHANGE BANK
QATAR	QATAR ISLAMIC BANK
	UNITED BANK LIMITED
ROMANIA	ROMANIAN INTERNATIONAL BANK SA
SAUDI ARABIA	ALRAJHI BANKING & INVESTMENT CORPORATION
	NATIONAL COMMERCIAL BANK
	SAUDI HOLLANDI BANK

SINGAPORE	COMMONWEALTH BANK OF AUSTRALIA HABIB BANK LIMITED KOREA EXCHANGE BANK, SINGAPORE BRANCH STANDARD CHARTERED BANK UNION DE BANQUES ARABES ET FRANCAISES
SOUTH AFRICA	HBZ BANK LIMITED
SPAIN	BANCO ESPANOL DE CREDITO CAJA DE AHORROS DEL MEDITERRANEED
SRI LANKA	HATTON NATIONAL BANK LIMITED STANDARD CHARTERED BANK
SWEDEN	SVENSKA HANDELSBANKEN
SWITZERLAND	HABIB BANK AG ZURICH KOREA EXCHANGE BANK (SCHWEIZ) AG UNITED BANK A.G.
TAIWAN	STANDARD CHARTERED BANK
THAILAND	KOREA EXCHANGE BANK STANDARD CHARTERED BANK
TURKEY	HABIB BANK LIMITED TEKSTIL BANKASI S.A.
U.K.	COMMONWEALTH BANK OF AUSTRALIA HABIB – UK PLC HABIB BANK AG ZURICH HABIBSONS BANK LIMITED ISLAMIC BANK OF BRITAIN PLC KOREA EXCHANGE BANK MASHREQ BANK STANDARD CHARTERED BANK
U.S.A.	COMMONWEALTH BANK OF AUSTRALIA DEUTSCHE BANK TRUST COMPANY AMERICAS HABIB AMERICAN BANK HABIB BANK LIMITED KEB NY FINANCIAL CORPORATION MASHREQ BANK SAEHAN BANK, LOS ANGELES STANDARD CHARTERED BANK
U.A.E.	ABU DHABI COMMERCIAL BANK ABU DHABI ISLAMIC BANK DUBAI BANK PJSC HABIB BANK AG ZURICH HABIB BANK LIMITED MASHREQ BANK STANDARD CHARTERED BANK
UKRAINE	CREDIT DNEPR BANK DEMARK BANK JS
VIETNAM	ASIA COMMERCIAL BANK KOREA EXCHANGE BANK, HANOI BRANCH VIETNAM ASIA COMMERCIAL JOINT-STOCK BANK VINASIAM BANK

BRANCH NETWORK*

SINDH

Main Branch Clifton (Karachi)
11th Floor, Executive Tower, Dolmen City,
Marine Drive, Block-4, Clifton, Karachi
Tel: (021) 35839906
Fax: (021) 35378373

26th Street D.H.A. Branch (Karachi)
31-C, Badar Commercial Street No.1, 26th Street,
Phase V, D.H.A. Karachi
Tel: (021) 35349244-5
Fax: (021) 35349243

Al Hilal Society Branch (Karachi)
Shop No.1 Ground Floor, Jawwad Court, Plot
No. SC-11, KDA Scheme No. 7, Main University Road,
Chandni Chowk, Karachi
Tel: (021) 34860713-16, 34860728
Fax: (021) 34860704

Baloch Colony Branch (Karachi)
Plot No, SA-2/1 Block-3 Administrative Society, Karachi
Tel: (021) 34300036-42
Fax: (021) 34300043

Baqai Medical University Branch (Karachi)
51-DHTOR, Baqai Medical Centre,
Super Highway, near Toll Plaza, Karachi
Tel: (021) 34410220-34410201
Fax: (021) 34410219

Burns Road Branch (Karachi)
Land Survey Sheet No. AM 51, Artillery Maidan
Quarters, Burns Road, Karachi
Tel: (021) 32215505, 32215527, 32215689
Fax : (021) 32215480

Cloth Market Branch (Karachi)
Shop-05, Cochinwala Market,
Laxmidas Street, Karachi
Tel: (021) 32469031-35
Fax: (021) 32469030

D.H.A. Phase IV Branch (Karachi)
Plot No.36-C, Sunset Commercial Street No.2,
D.H.A. Phase IV, Karachi
Tel: (021) 35313191-7
Fax: (021) 35313190

Dhoraji Branch (Karachi)
Al-Madina Heights, Plot Survey No. 35-C/449 CP Berar
Cooperative Housing Society, Dhoraji, Karachi
Tel: (021) 34860407-10, 34860566-68
Fax: (021) 34860569

F.B. Area Branch (Karachi)
Plot No. C-6, Block 4, F.B. Area,
KDA Scheme No. 16, Karachi
Tel: (021) 36827783-7, 36364596
Fax: (021) 36364659

Gulshan-e-Maymar Branch (Karachi)
Areeba Heaven, SB-3, Sector X-II, Karachi
Tel: (021) 36833354-5
Fax: (021) 36833445

Jodia Bazar Branch (Karachi)
Ibrahim Manzil, Darya Lal Street,
Jodia Bazar, Karachi
Tel: (021) 32462487-9, 32462831-4
Fax: (021) 32416368

Karachi Stock Exchange Branch (Karachi)
Room No. 520, 5th Floor, K.S.E. Building, Karachi
Tel: (021) 32462861-67
Fax: (021) 32462490

Korangi Branch (Karachi)
Plot No. 51/9-B, Sector 15,
Korangi Industrial Area, Karachi
Tel: (021) 35114488-91
Fax: (021) 35114494

Malir Cantt Branch (Karachi)
Plot No. 35, Block-5, Cantt Bazar,
Malir Cantt, Karachi
Tel: (021) 34491481-82
Fax: (021) 34491483

Nazimabad No. 7 Branch (Karachi)
Plot No.4, Row No I, Sub Block-B, Block-III,
Nazimabad No. 7, Karachi
Tel: (021) 36707492-96
Fax: (021) 36707497

North Nazimabad Block A Branch (Karachi)
Shop No. 3A, 3B, 3C, 2B Unique Centre,
Block A, North Nazimabad, Karachi
Tel: (021) 36722504-6
Fax: (021) 36722507

North Nazimabad Branch (Karachi)
D-5, Block-L,
North Nazimabad, Karachi
Tel: (021) 36676474-75
Fax: (021) 36676488

Orangi Town Branch (Karachi)
Plot No. LS 55 & 56, ST 11-A, Sector 1,
Block D, Orangi Town, Karachi
Tel: (021)-36664031-34, 36692257-59
Fax: (021) 36662257

Power House Branch (Karachi)
ST-3 AS-28 Commercial Area, Sector 5-H,
Power House, New Karachi
Tel: (021) 36901356-9, 36901362
Fax: (021) 36901364

Rashid Minhas Road Branch (Karachi)
Plot No. FL-3/13 & 14, Block-5,
Gulshan-e-Iqbal, Karachi
Tel: (021) 34818227-9
Fax: (021) 34818135

S.I.T.E. Branch (Karachi)
Shop Nos. 8 & 9, Anum Trade Center,
E-31-B, Ghani Chowrangi, S.I.T.E., Karachi
Tel: (021) 32587661-2, 32587665
Fax: (021) 32587510

Shadman Town Branch (Karachi)
Shop No. 1-5, KDA Flats, Phase 3,
Sector 14/B, Shadman Town No.1,
North Nazimabad, Karachi
Tel: (021) 36950027-33
Fax: (021) 36950034

Shah Faisal Colony Branch (Karachi)
Shop No. 1 & 2, Plot No A/6, Shop No. 1 & 2,
Plot No. A/7 Survey No. 135, Deh Drigh Colony,
Shah Faisal Colony, Karachi
Tel: (021) 34686121-25
Fax: (021) 34686126

Shaheed-e-Millat Branch (Karachi)
Shop No. 15 & 16, Adam Arcade, B.M.C.H.S.,
Shaheed-e-Millat Road, Karachi
Tel: (021) 34145305-8
Fax: (021) 34145311

Shahra-e-Faisal Branch (Karachi)
Shop No. 1, Faisal Tower, Plot No. 25/3,
Survey Sheet No. 35/1, Block 7 & 8,
Maqbool C.H.S. Ltd., Karachi
Tel: (021) 34555985-87
Fax: (021) 34555991

University Road Branch (Karachi)
Adjacent to Dolphin Bakery, Saleem Plaza,
Block 16, Gulshan-e-Iqbal,
Karachi
Tel: (021) 34801540, 34839031-34
Fax: (021) 34801541

UP More Branch (Karachi)
LS-7, Street No. 8, Sub Sector 11-I,
North Karachi Township, Karachi
Tel: (021) 36950158-59-61-66
Fax: (021) 36950167

Gulistan-e-Jauhar Branch (Karachi)
Shop No. W-12, Eastern Pride, Block 15,
KDA Scheme 36, Gulistan-e-Johar,
Karachi
Tel: (021) 34619514-18, 34619563, 34619573-4
Fax: (021) 34619583

Saddar Branch (Karachi)
Habib Shopping Mall, Bohri Bazaar,
Raja Ghazanfar Ali Road, Karachi
Tel: (021) 35219891-94
Fax: (021) 35219895

Heerabad Branch (Hyderabad)
A/113-261, Jail Road, Heerabad,
Hyderabad
Tel: (022) 2636768-70, 2636862 -3
Fax: (022) 2636864

Auto Bahan Branch (Hyderabad)
Plot No. C-10-8, C-10- 3,
Block C, Auto Bhan Road, Hyderabad
Tel: (022) 3820301-7
Fax: (022) 3820308

Mirpurkhas Branch
New Town Station Road, Mirpur Khas
Tel: (0233) 874287
Fax: (0233) 875802

Sukkur Branch
Umar Welding Store City, Survey No. 3/21,
Station Road, Sukkur
Tel: (071) 5617322-8
Fax: (071) 5617329

Tando Allah Yar Branch
Mir Pur Khas Road,
Tando Allahyar
Tel: (022) 3891114, 3892424, 3891442, 3892443
Fax: (022) 3891699

Nawabshah Branch
City Survey No. 225
Ward A Masjid Road, Nawabshah
Tel: (0244) 330920-4, 330926-7
Fax: (0244) 330928

Larkana Branch
City Survey No.1806
Word-A Bank Square Road, Larkana
Tel: (074) 4059833-6, 4059884-6
Fax: (074) 4059887

BALOCHISTAN

Jinnah Road Branch (Quetta)
Jinnah Road, Quetta
Tel: (081) 2821743-2821758
Fax: (081) 2821650

Iqbal Road Branch (Quetta)
Shop No. 605, Khewat No. 200,
Khatooni No. 234, Ward No. 18, Urban No. 1,
Sharah-e-Iqbal, Quetta
Tel: (081) 2866510-13-36
Fax: (081) 2829739

Airport Road Branch (Quetta)
Alam Khan Chowk, Airport Road, Quetta
Tel: (081) 2864627-29, 2840114, 2840121
Fax: (081) 2840135

Kuchlak Branch (Quetta)
Chaman Road, Quetta
Tel: (081) 2891591-2
Fax: (081) 2891580

Muslimbagh Branch
Muslimbagh, Baluchistan
Tel: (0823) 669823-29
Fax: (0823) 669830

Qila Saifullah Branch
Main Junction Road, Qila Saifullah
Tel: (0823) 610895-899, 610804-806
Fax: (0823) 610806

Chaman Branch
Trench Road, Chaman
Tel: (0826) 618032-37
Fax: (0826) 618039

Pishin Branch
Bund Road, Opp Madina Hardware,
Pishin
Tel: (0826) 421381 421384
Fax: (0826) 421387

Loralai Branch
Bhagi Bazar, Loralai
Tel: (0824) 661696-700
Fax: (0824) 661701

Zhob Branch
Market Road, Zhob
Tel: (0822) 412130-31, 412047-49
Fax: (0822) 412136

Dukki Branch
Masjid Road, Dukki
Tel: (0824) 667301-303
Fax: (0824) 667306

PUNJAB

Jail Road Branch (Lahore)
Plot No. 5-A, House No.5, Main Gulberg Road,
Near EFU Building, Jail Road,
Lahore
Tel: (042) 35790571
Fax: (042) 35790573

Akbar Chowk Branch (Lahore)
883-D, Peco Road, Faisal Town,
Akbar Chowk, Lahore
Tel: (042) 35221731-7
Fax: (042) 35221738

Circular Road Branch (Lahore)
Circular Road, Near Mochi Gate, Lahore
Tel: (042) 37374009-15
Fax: (042) 37374016

Azam Cloth Market Branch (Lahore)
F-1207 Azam Cloth Market, Lahore
Tel: (042) 37670188, 37658602, 37670256
Fax: (042) 37658232

Badami Bagh Branch (Lahore)
23-Peco Road, Badami Bagh, Lahore
Tel: (042) 37723865-68, 37723881
Fax: (042) 37723882

Darogha wala gate Branch (Lahore)
326 G.T.Road (Link Shalimar Road),
Lahore
Tel: (042) 36530512-16
Fax: (042) 36530517

D.H.A. Y Block Branch (Lahore)
153, Y Block, D.H.A., Lahore
Tel: (042) 35692598-9, 35692637
Fax: (042) 35692499

Ferozepur Road Branch (Lahore)
Plot No. 174, Feroz Pur Road, Lahore
Tel: (042) 37524321-24-25-27
Fax: (042) 37524331

G-Block, D.H.A. Branch (Lahore)
47-G, Commercial Area, Phase I, Block-G,
Stadium Road, D.H.A., Lahore
Tel: (042) 35691066-72
Fax: (042) 35691073

Thokar Niaz Baig Branch (Lahore)
3/D- Nawab Town, Raiwind Road,
Thokar Niaz Baig, Lahore
Tel: (042) 35315636-40
Fax: (042) 35315641

Johar Town Branch (Lahore)
M-Block, Johar Town, Lahore
Tel: (042) 35315710
Fax: (042) 35315711

Airport Road Branch (Lahore)
Plot No. 595/8, Airport Road, Main Defence Road,
Lahore Cantt (Adjacent to Phase VIII), Lahore
Tel: (042) 35701160-64
Fax: (042) 35701165

Walton Road Branch (Lahore)
Plot 48-E, Super Town,
Walton Road, Cantt., Lahore
Tel: (042) 36603701
Fax: (042) 36603702

Gujranwala Branch
Gujranwala BX-11-75-7S-10-12,
GT Road, Gujranwala
Tel: (055) 3820511-16
Fax: (055) 3820517

Jhang Branch
95-A College Chowk, Jhang
Tel: (047) 7651401-05
Fax: (047) 7651406

Abdali Road Branch (Multan)
Abdali Road, Chowk Nawan Sher,
Multan
Tel: (061) 4500356-59
Fax: (061) 4500360

Gulgusht Branch (Multan)
Jalal Masjid Chowk, Multan
Tel: (061) 6210371- 5
Fax: (061) 6210376

Vehari Road Branch (Multan)
Vehari Road, Multan
Tel: (061) 6761900-6
Fax: (061) 6761907

SIE 1 Branch (Gujrat)
Danish Metal Work, SIE-1, Gujrat
Tel: (053) 3538010 -15
Fax: (053) 3538016

D.G. Khan Branch
Jampur Road, Near District Hospital, D.G. Khan
Tel: (064) 2473201-7
Fax: (064) 2473208

Kotwali Road Branch (Faisalabad)
P-16, Kotwali Road, Faisalabad
Tel: (041) 2412123-29
Fax: (041) 2412130

Susan Road Branch (Faisalabad)
Plot No. S-8, Madina Town,
Main Susan Road, Faisalabad
Tel: (041) 8728626-8, 8728631
Fax: (041) 8728671 / 8728708

Mian Channu Branch
Ghazi Mor, G.T Road, Mian Chunnu
Tel: (065) 2664001-7
Fax: (065) 2664008

Rahimyar khan Branch
21-A, Model Town, Rahim Yar Khan
Tel: (068) 5886971-77
Fax: (068) 5886978

Sadiqabad Branch
Allama Iqbal Road, Opp. Ghalla Mandi,
Sadiqabad
Tel: (068) 5700594-7, 5800591
Fax: (068) 5800598

Sargodha Branch
65/2, Railway Road, Sargodha
Tel: (048) 3768264-68
Fax: (048) 3768269

Bhawalpur Branch
Block No. 915, Circular Road,
Bahawalpur
Tel: (062) 2732235-38
Fax: (062) 2732239 / 2732240

Okara Branch
69/1, M.A.Jinnah Road, Okara
Tel: (044) 2522901-6
Fax: (044) 2552907

Kashmir Road Branch (Sialkot)
B-III-116/99/2, Kashmir Road, Sialkot
Tel: (052) 4270419-20, 4270429-30, 4270439-40
Fax: (052) 4270426

Mainwali Branch
Mouza urra khel Pacca,
Main Sargodha Road, Mianwali
Tel: (0459) 237531
Fax: (0459) 237532

Sahiwal Branch
418, High Street, Sahiwal
Tel: (040) 4228284-88, 4467688
Fax: (040) 4462688

Chaklala Scheme No. 3 (Rawalpindi)
Plot No.11, Commercial Bazar,
Chaklala Scheme III, Rawalpindi
Tel: (051) 5766140-43
Fax: (051) 5766144

Satellite Town Branch (Rawalpindi)
69/B, 4th Road, Commercial Market,
Satellite Town, Rawalpindi
Tel: (051) 4572001-4
Fax: (051) 4572005

Saddar Branch (Rawalpindi)
60-Bank Road, RWP Cantt, Rawalpindi
Tel: (051) 5120381-4
Fax: (051) 5120385

Jehlum Branch
Tehsil Road, Near Shandar Chowk, Jehlum
Tel: (0544) 620503-4-8
Fax: (0544) 620498

Hazro Branch
Circular Road, Hazro
Tel: (057) 2310048-51
Fax: (057) 2310019

Taxila Branch
Faisal Shaheed Road, Taxila
Tel: (051) 4535055- 8
Fax: (051) 4534985 / 4535047

Turnol Branch
Muhammad Ayub Plaza, Main G.T Road,
Islamabad
Tel: (051) 2217022
Fax: (051) 2217021

Wah Cantt. Branch
A-12, Shahwali Colony, Mall Road, Wah Cantt
Tel: (051) 4539046-7
Fax: (051) 4539044

Chakwal Branch
Khasra No. 4516, Jhelum Road, Chakwal
Tel: (0543) 552739, 44,45,56
Fax: (0543) 552742 / 552760

NWFP

Khyber Bazar Branch (Peshawar)
Shop No.6 & 7, Ground Floor, Survey No. 412/B(1)
Haji Khan Building, Opposite U Plaza
Situated at Khyber Bazar, Peshawar
Tel: (091) 2590341-6
Fax: (091) 2590347-8

Jamrud Road Branch (Peshawar)
Near Hotel Grand, Jamrud Road, Peshawar
Tel: (091) 5711482-4
Fax: (091) 5711489

Haripur Branch
Circular Road, Haripur
Tel: (0995) 613570-3
Fax: (0995) 613574

Mansehra Branch
Swati Arcade, Abbottabad Road,
Tehsil & District Mansehra
Tel: (0997) 307761- 4
Fax: (0997) 303479

Dera Ismail Khan Branch
West Circular Road, Near Taank Adda,
Dera Ismail Khan
Tel: (0966) 715018-20
Fax: (0966) 715021

Abottabad Branch
Abbottabad Business Complex (ABC Plaza),
Aamir Shaheed Road, Supply Bazar, Abottabad
Tel: (0992) 343959-63
Fax: (0992) 343957, 343964

Chitral Branch
Attalique Bazar, Chitral
Tel: (0943) 414501,414530,414550
Fax: (0943) 414591

Gilgit Branch
Askari Bakers, Gilgit Cantt
Tel: (05811) 57832-6
Fax: (05811) 57837

ISLAMABAD & AZAD KASHMIR

Blue Area Branch (Islamabad)
5-6, Chenab Center, Block-104-E,F-7/G-7,
Jinnah Avenue, Islamabad
Tel: (051) 2804271-74
Fax: (051) 2804275

I-9 Branch (Islamabad)
Plot No-2 E, I-9 Markaz, Islamabad.
Tel: (051) 4858403-08
Fax: (051) 4445852

I-8 Branch (Islamabad)
Executive Centre, I-8 Markaz, Islamabad
Tel: (051) 4861017, 4861029, 4861117
Fax: (051) 4861118

F-10 Markaz Branch (Islamabad)
Plot No.6-C, Insaf Plaza, F-10 Markaz, Islamabad
Tel: (051) 2222961-64
Fax: (051) 2222965-6

Mirpur Branch
Plot No. 2- B/3, Sub Sector A/2,
Mian Muhammad Road, Mirpur, AJK
Tel: (058610) 39701-4
Fax: (058610) 39705

Islamgarh Branch
Ground Floor, Main Kotli Road,
Islam Garh Tehsil, District Mirpur, AJK
Tel: (058612) 43971-7
Fax: (058612) 43970

* including Sub Branches

NOTES

بینک اسلامی
پاکستان

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BankIslami offers free countrywide online banking facility to its customers so you can avail banking services from any of our 102* Online branches in 49 cities.

*Including sub branches

Serving you, the Right way

BankIslami Pakistan

PROXY FORM

6th Annual General Meeting

The Company Secretary,
BankIslami Pakistan Limited,
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block - 4, Clifton,
Karachi, Pakistan

I/We ____ of ______________________________ being a member(s) of

BankIslami Pakistan Limited and holder of ____ ordinary shares as per

Share Register Folio No. ____ and /or CDC Investor

Account No./CDC Participant I.D.No. _____________________ and Sub Account No. _______________________do

hereby appoint ____ of ______________________________

or failing him/her ______________________________ of ______________________________ as my/our proxy to vote

and act for me/us on my/our behalf at the 6th Annual General Meeting of BankIslami Pakistan Limited, to be held on

Tuesday, March 30, 2010 at 8:00 a.m. at Hotel Regent Plaza, Shahra-e-Faisal, Karachi, and at any adjournment thereof.

Signed this ____________________________ day of _________________2010

Witness:

Please affix
Rupees Five
Revenue
Stamp

Signature of Member(s)

Name: ____________________________________

Address: __________________________________

CNIC or Passport No.: ________________________

NOTES:

1. Proxies in order to be effective, must be received by the company not less then 48 hours before the meeting.

2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity card or Passport with this proxy form before submission to the company.

Please affix
correct
postage

The Company Secretary

BankIslami Pakistan Limited
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan

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