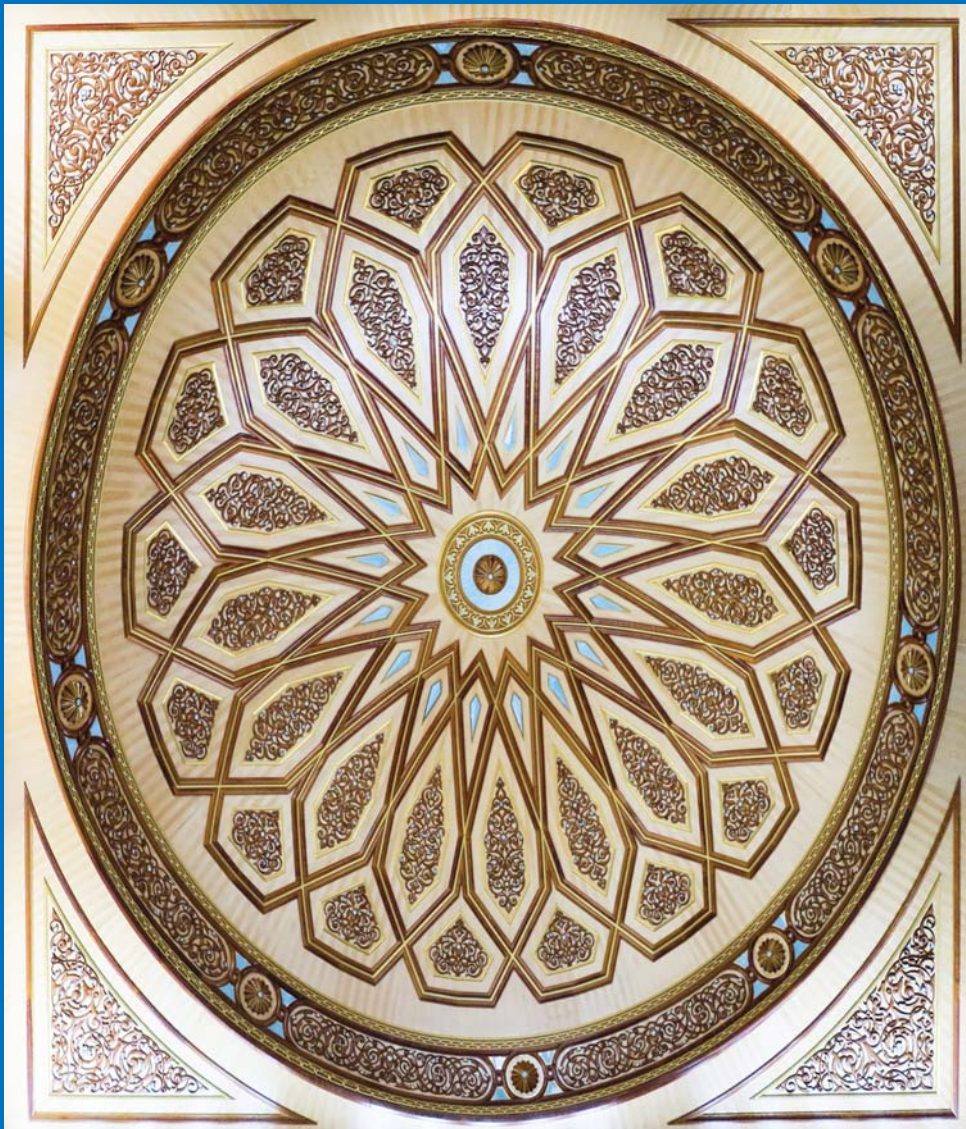


WORLD OF ISLAMIC ARCHITECTURE

Half Yearly Report June 30, 2015

بنك إسلامي



*Inside View of Dome (Masjid-e- Nabawi, Madinah)

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Corporate Information

Board of Directors

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

Sharia'h Supervisory Board

Mufti Irshad Ahmad Aijaz	Chairman
Mufti Muhammad Husain	Member
Mufti Javed Ahmed	Member

Audit Committee

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

Risk Management Committee

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

I.T. Committee

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

Human Resource & Compensation Committee

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

Executive Committee

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

Company Secretary

Mr. Muhammad Shoaib

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Adviser

1- Haidermota & Co.
Barrister at Law

2- Mohsin Tayebaly & Co.
Corporate Legal Consultants / Barristers & Advocates
High Courts & Supreme Court

Management (in alphabetical order)

Mr. Farooq Anwar	Head, Operations
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Kashif Nisar	Head, Shariah Compliance
Mr. Khawaja Ehrar ul Hassan	Head, Compliance & Legal
Mr. Muhammad Faisal Shaikh	Head, Shariah Advisory and Structuring
Mr. Muhammad Furqan	Head, Credit Administration
Mr. Muhammad Kamran Siddiqui	Head, Service Quality & Phone Banking
Mr. Rehan Shuja Zaidi	Head, Internal Audit
Mr. Sadaruddin Pyar Ali	Head, Administration and General Service
Mr. Shamshad Ahmed	Head, Trade Finance
Ms. Sheba Matin Khan	Head, Human Resources
Mr. Syed Akhtar Ausaf	Head, Risk Management
Mr. Syed Arif Mahtab	Head, Branch Operations
Mr. Syed Ata Hussain Jaffri	Head, Information Systems
Mr. Syed Muhammad Aamir Shamim	Head, Treasury & Financial Institutions
Mr. Syed Mujtaba H. Kazmi	Head, Corporate Finance
Mr. Zahid Ali H. Jamall	Chief Financial Officer

Registered Office

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

Share Registrar

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

Website:

www.bankislami.com.pk

Directors' Report

On behalf of the Board, I am pleased to present the financial results of the Bank for the half year ended June 30, 2015. Following are the financial highlights:

	June 30, 2015	June 30, 2014	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	141,334	85,466	65.37%
Total Assets	177,030	97,164	82.20%
Total Financing and related assets - net and advances - net	57,599	37,696	52.80%
Total Investments	40,149	35,803	12.14%
Shareholder's Equity	11,139	6,885	61.79%
Profit after Tax	63.267	157.656	-59.87%
Branch network - Number	317	201	57.71%

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

- BIPL achieved compliance with the Minimum Capital Requirement during the reporting period. The foot print has expanded to 317 branches in 93 cities making it the eleventh largest banking network in the country;
- BIPL acquired the Defunct KASB Bank Limited under a scheme of amalgamation prepared by the State Bank of Pakistan (SBP) and approved by the Federal Government of Pakistan in terms of the powers conferred to it under section 47 of the Banking Companies Ordinance, 1962. The operations of the Defunct Bank are planned to be converted to Sharia'h compliant banking in the shortest possible time InshaAllah within 2015;
- A massive rationalization exercise was launched by the Bank in all areas of operations. The key features were: re-location of almost 50 branches, cutting down administrative expenses, objective assessment of the portfolio and assets in use and retention of almost the entire branch banking staff. The re-branding of the Defunct Bank was also completed across the network;
- It is a matter of fact that the Defunct KASB Bank had the highest ratio of infected portfolio within the banking industry in Pakistan. BIPL has started aggressive recovery exercise, the fruits of which will become evident over a period of time. Similarly the operational rationalization exercise will bear fruit InshAllah in future, though we are mindful of the tough task at hand and the challenges. Operating results of the Bank will follow similar pattern;

- Following the take over of the Defunct Bank, a misguided, malicious and frivolous campaign was launched by a few media anchors. Initially the Bank chose to ignore, hoping that the media will itself realize the facts. However, it was later realized the campaign was based on factors other than merit. Accordingly, BIPL issued public notices regularly and in a few cases had filed complaints with PEMRA. Additionally, defamation suits have been filed in the Honorable Sindh High Court. BIPL is determined to protect its brand value in future as well. Should there be a need, we will aggressively pursue legal options in Pakistan and abroad. We are extremely grateful to our shareholders, depositors, clients and members of the industry who stood with us , which is reflected in our results;
- Deposits of the Bank increased by 65.37% while the Cost of Fund declined by 61 basis points. This reduction is not in line with the industry due to substantially expensive deposits of the Defunct Bank. CASA now accounts for 65.90% of the total deposits compared to 61.44% last year. The Bank also paid Rs.21.75B to the depositors of the Defunct Bank out of which Rs. 15B were provided by the SBP for a period of six months only;
- The Total Assets of the Bank were Rs. 177.03B showing a growth of 82.20%.

We take pleasure in informing our shareholders that the Pakistan Credit Rating Agency Limited (PACRA) has upgraded the Bank's long term rating to 'A+' and short term rating has been maintained at 'A1'.

On behalf of the Board of Directors and Management, I wish to express sincere gratitude to our customers, business partners and shareholders for continued patronage and trust. I would also like to thank State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory authorities for their guidance and support. We would also place on record our deep appreciation for the positive role played by a large section of the print and electronic media. The Board of Directors sincerely appreciates the significant contribution by the officers and staff members of BIPL for their contribution.

On behalf of the Board,

Hasan A Bilgrami
Chief Executive Officer
December 30, 2015

Independent Auditors' Report on Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim statement of financial position of BankIslami Pakistan Limited as at June 30, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015. This condensed interim financial information incorporates the balances as at May 7, 2015 of the defunct KASB Bank Limited (amalgamated with and into the bank with effect from the close of business on May 7, 2015) which have been audited by another firm of Chartered Accountants, whose report has been furnished to us and our conclusion in so far as it relates to the amounts included for the defunct KASB Bank Limited is based solely on the report of such other auditors.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A. F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Syed Fahim ul Hasan**
Dated: December 30, 2015
Karachi



Condensed Interim Statement of Financial Position

AT JUNE 30, 2015

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
----- Rupees in `000 -----			
ASSETS			
Cash and balances with treasury banks	9	10,608,485	6,361,444
Balances with other banks	10	2,258,302	733,523
Due from financial institutions - net	11	49,320,218	18,143,574
Investments - net	12	40,148,536	30,654,552
Islamic financing and related assets and Advances (net)	13	57,598,654	41,097,058
Operating fixed assets	14	5,626,766	3,380,168
Deferred tax asset - net	15	5,899,688	-
Other assets - net		5,569,262	1,613,830
		<u>177,029,911</u>	<u>101,984,149</u>
LIABILITIES			
Bills payable		1,900,680	918,435
Due to financial institutions	16	17,652,010	561,000
Deposits and other accounts	17	141,333,704	90,330,997
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	199,683
Other liabilities		5,004,990	3,106,814
		<u>165,891,384</u>	<u>95,116,929</u>
NET ASSETS			
		<u>11,138,527</u>	<u>6,867,220</u>
REPRESENTED BY			
Share capital	18	10,079,121	5,758,721
Discount on Issue of shares		(79,042)	(79,042)
Reserves	19	523,176	273,176
Unappropriated profit		102,929	266,946
		<u>10,626,184</u>	<u>6,219,801</u>
Surplus on revaluation of assets - net of tax	20	512,343	647,419
		<u>11,138,527</u>	<u>6,867,220</u>
CONTINGENCIES AND COMMITMENTS			
	21 & 22		

The annexed notes 1 to 30 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

Condensed Interim Profit And Loss Account (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2015

	Quarter ended June 30, 2015	Half year ended June 30, 2015	Quarter ended June 30, 2014	Half year ended June 30, 2014
Note	----- Rupees in '000 -----			
Profit / return earned	2,102,418	4,104,789	1,888,148	3,656,675
Profit / return expensed	1,223,277	2,337,138	1,105,750	2,154,628
Net spread earned	879,141	1,767,651	782,398	1,502,047
(Reversal) / provision against non-performing Islamic financing and related assets (net) and loans and advances (net)	(201,976)	(192,894)	(10,367)	2,108
Provision for diminution in the value of investments	-	5,016	-	-
Bad debts written off directly	-	-	455	455
	(201,976)	(187,878)	(9,912)	2,563
Net spread after provisions	1,081,117	1,955,529	792,310	1,499,484
OTHER INCOME				
Fee, commission and brokerage income	104,648	202,625	91,072	178,239
Dividend Income	-	-	-	-
Income from dealing in foreign currencies	16,007	47,585	47,654	110,050
Gain on sale of securities	-	11,853	22,155	22,155
Unrealised gain on revaluation of investments classified as held for trading	-	-	-	-
Other income	51,503	62,264	(1,684)	17,946
Total other income	172,158	324,327	159,197	328,390
	1,253,275	2,279,856	951,507	1,827,874
OTHER EXPENSES				
Administrative expenses	1,136,645	2,055,670	820,228	1,574,840
Other provisions	6,837	6,837	-	-
Other charges	3,613	6,667	2,620	6,904
Total other expenses	1,147,095	2,069,174	822,848	1,581,744
Extraordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	106,180	210,682	128,659	246,130
Taxation				
- Current	27,763	49,340	20,162	39,629
- Prior periods	21,876	21,876	-	-
- Deferred	59,533	76,199	26,381	48,845
	109,172	147,415	46,543	88,474
PROFIT AFTER TAXATION	(2,992)	63,267	82,116	157,656
----- (Rupees) -----				
Basic earnings per share	(0.005)	0.111	0.156	0.299
----- (Rupees) -----				
Diluted earnings per share	(0.005)	0.111	0.156	0.299

The annexed notes 1 to 30 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



Condensed Interim Statement Of Comprehensive Income (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2015

	Quarter ended June 30, 2015	Half year ended June 30, 2015	Quarter ended June 30, 2014	Half year ended June 30, 2014
	----- Rupees in `000 -----			
Profit after taxation	(8,008)	63,267	82,116	157,656
Other Comprehensive Income				
Items that may not be reclassified to profit and loss account				
Remeasurement of defined benefit plan	8,058	8,058	-	-
Tax on remeasurement of defined benefit plan	(2,820)	(2,820)	-	-
	5,238	5,238	-	-
Comprehensive income transferred to statement of changes in equity	(2,770)	68,505	82,116	157,656
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available for sale investments - net of tax	(219,629)	(101,939)	(179)	207,054
Total comprehensive (loss) / income for the period	(222,399)	(33,434)	81,937	364,710

The annexed notes 1 to 30 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

Condensed Interim Cash Flow Statement (Un-audited)

FOR THE HALF YEAR ENDED JUNE 30, 2015

	June 30, 2015	June 30, 2014
	----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	210,682	246,130
Adjustments for non - cash charges :		
Depreciation on own assets	208,085	139,142
Depreciation on operating Ijarah assets	379,466	305,420
Amortisation of intangibles assets	8,782	8,582
Provision against non-performing islamic financing and related assets - net	(192,894)	2,108
Bad debts written-off directly	-	-
Provision for diminution in the value of investments	5,016	-
Charge for defined benefit plan	33,460	-
Gain on sale / redemption of securities	-	-
Other provisions / write offs	6,837	-
Gain on sale of operating fixed assets	(2,754)	(3,785)
	<u>445,998</u>	<u>451,467</u>
	656,680	697,597
(Increase) / decrease in operating assets		
Due from financial institutions	(31,176,644)	(4,422,818)
Islamic financing and related assets - net	(5,589,183)	305,306
Other assets (excluding advance taxation)	202,291	(37,772)
	<u>(36,563,536)</u>	<u>(4,155,284)</u>
Increase / (decrease) in operating liabilities		
Bills payable	818,325	122,999
Due to financial institutions	19,730,340	(1,158,000)
Deposits and other accounts	(6,335,557)	10,240,429
Other liabilities (excluding current taxation)	(80,537)	301,785
	<u>14,132,571</u>	<u>9,507,213</u>
	(21,774,285)	6,049,526
Payments against defined benefit plan	(32,820)	-
Income tax paid	(48,410)	(45,819)
Net cash generated from operating activities	<u>(21,855,515)</u>	<u>6,003,707</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	19,009,362	(3,875,814)
Investment in operating fixed assets	(266,201)	(402,391)
Net cash inflow on acquisition	4,560,601	-
Proceeds from disposal of operating fixed assets	3,173	3,961
Net cash used in investing activities	<u>23,306,935</u>	<u>(4,274,244)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of right shares	4,320,400	-
Amount received as advance from sponsors in respect of right issue of shares	-	277,905
	<u>4,320,400</u>	<u>277,905</u>
Increase in cash and cash equivalents	5,771,820	2,007,368
Cash and cash equivalents at the beginning of the period 26	<u>7,094,967</u>	<u>5,851,035</u>
Cash and cash equivalents at the end of the period 26	<u>12,866,787</u>	<u>7,858,403</u>

The annexed notes 1 to 30 form an integral part of this condensed interim financial information.

-Sd-	-Sd-	-Sd-	-Sd-
Chairman	Chief Executive Officer	Director	Director



Condensed Interim Statement Of Changes In Equity (Un-audited)

FOR THE HALF YEAR ENDED JUNE 30, 2015

	Share Capital	Discount on issue of shares	Statutory Reserves	Reserve for bad debts & contingencies	Unappro- priated Profit	Total
----- Rupees in `000 -----						
Balance as at January 01, 2014	5,279,679	-	210,446	-	24,829	5,514,954
Profit after taxation for the half year ended June 30, 2014 transferred from Statement of Comprehensive Income	-	-	-	-	157,656	157,656
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	5,164	5,164
Balance as at June 30, 2014	5,279,679	-	210,446	-	187,649	5,677,774
Profit after taxation for the half year ended December 31, 2014 transferred from Statement of Comprehensive Income	-	-	-	-	155,994	155,994
Issue of right shares at discount	479,042	(79,042)	-	-	-	400,000
Transfer to statutory reserve	-	-	62,730	-	(62,730)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	2,386	2,386
Remeasurements of the net defined benefit liability / (asset) - net of tax	-	-	-	-	(16,353)	(16,353)
Balance as at December 31, 2014	5,758,721	(79,042)	273,176	-	266,946	6,219,801
Profit after taxation for the half year ended June 30, 2015 transferred from Statement of Comprehensive Income	-	-	-	-	63,267	63,267
Transfer to reserve for bad debts & contingencies	-	-	-	250,000	(250,000)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	17,478	17,478
Issue of right shares	4,320,400	-	-	-	-	4,320,400
Remeasurements of the net defined benefit liability / (asset) - net of tax	-	-	-	-	5,238	5,238
Balance as at June 30, 2015	<u>10,079,121</u>	<u>(79,042)</u>	<u>273,176</u>	<u>250,000</u>	<u>102,929</u>	<u>10,626,184</u>

The annexed notes 1 to 30 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

1 STATUS AND NATURE OF BUSINESS

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

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

The Bank is operating through 317 branches including 124 sub branches as at June 30, 2015 (December 31, 2014: 213 branches including 90 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange Limited.

Based on the financial statements of the Bank for the year ended December 31, 2014, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A+' and the short-term rating as 'A1'.

2 BUSINESS COMBINATION

2.1 Acquisition of KASB Bank Limited undertakings

During the current period, under the 'Scheme of Amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited under Section 47 of the Banking Companies Ordinance, 1962', hereinafter referred to as 'The Scheme', KASB Bank Undertakings have been acquired and amalgamated with the bank. The Scheme is effective from May 7, 2015.

KASB Bank Undertakings as per the Scheme means the business and all assets and liabilities, of the then KASB Bank Limited of whatsoever nature and wherever situated.

The aforementioned scheme was prepared by the State Bank of Pakistan (SBP) and placed before the Federal Government of Pakistan for its approval. The Federal Government of Pakistan in terms of the powers conferred to it under section 47 of the Banking Companies Ordinance, 1962 sanctioned the scheme of amalgamation of KASB undertaking with and into BankIslami Pakistan Limited on May 7, 2015 with immediate effect.

As required under International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", the balances of KASB Bank undertakings have been incorporated at their fair values as determined by an independent firm KPMG Taseer Hadi & Co, Chartered Accountants. Their valuation is being carried out using the balances as appearing in the financial statements of KASB Bank Limited as at May 7, 2015 duly audited by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants. The reconciliation between audited balances and the provisional fair values is given in note 2.3 below.

Subsequent to the above amalgamation, the operations of defunct KASB Bank Limited have been amalgamated and vested into the Bank with effect from May 7, 2015. Consequently, the entire undertaking of the KASB Bank Limited including all the properties, assets and liabilities and the rights and obligations as defined in the aforesaid scheme stand amalgamated with and vested into the Bank as at May 7, 2015. Accordingly, the assets and liabilities included in the statement of financial position also include balances of the defunct KASB Bank Limited.

The KASB Bank Limited at the time of acquisition by the Bank had the following three subsidiaries (both direct and indirect) which by virtue of amalgamation have now become subsidiaries of the Bank:

Name of Entity	Percentage of holding	Nature of relationship
1 My Solutions Corporation Limited	100.00%	Direct
2 KASB Securities Limited	77.12%	Direct
3 Structured Ventures (Private) Limited	77.12%	Indirect

The Bank intends to convert the conventional portfolio of the defunct KASB undertaking into shariah compliant products within a reasonable period of time. The acquisition of the KASB undertaking will assist the Bank in promoting the shariah compliant banking to the customers of defunct conventional bank by targeting a diversified customer base (constituting a mix of high profile corporate and retail customer base). The acquisition is expected to bring in synergies resulting in overall growth of the Bank.

2.2 International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's balance sheet and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values.

The acquisition has been accounted for by applying the purchase method in accordance with the requirements of IFRS 3 (revised) 'Business Combinations'. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise the accounting for business combination. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date. The fair valuation exercise is substantially complete and will be finalised within the period of one year as allowed under IFRS 3. Any adjustment arising at the time of finalisation of this exercise will be incorporated with retrospective effect from the date of acquisition.

The fair valuation exercise is being carried out by M/s KPMG Taseer Hadi & Co. Chartered Accountants (an independent professional consultant) engaged by the Bank for this purpose. Details of the provisional fair values of the assets acquired, liabilities assumed and purchase consideration and the resultant goodwill recognised are as follows:

	May 7, 2015 Rupees in '000
Fair value of assets acquired (provisional)	54,046,080
Fair value of liabilities assumed (provisional)	<u>(59,789,327)</u>
Net liabilities assumed	(5,743,247)
Purchase Consideration:	
Cash payable	(1)
Fair value benefit of financing received from SBP	2,952,536
	2,952,535
Excess of Purchase consideration over net assets	<u><u>(2,790,712)</u></u>

2.3 The provisional fair values and carrying amounts of identifiable assets (including intangible assets) and liabilities of the defunct KASB Bank Limited at the date of acquisition are as follows:

Note	Acquiree's carrying amounts as at May 7, 2015 (based on audited financial statements)	Fair value adjustments / intangible recognised (as per Consultant's report)	Fair values as at May 7, 2015 (as per Consultant's report)
.....Rupees in '000.....			
ASSETS			
	3,703,800	-	3,703,800
	856,801	-	856,801
	29,283,116	(617,861)	28,665,255
	10,429,731	669,254	11,098,985
	2,157,083	-	2,157,083
	-	40,600	40,600
	6,142,788	(30,978)	6,111,810
	1,415,231	(3,485)	1,411,746
	<u>53,988,550</u>	<u>57,530</u>	<u>54,046,080</u>
LIABILITIES			
	163,920	-	163,920
	313,206	-	313,206
	57,338,264	-	57,338,264
	1,973,937	-	1,973,937
	<u>59,789,327</u>	<u>-</u>	<u>59,789,327</u>
	<u>(5,800,777)</u>	<u>57,530</u>	<u>(5,743,247)</u>

In addition, financial statements of the defunct KASB Bank Limited as at May 7, 2015 duly audited by Ernst & Young Ford Rhodes Sidat Hyder include a sum of Rs 981,410,000 representing advance against issue of right shares which has been treated and disclosed as a part of equity. This amount does not form part of KASB Undertakings acquired and amalgamated with the bank as per the Scheme. A case has been filed in respect of this matter details of which are disclosed in note 21.6 to this condensed interim financial information.

2.3.1 Intangible recognised on acquisition

Consequent to the amalgamation of the defunct KASB Bank Limited with and into the Bank, the Bank has recognised the following intangible asset as at the acquisition date of May 7, 2015:

May 7, 2015
Rupees in '000

Core deposit intangible	40,600
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This intangible asset relates to core deposits of the defunct KASB Bank Limited and represents the funding benefit that would be available to the Bank on account of availability of funding through deposit customers rather than from the wholesale or inter-bank markets. This benefit also considers the fact that the economic lifetime of these deposits is longer than their contractual life. Based on this assumption, this intangible asset has been valued using certain valuation techniques and is being amortised keeping in view the life expectancy of the core deposits.

The fair value of this identifiable intangible asset has been determined using an income approach, by an independent valuer. The income approach begins with an estimation of the annual cash flows, which a market participant acquirer would expect the asset to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the fair value of the specific asset.

In applying the income approach, the Bank used the Multiple-period Excess Earnings Method ("MEEM") to determine the value of the above intangible. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) have been deducted from the asset's after-tax operating earnings.

The valuations are based on information at the time of acquisition and the expectations and assumptions that have been deemed reasonable by the Bank's management. It has been assumed that the underlying assumptions or events associated with such assets will occur as projected.

2.4 The fair value of the gross contractual receivables representing advances and lendings as at the acquisition date amounts to Rs 11,099 million. Gross contractual amounts for the aforementioned receivables due is Rs 24,288 million. The management believes that out of the total gross contractual receivables, a gross contractual amount of Rs 13,858 million is expected to be uncollectable. The uncollectable amounts of receivables and impairment of investments arising on account of fair valuation exercise have been disclosed as "Provisions transferred from amalgamated entity" in the respective notes.

3 BASIS OF PRESENTATION

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

4 STATEMENT OF COMPLIANCE

- 4.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the Securities and Exchange Commission of Pakistan (SECP), provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinances, 1984 and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall prevail.
- 4.2 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of this condensed interim financial information. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 4.3 The disclosures made in the condensed interim financial information have been limited based on the format prescribed by the SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of IAS 34, "Interim Financial Reporting". They do not include all of the information required for a full set of annual financial statements and this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2014.

4.4 IFRS 8 "Operating Segments" is effective for the Bank's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in this condensed interim financial information is based on the requirements laid down by the SBP.

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

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

4.6.1 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 is effective from financial periods beginning on, or after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has no material impact on this condensed interim financial information except for disclosure relating to deposits as disclosed in note 17 to this condensed interim financial information.

5 BASIS OF MEASUREMENT

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

6 FUNCTIONAL AND PRESENTATION CURRENCY

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

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014.

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014.

Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
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----- Rupees in `000 -----

9 CASH AND BALANCES WITH TREASURY BANKS

In hand		
- local currency	2,396,581	1,658,420
- foreign currency	<u>398,867</u>	<u>254,139</u>
	2,795,448	1,912,559
With the State Bank of Pakistan in		
- local currency current account	6,067,326	3,262,935
- foreign currency deposit accounts		
Cash Reserve Account	234,091	90,937
Special Cash Reserve Account	143,304	110,029
US Dollar Clearing Account	<u>53,254</u>	<u>29,915</u>
	430,649	230,881
With National Bank of Pakistan in		
- local currency current account	<u>1,315,062</u>	<u>955,069</u>
	<u>10,608,485</u>	<u>6,361,444</u>

10 BALANCES WITH OTHER BANKS

In Pakistan		
- on current accounts	42,896	8,198
- on deposit accounts	<u>90</u>	<u>88</u>
	42,986	8,286
Outside Pakistan		
- on current accounts	2,205,138	725,237
- on deposit accounts (relating to defunct KASB Bank Limited)	<u>10,178</u>	<u>-</u>
	2,215,316	725,237
	<u>2,258,302</u>	<u>733,523</u>

11 DUE FROM FINANCIAL INSTITUTIONS

Due from financial institutions - Islamic	11.1	49,320,218	18,143,574
Due from financial institutions - Conventional (relating to defunct KASB Bank Limited)	11.2	<u>-</u>	<u>-</u>
		<u>49,320,218</u>	<u>18,143,574</u>

		(Un-audited) June 30, 2015	(Audited) December 31, 2014
Note		----- Rupees in `000 -----	
11.1 Due from financial institutions - Islamic			
	Sukuk Murabahah	11.1.1 6,418	6,418
	Commodity Murabahah - local currency	11.1.2 38,565,852	7,389,208
		<u>38,572,270</u>	<u>7,395,626</u>
	Bai Muajjal	<u>10,754,366</u>	10,754,366
		<u>49,326,636</u>	18,149,992
	Provision against Sukuk Murabahah	<u>(6,418)</u>	(6,418)
		<u><u>49,320,218</u></u>	<u>18,143,574</u>

11.1.1 The Bank entered into Sukuk Murabaha arrangement under which the Bank appointed its client as an agent under asset purchase agreements to purchase the underlying sukuk from the open market on its behalf and later sell them on deferred Murahaba basis. The maturity date of the deal was February 08, 2009. The Bank is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.

11.1.2 The Bank has entered into Commodity Murabahah agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreements range between 6.25% to 7% (December 31, 2014: 9.50% to 10.00%) per annum and the agreements have maturities ranging from 2 days to 182 days (December 31, 2014: 2 days to 182 days).

		(Un-audited) June 30, 2015	(Audited) December 31, 2014
Note		----- Rupees in `000 -----	
11.2 Due from financial institutions - Conventional (relating to defunct KASB Bank Limited)			
	In local currency		
	Clean placement (non-performing)	32,400	-
	Less: Provision against lendings to financial institutions	<u>(32,400)</u>	-
		<u>-</u>	<u>-</u>
12 INVESTMENTS			
	Investments - Islamic	12.1 36,005,137	30,654,552
	Investments - Conventional (relating to defunct KASB Bank Limited)	12.2 4,143,399	-
		<u>40,148,536</u>	<u>30,654,552</u>

12.1 Investments - Islamic by Type

Note	(Un-audited) June 30, 2015			(Audited) December 31, 2014		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- Rupees in '000 -----						
Available for sale securities						
Sukuk / Certificates	35,564,624	-	35,564,624	30,641,032	-	30,641,032
Units of Open-end mutual fund	15	-	15			
Units of Closed-end mutual fund	242,651	-	242,651	21	-	21
	<u>35,807,290</u>	<u>-</u>	<u>35,807,290</u>	<u>30,641,053</u>	<u>-</u>	<u>30,641,053</u>
Subsidiary						
- BankIslami Modaraba Investments Limited - Unlisted company	191,015	-	191,015	191,015	-	191,015
	<u>35,998,305</u>	<u>-</u>	<u>35,998,305</u>	<u>30,832,068</u>	<u>-</u>	<u>30,832,068</u>
Total investments at cost						
Less: Provision for diminution in value of investments	(46,125)	-	(46,125)	(39,207)	-	(39,207)
Investments - net of Provisions	<u>35,952,180</u>	<u>-</u>	<u>35,952,180</u>	<u>30,792,861</u>	<u>-</u>	<u>30,792,861</u>
Surplus / (Deficit) on revaluation of available-for-sale securities	52,957	-	52,957	(138,309)	-	(138,309)
Total investments at market value	<u>36,005,137</u>	<u>-</u>	<u>36,005,137</u>	<u>30,654,552</u>	<u>-</u>	<u>30,654,552</u>

(Un-audited) (Audited)
June 30, December 31,
2015 2014
----- Rupees in `000 -----

12.1.1 Islamic Investments by segments

Federal Government Securities		
GOP Ijarah Sukuks	33,665,125	28,490,153
Sukuk certificates		
Sukuks - listed	253,548	254,258
Sukuks - unlisted	1,645,951	1,896,621
Fully paid up ordinary shares / Units		
Unlisted subsidiary company	191,015	191,015
Units of Open-end Mutual Funds	15	21
Units of closed - end mutual funds	242,651	-
Total investments at cost	<u>35,998,305</u>	<u>30,832,068</u>
Less: Provision for diminution in value of investments	(46,125)	(39,207)
Investments - net of provisions	<u>35,952,180</u>	<u>30,792,861</u>
Surplus / (Deficit) on revaluation of available-for-sale securities	20.2 52,957	(138,309)
Total investments at market value	<u>36,005,137</u>	<u>30,654,552</u>

12.2 Investments - Conventional by Type (relating to defunct KASB Bank Limited)

----- (Un-audited) -----
----- June 30, 2015 -----

Note	Held by the Bank	Given as collateral	Total
----- (Rupees in '000) -----			
Available for sale securities	12.2.1		
Market Treasury Bills	-	-	-
Pakistan Investment Bonds	1,494,021	-	1,494,021
Ordinary Shares of listed companies	842,713	-	842,713
Ordinary Shares of unlisted companies	1,189,029	-	1,189,029
Listed Term Finance Certificates	142,105	-	142,105
Unlisted Term Finance Certificates	455,999	-	455,999
	4,123,867	-	4,123,867
Held to maturity securities	12.2.1		
Market Treasury Bills	100,000	-	100,000
Unlisted Term Finance Certificates	321,601	-	321,601
	421,601	-	421,601
Associates	12.2.1	2,615,020	-
Subsidiaries	12.2.1	2,499,708	-
Total investments at cost		9,660,196	-
Less: Provision for diminution in value of investments	12.2.1	(5,168,638)	-
Investments - net of Provisions		4,491,558	-
Surplus on revaluation of available-for-sale securities	20	(348,159)	-
Total investments at market value		4,143,399	-

(Un-audited)
June 30, 2015
Rupees in '000

12.2.1 Investments by segments

Federal Government Securities		
- Market Treasury Bills		-
- Pakistan Investment Bonds		1,494,021
		1,494,021
Fully paid-up ordinary shares		
- Listed companies		842,713
- Unlisted companies		1,189,029
		2,031,742
Term Finance Certificates		
- Listed		242,105
- Unlisted		777,600
		1,019,705

	(Un-audited) June 30, 2015 Rupees in '000
Associates	
Listed	
KASB Asset Allocation Fund	298,424
KASB Cash Fund	113,389
KASB Income Opportunity Fund	328,794
KASB Islamic Income Opportunity Fund	103,525
Crosby Dragon Fund	110,777
<i>Unlisted</i>	
KASB International Limited	41,867
KASB Funds Limited	432,302
New Horizon Exploration & Production Limited	558,000
Shakarganj Food Products Limited	627,942
	<u>2,615,020</u>
Subsidiaries	
Listed	
KASB Securities Limited	2,394,937
<i>Unlisted</i>	
My Sololutions Corporation Limited	104,771
	<u>2,499,708</u>
Total investments at cost	<u>9,660,196</u>
Less: Provision for diminution in value of investments	(5,168,638)
Investments - net of provisions	<u>4,491,558</u>
Surplus on revaluation of investments classified as available for sale	(348,159)
Total investments at market value	<u><u>4,143,399</u></u>

Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	

13 ISLAMIC FINANCING AND RELATED ASSETS AND ADVANCES

Islamic financing and related assets - net	13.1	47,809,845	41,097,058
Advances (relating to defunct KASB Bank Limited)	13.2	<u>9,788,809</u>	-
		<u>57,598,654</u>	<u>41,097,058</u>

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
----- Rupees in `000 -----			
13.1 Islamic financing and related assets - net			
In Pakistan			
- Murabaha financing and related assets	13.1.1	15,739,907	15,458,980
- Istisn'a financing and related assets	13.1.2	10,061,234	6,946,722
- Diminishing Musharka - Housing		4,628,588	3,673,349
- Diminishing Musharka financing and related assets - Others	13.1.3	3,642,161	4,121,136
- Against Bills - Murabaha		-	97,848
- Post Due Acceptance		3,448	34,297
- Musawama financing and related assets	13.1.4	8,497,919	7,191,343
- Financing to employees		1,291,436	1,159,060
- Payment Against Document		19,660	-
- Salam financing and related assets		1,000,000	-
		<u>44,884,353</u>	<u>38,682,735</u>
Housing finance portfolio		93,029	98,282
Net investment in Ijarah financing in Pakistan		69,892	86,465
Ijarah financing under IFAS 2 and related assets	13.1.5	3,544,459	2,830,634
Gross financing and related assets		<u>48,591,733</u>	<u>41,698,116</u>
Less: Provision against non-performing Islamic financing and related assets			
- Specific	13.1.7	(678,826)	(524,414)
- General	13.1.7	(103,062)	(76,644)
Islamic financing and related assets – net of provisions		<u>47,809,845</u>	<u>41,097,058</u>
13.1.1 Murabaha financing and related assets			
Murabahah financing		12,726,813	13,004,733
Advance against Murabahah financing		3,013,094	2,454,247
		<u>15,739,907</u>	<u>15,458,980</u>
13.1.2 Istisn'a financing and related assets			
Istisna financing		3,556,659	3,982,917
Advance against Istisna financing		6,504,575	2,053,984
Istisna inventories		-	909,821
		<u>10,061,234</u>	<u>6,946,722</u>

	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Note	----- Rupees in `000 -----	
13.1.3 Diminishing Musharakah financing and related assets - Others		
Diminishing Musharakah financing	3,640,961	4,119,936
Advance against Diminishing Musharakah financing	<u>1,200</u>	<u>1,200</u>
	<u>3,642,161</u>	<u>4,121,136</u>
13.1.4 Financing to employees		
Muswammah financing	4,583,496	3,657,257
Muswammah inventories	<u>3,914,423</u>	<u>3,534,086</u>
	<u>8,497,919</u>	<u>7,191,343</u>
13.1.5 Ijarah financing under IFAS 2 and related assets		
Net book value of assets under IFAS 2	3,041,754	2,467,367
Advance against Ijarah financing	<u>502,705</u>	<u>363,267</u>
	<u>3,544,459</u>	<u>2,830,634</u>

13.1.6 Istisna financing and related assets includes financing amounting to Rs. Nil million (December 31, 2014: Rs. 80 million) against Istisna and advance amounting to Rs. 711.850 million (December 31, 2014: Rs. 506 million) under Islamic Export Refinance Scheme.

13.1.7 Islamic financing and related assets include Rs. 1,258.981 million (December 31, 2014: Rs. 1,061.929 million) which have been placed under non-performing status as follows:

Category of Classification	June 30, 2015 (Un-audited)								
	Classified Islamic financing and related assets		Provision Required			Provision Held			
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets especially mentioned (OAEM)	105,890	-	105,890	-	-	-	-	-	-
Substandard	108,667	-	108,667	14,939	-	14,939	14,939	-	14,939
Doubtful	67,269	-	67,269	5,519	-	5,519	5,519	-	5,519
Loss	977,155	-	977,155	658,368	-	658,368	658,368	-	658,368
	1,258,981	-	1,258,981	678,826	-	678,826	678,826	-	678,826

Category of Classification	December 31, 2014								
	Classified Islamic financing and related assets		Provision Required			Provision Held			
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets especially mentioned (OAEM)	95,067	-	95,067	-	-	-	-	-	-
Substandard	75,587	-	75,587	7,259	-	7,259	7,259	-	7,259
Doubtful	56,960	-	56,960	7,614	-	7,614	7,614	-	7,614
Loss	834,315	-	834,315	509,541	-	509,541	509,541	-	509,541
	1,061,929	-	1,061,929	524,414	-	524,414	524,414	-	524,414

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

	(Un-audited) June 30, 2015			December 31, 2014		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	524,414	76,644	601,058	575,843	47,470	623,313
Charge for the period / year	23,873	26,418	50,291	72,056	29,174	101,230
Reversals	(24,793)	-	(24,793)	(123,485)	-	(123,485)
	(920)	26,418	25,498	(51,429)	29,174	(22,255)
Transferred from amalgamated entity	155,332	-	155,332	-	-	-
Closing balance	<u>678,826</u>	<u>103,062</u>	<u>781,888</u>	<u>524,414</u>	<u>76,644</u>	<u>601,058</u>

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

13.1.7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financings. The benefit availed as at June 30, 2015 amounts to Rs 297.471 million (December 2014: Rs 316.283 million). The additional profit arising from availing the FSV benefit - net of tax as at June 30, 2015 amounts to Rs 193.356 million (December 2014: 205.584 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

13.2 Advances (relating to defunct KASB Bank Limited)

(Un-audited)
June 30, 2015
Rupees in '000

Loans, cash credits, running finances, etc. - in Pakistan	21,667,898
Net investment in finance lease - in Pakistan	704,047
Bills discounted and purchased (excluding government treasury bills)	
- Payable in Pakistan	135,509
- Payable outside Pakistan	38,185
Gross Advances	<u>22,545,639</u>
Less: Provision against non-performing loans and advances	
- Specific	(13,421,804)
- General	(4,280)
Advances - net of provisions	<u>9,119,555</u>
Fair Value adjustment (provisional)	669,254
Advances	<u><u>9,788,809</u></u>

13.2.1 Particulars of non-performing loans and advances

Category of Classification	June 30, 2015 (Un-audited)					
	Classified Islamic financing and related assets			Provision Required		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets especially mentioned (OAEM)	33,890	-	33,890	-	-	-
Substandard	19,849	-	19,849	4,962	-	4,962
Doubtful	289,113	-	289,113	144,556	-	144,556
Loss	13,422,315	-	13,422,315	13,272,286	-	13,272,286
	13,765,167	-	13,765,167	13,421,804	-	13,421,804

Rupees in '000

13.2.2 Particulars of provision against non-performing advances

	(Un-audited)		
	June 30, 2015		
	Specific	General	Total
Opening balance	-	-	-
Charge for the period / year	63,356	-	63,356
Reversals	(279,790)	(1,958)	(281,748)
	(216,434)	(1,958)	(218,392)
Transferred from amalgamated entity	13,819,267	6,238	13,825,505
Transferred to Islamic Financing and Related Assets	(181,029)	-	(181,029)
Closing balance	13,421,804	4,280	13,426,084

	(Un-audited) June 30, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	
14 OPERATING FIXED ASSETS		
Capital work-in-progress	61,801	11,714
Property and equipment	5,394,888	3,329,257
Intangible assets	170,077	39,197
	<u>5,626,766</u>	<u>3,380,168</u>
	(Un-audited) June 30, 2015	(Un-audited) June 30, 2014
	----- Rupees in `000 -----	
14.1 Additions to operating fixed assets - net		
Freehold land	-	-
Furniture and fixture	36,519	229,568
Electrical, office and computer equipment	130,138	153,640
Vehicles	67	-
Capital work-in-progress	51,370	-
14.2 Intangibles		
Computer software	5,454	19,183
Customer Relationship	40,600	-
14.3 Disposals of operating fixed assets		
Electrical, office and computer equipments	4,340	4,004
Vehicles	66	13

15 DEFERRED TAX ASSET - NET

The Bank has aggregate tax losses of Rs 8,758.793 million as at June 30, 2015 which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Bank). The management has carried out an assessment for estimating the benefit of these losses, the Bank would be able to set off from the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs 5,899.688 million (December 31, 2014: Rs. 262.180 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
----- Rupees in `000 -----			
16	DUE TO FINANCIAL INSTITUTIONS AND BORROWINGS		
In Pakistan	16.1	17,623,187	561,000
Outside Pakistan (relating to defunct KASB Bank Limited)	16.2	28,823	-
		<u>17,652,010</u>	<u>561,000</u>

16.1 This includes a 10 year financing facility of Rs.5,000 million and a 6 month liquidity support facility of Rs.15,000 million extended by the State Bank of Pakistan (SBP). Both the facilities are secured against Government of Pakistan Ijara Sukuk. The 10 year facility was provided on the basis of Mudaraba to be remunerated at profit sharing ratio declared by the Bank on its remunerative current accounts on monthly basis (the last declared rate in this respect is 0.01% per annum). The 6 month facilities were also provided on the basis of Mudaraba with profit sharing ratio to be calculated based on the Bank's cost of funds on a monthly basis, which is currently 4.70% per annum.

16.2 This represents overdrawn nostro accounts maintained by the bank.

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
----- Rupees in `000 -----			
17	DEPOSITS AND OTHER ACCOUNTS		
Deposits and Other Accounts - Islamic	17.1	107,106,987	90,330,997
Deposits and Other Accounts - Conventional	17.2	34,226,717	-
		<u>141,333,704</u>	<u>90,330,997</u>

17.1 Deposits and Other Accounts - Islamic

Customers

Fixed deposits	41,137,208	35,087,230
Savings deposits	40,177,568	36,926,200
Current accounts - non-remunerative	21,433,021	16,854,088
Margin accounts - non-remunerative	191,373	152,023
	<u>102,939,170</u>	<u>89,019,541</u>

Financial Institutions

Remunerative deposits	3,842,302	1,113,164
Non-remunerative deposits	325,515	198,292
	<u>107,106,987</u>	<u>90,330,997</u>

	(Un-audited) June 30, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	
17.1.1 Particulars of Islamic deposits		
In:		
- local currency	105,088,829	88,586,108
- foreign currencies	<u>2,018,158</u>	<u>1,744,889</u>
	<u>107,106,987</u>	<u>90,330,997</u>
		(Un-audited) June 30, 2015 Rupees in `000
17.2 Deposits and Other Accounts - Conventional (relating to defunct KASB Bank Limited)		
Customers		
Fixed deposits		2,694,399
Savings deposits		8,397,710
Current accounts - non-remunerative		22,461,163
Margin accounts - non-remunerative		<u>148,470</u>
		33,701,742
Financial Institutions		
Remunerative deposits		517,157
Non-remunerative deposits		<u>7,818</u>
		<u>34,226,717</u>
		(Un-audited) June 30, 2015 Rupees in `000
17.2.1 Particulars of Conventional deposits		
In:		
- local currency		33,539,064
- foreign currencies		<u>687,653</u>
		<u>34,226,717</u>

18 SHARE CAPITAL

18.1 Authorised capital

(Un-audited) June 30, 2015	(Audited) December 31, 2014		(Un-audited) June 30, 2015	(Audited) December 31, 2014
----- Number of Shares -----			----- Rupees in `000 -----	
<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>

18.2 Issued, subscribed and paid up capital

(Un-audited) June 30, 2015	(Audited) December 31, 2014		(Un-audited) June 30, 2015	(Audited) December 31, 2014
----- Number of Shares -----			----- Rupees in `000 -----	
		Ordinary shares of Rs. 10 each		
575,872,090	527,967,898	fully paid in cash	5,758,721	5,279,679
432,040,000	47,904,192	Right issue of share capital	4,320,400	479,042
<u>1,007,912,090</u>	<u>575,872,090</u>		<u>10,079,121</u>	<u>5,758,721</u>

19 RESERVES

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Statutory Reserves	19.1	273,176	273,176
Reserve for bad debts and contingencies	19.2	250,000	-
		<u>523,176</u>	<u>273,176</u>

19.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20% of the profit is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital. Thereafter, an amount of not less than 10% of the profit is required to be transferred to such reserve fund.

19.2 The Board of Directors in its meeting held on March 6, 2015 have transferred an amount of Rs 250 million out of "unappropriated profit" to "reserve for bad debts and contingencies".

Note	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	

20 SURPLUS ON REVALUATION OF ASSETS

	Note	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
Surplus / (Deficit) arising on revaluation of:			
Fixed Assets	20.1	704,173	737,310
Available for sale securities	20.2	(191,830)	(89,891)
		<u>512,343</u>	<u>647,419</u>

20.1 Surplus on revaluation of fixed assets

Freehold Land	112,220	112,220
Building on lease hold land	954,489	961,677
Transfer to unappropriated profit in respect of incremental depreciation charged during the period	(8,325)	-
	<u>1,058,384</u>	<u>1,073,897</u>
Related deferred tax liability	(354,211)	(336,587)
	<u>704,173</u>	<u>737,310</u>

	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	
20.2 Surplus / (deficit) on revaluation of available for sale securities		
Federal Government Securities		
- Ijarah Sukuk Bonds	73,416	(142,831)
- Others	(347,345)	-
Listed Term Finance Certificates	(51)	-
Ordinary shares of listed companies	(763)	-
Sukuk certificates		
- Sukuks listed	3,099	-
- Sukuks unlisted	(23,805)	4,492
Fully paid up ordinary shares / Units		
- Units of Open end Mutual Funds	21	30
- Units of Closed end Mutual Funds	226	-
	<u>(295,202)</u>	<u>(138,309)</u>
Related deferred tax asset / (liability)	<u>103,372</u>	<u>48,418</u>
	<u>(191,830)</u>	<u>(89,891)</u>

21 CONTINGENCIES AND COMMITMENTS (PERTAINING TO BANKISLAMI PAKISTAN LIMITED)

21.1 Transaction-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
- Government	331,265	299,083
- Others	3,146,942	2,613,521
	<u>3,478,207</u>	<u>2,912,604</u>

21.2 Trade-related contingent liabilities

Import letter of Credit	3,167,953	2,968,447
Acceptances	401,753	108,638
	<u>3,569,706</u>	<u>3,077,085</u>

21.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt

150,000	150,000
<u>150,000</u>	<u>150,000</u>

21.3.1 These mainly represent counter claims filed by the borrowers for restricting the Bank for disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.

- 21.3.2** Consequent to the amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation in which the Bank has been made a party. The management based on the advice of its legal counsel is confident that there will be no financial loss to the Bank in respect of these cases.
- 21.4** The Deputy Commissioner Inland Revenue (DCIR) passed certain assessment orders against the Bank vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69.431 million was raised against the holding company mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government.
- 21.5** The Bank filed an appeal for the stay of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment orders were confirmed by the Commissioner Inland Revenue (Appeals). The stay application was heard on February 23, 2013. The ATIR accepted the stay application of the Bank and had verbally directed that no recovery of demand should be initiated against the Bank till the decision of the main case by the ATIR. The Bank had initially deposited an amount of Rs. 10.4 million for filing appeal against the said case. Last year, the Bank deposited an additional amount of Rs 8 million on the verbal instructions of the authorities. The ATIR has set aside the stay appeal in respect of income from dealing in foreign currencies and remanded back the case to the Commissioner Inland Revenue for fresh reassessment proceedings. The management of the Bank is confident that the above matter will be decided in favour of the Bank and therefore, no provision for any liability which may arise in this respect has been made in these condensed interim financial statements.
- 21.6** As referred to in note 2.3, this represents amount received by the Defunct Bank from Mr. Nasir Ali Shah Bukhari, a former sponsor of the Defunct Bank and other shareholders. The Defunct Bank, when it was under the management and control of Mr. Bukhari, did not issue shares against the said advance, amongst other reasons, due to default on the part of the sponsors for meeting the minimum capital requirement. The amount was reported by the Defunct Bank as a part of the shareholders equity in the financial statements with the permission of SBP consistent with the practice followed by other Banks in Pakistan. The Defunct Bank is now amalgamated with and into the BIPL, with effect from 07 May 2015, as per the Scheme of Amalgamation sanctioned by the Federal Government. The KASB Corporation Limited and one of its sponsors has filed a suit no: 1102/2015 in the Honorable High Court of Sindh, wherein, they prayed for restraining the BIPL from using or transferring the amount of advance for any purpose whatsoever during the pendency of the instant proceedings. Pursuant to the said suit, an order has been passed by the Honorable High Court of Sindh on 01 July 2015, whereby, the Bank has been asked to submit a statement of financial position and keep the amount in the same position. The Bank is of the view that, in addition to other reasons, as Advance against future issue of right shares appeared as shareholders equity in the financial statements prepared by the Defunct Bank itself, it did not form part of the assets and liabilities of the defunct Bank transferred to the Bank under the scheme of amalgamation. The same position has been maintained.

	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	
21.7 Commitments in respect of promises		
Purchases	<u>4,699,926</u>	<u>1,763,272</u>
Sales	<u>5,023,024</u>	<u>1,310,100</u>
21.8 Commitments for the acquisition of operating fixed assets	<u>9,445</u>	<u>134,178</u>

21.9 Commitments in respect of financing facilities

The Bank makes commitments to extend financing 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.

	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	
21.10 Other commitments		
Bills for collection	<u>125,509</u>	<u>191,002</u>

**22 CONTINGENCIES AND COMMITMENTS
(PERTAINING TO DEFUNCT KASB BANK LIMITED)**

	(Un-audited) June 30, 2015 Rupees in `000
22.1 Transaction-related contingent liabilities	
Includes performance bonds, bid bonds, warranties advance payment guarantees and shipping guarantees related to particular transactions issued in favour of:	
- Government	7,997,847
- Others	<u>614,750</u>
	<u>8,612,597</u>

22.2 Taxation

22.2.1 The income tax returns of the Bank have been filed and tax assessments have been made by the tax authorities upto tax year 2013. The return filed for the tax year 2014 is treated to be have been deemed assessment order under section 120 of the Income Tax Ordinance, 2001.

- 22.2.2** During the year 2014, The learned Additional Commissioner Inland Revenue (ACIR) passed amended assessments order under section 122(5A) of the Income Tax Ordinance, 2001 for tax Years 2011 and 2013 by imposing minimum tax on turnover disregarding gross loss position of the bank. ACIR was also amended taxability of capital gain and dividend income. The aggregate tax impact comes to Rs.116.002 million. Against the said order, the bank filed appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year the learned CIRA issued order under section 129 of the Ordinance by deleting the tax charged on capital gain and dividend income and upheld the levy of minimum tax. The learned ACIR has passed appeal effect order under section 124 of the Ordinance. After appeal effect order aforesaid demand now reduce to Rs.89.928 million. Against the order of learned CIRA , the bank has filed and appeal before the Honorable Appellate Tribunal Inland Revenue (ATIR) , however, the department has filed appeal against the CIRA Order on the issue of capital gain and dividend income. Therefore, cross appeal for the tax year 2011 and 2013 is pending before ATIR.
- 22.2.3** During the year 2014, in respect of Income tax assessments of International Housing Finance Limited (amalgamated into the Bank during the year ended 31 December 2007) for tax years 2005, CIR Appeals has maintained the order of Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs 12.997 million. The Bank has preferred appeals before the ATIR for tax year 2005.
- 22.2.4** The income tax returns of the Bank for Azad Jammu Kashmir (AJK) region have been filed and tax assessments have been made by the tax authorities upto and including tax year 2014.
- 22.2.5** During the year 2013, Appellate Tribunal Inland Revenue (ATIR) has passed an order for the tax years 2005 to 2009 in favour of the Bank by allowing certain deductions including provision for non-performing advances, impairment on investments, other provisions, amortization of goodwill and allocation of expenses having an aggregate tax impact of Rs. 712.550 million. However, the ATIR has disallowed deductions relating to carry over transactions having tax impact of Rs. 86.377 million for the tax years 2005 to 2008. The Bank has preferred an appeal before the Honorable High Court of Sindh against the said decision of the ATIR. No development has taken place during current period 2015.
- 22.2.6** During the year 2013, Income tax assessments of KASB Capital Limited (amalgamated into the Bank during the year ended 31 December 2008) for tax years 2008 and 2009 have been amended by the Taxation Officer to the extent of apportionment of expenses having an aggregate tax impact of Rs 125.880 million. The Bank has preferred an appeal before the Honorable High Court of Sindh against the said decision of tax authorities. No development has taken placed till current period end.
- 22.2.7** For tax years 2003 and 2004, the Commissioner Inland Revenue Appeals (CIR Appeals) has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of Rs. 33.748 million. The Bank has preferred appeal before Appellate Tribunal Inland Revenue (ATIR) against the above referred orders of the CIR Appeals. No development has taken place during current year.

22.2.8 For assessment years 2001-2002 and 2002-2003 and tax years 2003, 2004 and 2005 the income tax authorities of AJK region have passed appellate orders by adding interest on surplus funds transferred to head office, resulting in an additional tax demand of Rs. 14.587 million. The bank has filed reference with the Azad Kashmir High Court against such additions for the above mentioned assessment/ tax years upto 2004. For tax year 2005, Commissioner Income Tax (Appeals) - AJK has passed order in favor of the Bank, however, tax department has preferred appeal before Appellate Tribunal Inland Revenue (ATIR) - AJK against interest on surplus head office funds, having tax impact of Rs. 5.337 million. For tax years 2006 and 2008, AJK tax department passed orders under section 122(5A) of the Ordinance. As a result of these orders, aggregate demand of Rs 19.178 million raised against the bank. However, the order for the tax year 2008 subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax year 2006 and 2008 reduced to Rs.13.304 million. During the year the learned Commissioner Income Tax (Appeals) - AJK has passed orders under section 129 of the Ordinance for the tax year 2006 and 2008 whereby he has confirmed all additions. Therefor, bank has preferred an appeal before the ITAT - AJK. An appeal against the order of CIRA for the tax year 2006 and 2008 has been filed by the Bank before the Appellate Tribunal Inland Revenue (ATIR) - AJK.

22.2.9 During the year 2014, Commissioner Inland Revenue (Appeals) has given decision in favor of the bank relating to tax periods from 2007 to 2011 for payment of Federal Excise Duty and annulling default surcharge and penalty. However, the tax department has preferred appeal before Appellate Tribunal against annulment of default surcharge and penalty amounting Rs. 33.208 million.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters and consequently no additional provision has been considered necessary in these financial statements.

(Unaudited)
June 30, 2015
Rupees in '000

22.3 Commitments for the acquisition of operating fixed assets

3,693

22.4 Commitment to extend credits

The Bank makes commitments to extend credit 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.

(Unaudited)

	For the half year ended June 30, 2015	For the half year ended June 30, 2014
23 PROFIT / RETURN EARNED	----- Rupees in `000 -----	
On financing to:		
- Customers	1,898,389	1,839,759
- Financial institutions	881,062	382,266
	<u>2,779,451</u>	<u>2,222,025</u>
On investments in available for sale securities	1,519,318	1,412,695
On deposits / placements with financial institutions	11,275	1,741
Others	25,792	20,214
	<u>4,335,836</u>	<u>3,656,675</u>

24 FINANCIAL RESULTS OF CONVENTIONAL OPERATIONS

As more fully explained in note 2 to this condensed interim financial information, during the current period the Bank has acquired the operations of the defunct KASB Bank Limited effective from May 7, 2015 (close of business). The defunct KASB Bank Limited was operating as a conventional Bank in Pakistan. The Shariah Board of the Bank keeping in view the extraordinary circumstances, under which the former KASB Bank Limited was acquired, allowed a run-off period (six months) within which the conventional portfolio of defunct KASB Bank Limited is required to be converted into Shariah based products. During this period, the bank's management is required to quarantine the operations of defunct KASB Bank Limited from BankIslami Pakistan Limited's operations.

The Shariah Board of the Bank further allowed the management of the Bank to use the income relating to defunct KASB Bank Limited's portfolio for paying the expenses of the quarantined entity without taking to the profit and loss account. In this regard, the mark-up receivable and mark-up payable as at May 7, 2015 pertaining to defunct KASB Bank Limited also form part of the quarantined entity. The surplus has been netted off with the administrative expenses of the quarantined entity, as per Shariah Board's approval as follows:

	(Un-audited) For the period from May 8 to June 30, 2015 Rupees in '000
Inflow / accrual of markup / interest income	231,047
Outflow / accrual of markup / interest expense	<u>(132,557)</u>
	98,490
Add: Gain on sale of securities	<u>272,929</u>
Surplus adjusted against administrative expenses as per the approval of Shariah Board (for quarantined entity)	<u><u>371,419</u></u>

Quarter ended June 30, 2015	Half year ended June 30, 2015	Quarter ended June 30, 2014	Half year ended June 30, 2014
(Unaudited)		(Unaudited)	
----- Rupees in '000 -----			

25 BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation for the period	<u>(2,992)</u>	<u>63,267</u>	<u>82,116</u>	<u>157,656</u>
	----- Number of shares -----			
Weighted average number of ordinary shares	<u>568,720,218</u>	<u>568,720,218</u>	<u>527,967,898</u>	<u>527,967,898</u>
	----- Rupees -----			
Basic and diluted earnings per share	<u>(0.005)</u>	<u>0.111</u>	<u>0.156</u>	<u>0.299</u>

25.1 There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2015 and December 31, 2014.

		(Un-audited) June 30, 2015	(Audited) December 31, 2014
	Note	----- Rupees in `000 -----	
26 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	9	10,608,485	6,361,444
Balances with other banks	10	2,258,302	733,523
		<u>12,866,787</u>	<u>7,094,967</u>

27 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
	----- Rupees in `000 -----				
For the half year ended June 30, 2015 (Un-audited)					
Total income	883,593	1,892,148	1,528,651	124,724	4,429,116
Total expenses	155,874	2,117,107	1,256,637	689,822	4,219,440
Net income / (loss) before tax	<u>727,719</u>	<u>(224,959)</u>	<u>272,014</u>	<u>(565,098)</u>	<u>209,676</u>

As at June 30, 2015 (Un-audited)

Segment assets (gross)	111,425,560	10,325,274	51,840,808	3,466,118	177,057,760
Segment non performing assets	6,135,332	1,670,419	13,347,564	41,575	21,194,890
Segment provision held	5,276,233	1,343,961	13,467,144	36,367	20,123,705
Segment liabilities	19,117,739	71,509,655	73,560,117	1,702,048	165,889,559
Segment return on assets (ROA) (%)	<u>1.32%</u>	<u>-4.39%</u>	<u>1.06%</u>		
Segment cost of funds (%)	<u>5.90%</u>	<u>4.73%</u>	<u>3.75%</u>		

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
	----- Rupees in `000 -----				
For the half year ended June 30, 2014 (Un-audited)					
Total income	384,339	2,146,098	1,351,266	103,362	3,985,065
Total expenses	89,380	1,996,822	1,033,019	619,714	3,738,935
Net income / (loss) before tax	<u>294,959</u>	<u>149,276</u>	<u>318,247</u>	<u>(516,352)</u>	<u>246,130</u>

As at June 30, 2014 (Un-audited)

Segment assets (gross)	51,473,720	7,452,280	36,764,118	2,140,863	97,830,981
Segment non performing assets	296,040	407,768	701,565	4,043	1,409,416
Segment provision held	19,790	188,609	454,424	4,043	666,866
Segment liabilities	992,243	56,458,916	31,598,844	1,229,295	90,279,298
Segment return on assets (ROA) (%)	<u>1.16%</u>	<u>4.04%</u>	<u>1.75%</u>		
Segment cost of funds (%)	<u>8.29%</u>	<u>5.31%</u>	<u>6.67%</u>		

28 RELATED PARTY TRANSACTIONS

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

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

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

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

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

	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
	----- Rupees in `000 -----	
SUBSIDIARY		
Deposits:		
Opening balance	386,035*	55,877
Deposit during the period / year	1,210,951	251,556
Withdrawal during the period / year	(1,378,463)	(307,307)
Closing balance	<u>218,523</u>	<u>126</u>
Islamic financing and related assets :		
Opening balance	150,000*	-
Disbursed during the period / year	-	-
Repaid during the period / year	-	-
Closing balance	<u>150,000</u>	<u>-</u>
	(Un-Audited) June 30, 2015	(Un-Audited) June 30, 2014
	----- Rupees in `000 -----	
Transactions, income and expenses:		
Profit / return on deposits earned	2,285	-
Profit / return on deposits expensed	1,826	3,837
Other administrative Expenses	2,233	-

ASSOCIATES

Islamic financing and related assets :

	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
Opening balance	114,886*	1,830
Disbursed during the period / year	505	13,001
Repaid during the period / year	(27,889)	(14,831)
Closing balance	87,502	-

Deposits:

	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
Opening balance	669,455*	314,696
Deposit during the period / year	1,492,236	1,789,122
Withdrawal during the period / year	(1,380,120)	(1,507,715)
Closing balance	781,571	596,103

Prepayments:

	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
At beginning of the period	12,733	7,632
Additions during the period / year	-	27,496
Expired during the period / year	(9,631)	(22,395)
At the end of the period	3,102	12,733

Transactions, income and expenses:

	(Un-Audited) June 30, 2015	(Un-Audited) June 30, 2014
Profit / return on deposits expensed	1	11,794
Repair and maintenance	2,356	35,334
Insurance	9,631	11,148

KEY MANAGEMENT PERSONNEL

Islamic financing and related assets :

	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
Opening balance	141,227*	67,806
Disbursed during the period / year	8,387	55,550
Repaid during the period / year	(11,046)	(26,246)
Closing balance	138,568	97,110

Deposits:

	(Un-Audited) June 30, 2015	(Audited) December 31, 2014
Opening balance	20,560*	29,778
Deposit during the period / year	58,810	115,898
Withdrawal during the period / year	(60,210)	(130,857)
Closing balance	19,160	14,819

(Un-Audited) (Un-Audited)
June 30, June 30,
2015 2014
----- Rupees in `000 -----

Transactions, income and expenses:

Profit / return earned on Islamic financing and related assets	1,762	641
Profit / return on deposits expensed	114	314
Remuneration	14,982	22,241
Other administrative Expenses	15,330	-
Employee Benefit plans		
Contribution to Employees Gratuity Fund	25,388	7,806
Contribution to Employees Providend Fund	-	18,080

(Unaudited)
June 30, 2015
Rupees in `000

OTHER RELATED PARTIES (RELATED TO DEFUNCT KASB BANK LIMITED)

Deposits:

Opening balance	20,560
Deposit during the period / year	58,810
Withdrawal during the period / year	(60,210)
Closing balance	<u>19,160</u>

Transactions, income and expenses:

Profit / return on deposits expensed	314
--------------------------------------	-----

Employee Benefit plans

Contribution to Employees Gratuity Fund	2,201
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* Balances pertaining to parties that became related during the year and continued to be so related during any part of the current period are not reflected as part of the opening balance of the current year.

29 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on December 30, 2015 by the Board of Directors of the Bank.

30 GENERAL

30.1 Corresponding information has been re-classified, re-arranged or additionally incorporated in this condensed interim financial information, wherever necessary, to facilitate comparison and to confirm with changes in presentation in the current period.

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



Consolidated Financial Statements
of
BankIslami Pakistan Limited
for the Half year Ended
June 30, 2015



Directors' Report

On behalf of the Board, I am pleased to present the consolidated financial results of the Group for the period ended June 30, 2015. Following are the highlights:

	June 30, 2015	June 30, 2014	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	141,121	85,405	65.24%
Total Assets	178,035	97,111	83.33%
Total Financing and related assets - net and advances - net	57,449	37,696	52.40%
Total Investments	40,009	35,622	12.32%
Shareholder's Equity	11,154	6,892	61.84%
Profit after Tax	71.746	159.582	-55.05%
Branch network - Number	317	201	57.71%

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

- Group achieved compliance with the Minimum Capital Requirement during the reporting period. The foot print has expanded to 317 branches in 93 cities making it the eleventh largest banking network in the country;
- BIPL acquired the Defunct KASB Bank Limited under a scheme of amalgamation prepared by the State Bank of Pakistan (SBP) and approved by the Federal Government of Pakistan in terms of the powers conferred to it under section 47 of the Banking Companies Ordinance, 1962. The operations of the Defunct Bank are planned to be converted to Sharia'h compliant banking in the shortest possible time InshaAllah within 2015;
- A massive rationalization exercise was launched by the Group in all areas of operations. The key features were: re-location of almost 50 branches, cutting down administrative expenses, objective assessment of the portfolio and assets in use and retention of almost the entire branch banking staff. The re-branding of the Defunct Bank was also completed across the network;
- It is a matter of fact that the Defunct KASB Bank had the highest ratio of infected portfolio within the banking industry in Pakistan. Group has started aggressive recovery exercise, the fruits of which will become evident over a period of time. Similarly the operational rationalization exercise will bear fruit InshAllah in future, though we are mindful of the tough task at hand and the challenges. Operating results of the Group will follow similar pattern;

- Following the take over of the Defunct Bank, a misguided, malicious and frivolous campaign was launched by a few media anchors. Initially the BIPL chose to ignore, hoping that the media will itself realize the facts. However, it was later realized the campaign was based on factors other than merit. Accordingly, BIPL issued public notices regularly and in a few cases had filed complaints with PEMRA. Additionally, defamation suits have been filed in the Honorable Sindh High Court. Bipl is determined to protect its brand value in future as well. Should there be a need, we will aggressively pursue legal options in Pakistan and abroad. We are extremely grateful to our shareholders, depositors, clients and members of the industry who stood with us , which is reflected in our results;
- Deposits of the Group increased by 65.24% while the Cost of Fund declined by 61 basis points. This reduction is not in line with the industry due to substantially expensive deposits of the Defunct Bank. CASA now accounts for 65.90% of the total deposits compared to 61.44% last year. The Group also paid Rs.21.75B to the depositors of the Defunct Bank out of which Rs. 15B were provided by the SBP for a period of six months only;
- The Total Assets of the Group were Rs. 178.035B showing a growth of 83.33%.

We take pleasure in informing our shareholders that the Pakistan Credit Rating Agency Limited (PACRA) has upgraded the Bank's long term rating to 'A+' and short term rating has been maintained at 'A1'.

On behalf of the Board of Directors and Management, I wish to express sincere gratitude to our customers, business partners and shareholders for continued patronage and trust. I would also like to thank State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory authorities for their guidance and support. We would also place on record our deep appreciation for the positive role played by a large section of the print and electronic media. The Board of Directors sincerely appreciates the significant contribution by the officers and staff members of Group for their contribution.

On behalf of the Board,

Hasan A Bilgrami
Chief Executive Officer
December 30, 2015

Condensed Interim Statement of Consolidated Financial Position

AT JUNE 30, 2015

Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
----- Rupees in `000 -----		
ASSETS		
Cash and balances with treasury banks	10,608,513	6,361,444
Balances with other banks	3,174,742	847,890
Due from financial institutions - net	49,320,219	18,143,574
Investments	40,009,163	30,511,422
Islamic financing and related assets and Advances (net)	57,448,656	41,097,058
Operating fixed assets	5,885,839	3,387,282
Deferred tax asset - net	5,738,565	-
Other assets - net	5,848,934	1,643,247
	178,034,631	101,991,917
LIABILITIES		
Bills payable	1,900,680	918,435
Due to financial institutions	17,652,010	561,000
Deposits and other accounts	141,120,742	90,330,870
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	199,348
Other liabilities	6,207,280	3,109,455
	166,880,712	95,119,108
NET ASSETS	11,153,919	6,872,809
REPRESENTED BY		
Share capital	10,079,121	5,758,721
Discount on Issue of shares	(79,042)	(79,042)
Reserves	523,176	273,176
Unappropriated profit	113,877	269,349
	10,637,132	6,222,204
Surplus on revaluation of assets - net of tax	516,787	650,605
	11,153,919	6,872,809

CONTINGENCIES AND COMMITMENTS

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

Condensed Interim Consolidated Profit And Loss Account (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2015

	Quarter ended June 30, 2015	Half year ended June 30, 2015	Quarter ended June 30, 2014	Half year ended June 30, 2014
----- Rupees in `000 -----				
Profit / return earned	2,104,418	4,109,384	1,889,398	3,659,242
Profit / return expensed	1,223,277	2,337,138	1,104,475	2,152,254
Net spread earned	881,141	1,772,246	784,923	1,506,988
(Reversal of provision) / provision against non-performing Islamic financing and related assets - net and Loans and advances (net)	(201,976)	(192,894)	(10,367)	2,108
Provision for diminution in the value of investments	(33,507)	(28,491)	-	-
Bad debts written off directly	-	-	455	455
Net spread after provisions	1,116,624	1,993,631	794,835	1,504,425
OTHER INCOME				
Fee, commission and brokerage income	166,522	264,499	91,072	178,239
Dividend Income	19	19	-	-
Income from dealing in foreign currencies	16,034	47,612	47,654	110,050
Gain on sale of securities	-	11,853	22,155	22,155
Unrealised gain on revaluation of investments classified as held for trading	(368)	(368)	-	-
Other income	45,295	56,056	(1,616)	18,014
Total other income	227,502	379,671	159,265	328,458
	1,344,126	2,373,302	954,100	1,832,883
OTHER EXPENSES				
Administrative expenses	1,212,891	2,134,232	822,161	1,578,325
Other provisions	13,755	13,755	-	-
Other charges	4,619	7,673	2,625	6,918
Total other expenses	1,231,265	2,155,660	824,786	1,585,243
Extra ordinary / unusual items	112,861	217,642	129,314	247,640
Share of profit from associates	3,950	3,950	-	-
PROFIT BEFORE TAXATION	116,811	221,592	129,314	247,640
Taxation				
- Current	31,296	52,873	20,341	39,945
- Prior years	21,876	21,876	-	-
- Deferred	58,431	75,097	25,649	48,113
	111,603	149,846	45,990	88,058
PROFIT AFTER TAXATION	5,208	71,746	83,324	159,582
----- (Rupees) -----				
Basic earnings per share	0.009	0.126	0.158	0.302
----- (Rupees) -----				
Diluted earnings per share	0.009	0.126	0.158	0.302

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

Condensed Interim Consolidated Statement Of Comprehensive Income (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2015

	Quarter ended June 30, 2015	Half year ended June 30, 2015	Quarter ended June 30, 2014	Half year ended June 30, 2014
----- Rupees in `000 -----				
Profit after taxation for the year	5,208	71,746	83,324	159,582
Other comprehensive income				
Items that may not be reclassified to profit and loss account in subsequent periods				
Remeasurement of defined benefit plan	8,058	8,058	-	-
Tax or remeasurement of defined benefit plan	(2,820)	(2,820)	-	-
	5,238	5,238	-	-
Comprehensive income transferred to statement of changes in equity	10,446	76,984	83,324	159,582
Components of comprehensive income not reflected in equity				
Deficit on revaluation of available for sale investments - net of tax	(215,447)	(97,430)	(39)	208,974
Total comprehensive income for the year	(205,001)	(20,446)	83,285	368,556

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

Condensed Interim Consolidated Cash Flow Statement

FOR THE HALF YEAR ENDED JUNE 30, 2015

(Un-audited)

	June 30, 2015	June 30, 2014
	----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	221,592	247,640
Adjustments for non - cash charges :		
Depreciation on own assets	210,100	138,403
Amortisation of intangibles assets	8,782	8,582
Depreciation on operating Ijarah assets	379,466	305,420
Provision against non-performing islamic financing and related assets - net	(192,894)	2,108
Provision for diminution in the value of investments	(28,491)	-
Other provisions	-	-
Charge for defined benefit plan	33,460	-
Gain on sale of operating fixed assets	(2,768)	(3,855)
	<u>407,655</u>	<u>450,658</u>
	629,247	698,298
(Increase) / decrease in operating assets		
Due from financial institutions	(31,176,644)	(4,422,818)
Islamic financing and related assets - net	(6,258,438)	305,306
Other assets (excluding advance taxation)	295,582	(90,884)
	<u>(37,139,501)</u>	<u>(4,208,396)</u>
Increase / (decrease) in operating liabilities		
Bills payable	818,325	122,999
Due to financial institutions	19,730,340	(1,158,000)
Deposits and other accounts	(6,162,865)	10,234,771
Other liabilities (excluding current taxation)	277,159	305,563
	<u>14,662,959</u>	<u>9,505,333</u>
	(21,847,295)	5,995,235
Payments against defined benefit plan	(32,820)	-
Income tax paid	(48,410)	(46,642)
Net cash generated from operating activities	<u>(21,928,525)</u>	<u>5,948,593</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	19,630,446	(3,873,376)
Investments in operating fixed assets	(302,573)	(400,462)
Net cash inflow on acquisition	4,851,000	-
Proceeds from disposal of operating fixed assets	3,173	4,031
Net cash generated from / (used in) investing activities	<u>24,182,046</u>	<u>(4,269,807)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of right shares	4,320,400	-
Advance against issue of right shares	-	277,905
Net cash generated from financing activities	<u>4,320,400</u>	<u>277,905</u>
Increase in cash and cash equivalents	<u>6,573,921</u>	<u>1,956,691</u>
Cash and cash equivalents at beginning of the year	<u>7,209,334</u>	<u>5,851,035</u>
Cash and cash equivalents at end of the year	<u>13,783,255</u>	<u>7,807,726</u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

Condensed Interim Consolidated Statement Of Changes In Equity (Un-audited)

FOR THE HALF YEAR ENDED JUNE 30, 2015

	Share Capital	Discount on issue of shares	Reserve for bad debts & Contingencies	Statutory reserve (a)	Unappropriated Profit (Accumulated loss)	Total
	----- Rupees in `000 -----					
Balance as at January 1, 2014	5,279,679	-	-	210,446	27,199	5,517,324
Transfer to statutory reserve	-	-	-	62,730	(62,730)	-
Issue of right shares at discount	479,042	(79,042)	-	-	-	400,000
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	-	-	313,440	313,440
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	7,550	7,550
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	-	(16,110)	(16,110)
Balance as at December 31, 2014	<u>5,758,721</u>	<u>(79,042)</u>	<u>-</u>	<u>273,176</u>	<u>269,349</u>	<u>6,222,204</u>
Transferred to bad debts & Contingency reserve	-	-	250,000	-	(250,000)	-
Profit after taxation for the period from January 1, 2015 to June 30, 2015 transferred from Statement of Comprehensive Income	-	-	-	-	71,746	71,746
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	17,544	17,544
Issue of right shares	4,320,400	-	-	-	-	4,320,400
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	-	5,238	5,238
Balance as at June 30, 2015	<u>10,079,121</u>	<u>(79,042)</u>	<u>250,000</u>	<u>273,176</u>	<u>113,877</u>	<u>10,637,132</u>

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

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

FOR THE HALF YEAR ENDED JUNE 30, 2015

1 STATUS AND NATURE OF BUSINESS

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

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

The Bank is operating through 317 branches including 124 sub branches as at June 30, 2015 (December 31, 2014: 213 branches including 90 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange Limited.

Based on the financial statements of the Bank for the year ended December 31, 2014, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A+' and the short-term rating as 'A1'.

2 BUSINESS COMBINATION

2.1 Acquisition of KASB Bank Limited

During the current period, under the 'Scheme of Amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited under Section 47 of the Banking Companies Ordinance, 1962', hereinafter referred to as 'The Scheme', KASB Bank Undertakings have been acquired and amalgamated with the bank. The Scheme is effective from May 7, 2015.

KASB Bank Undertakings as per the Scheme means the business and all assets and liabilities, of the then KASB Bank Limited of whatsoever nature and wherever situated.

The aforementioned scheme was prepared by the State Bank of Pakistan (SBP) and placed before the Federal Government of Pakistan for its approval. The Federal Government of Pakistan in terms of the powers conferred to it under section 47 of the Banking Companies Ordinance, 1962 sanctioned the scheme of amalgamation of KASB undertaking with and into BankIslami Pakistan Limited on May 7, 2015 with immediate effect.

As required under International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", the balances of KASB Bank undertakings have been incorporated

at their fair values as determined by an independent firm KPMG Taseer Hadi & Co. Their valuation is being carried out using the balances as appearing in the financial statements of KASB Bank Limited as at May 7, 2015 duly audited by Ernst & Young Ford Rhodes Sidat Hyder & Co, Chartered Accountants. The reconciliation

The KASB Bank Limited at the time of acquisition by the Bank had the following three subsidiaries (both direct and indirect) which by virtue of amalgamation have now become subsidiaries of the Bank:

Name of Entity	Percentage of holding	Nature of relationship
1 My Solutions Corporation Limited	100.00%	Direct
2 KASB Securities Limited	77.12%	Direct
3 Structured Ventures (Private) Limited	77.12%	Indirect

The Bank intends to convert the conventional portfolio of the defunct KASB undertaking into shariah compliant products within a reasonable period of time. The acquisition of the KASB undertaking will assist the Bank in promoting the shariah compliant banking to the customers of defunct conventional bank by targeting a diversified customer base (constituting a mix of high profile corporate and retail customer base). The acquisition is expected to bring in synergies resulting in overall growth of the Bank.

Subsequent to the above amalgamation, the operations of defunct KASB Bank Limited have been amalgamated and vested into the Bank with effect from the close of business on May 7, 2015. Consequently, the entire undertaking of the KASB Bank Limited including all the properties, assets and liabilities and the rights and obligations as defined in the aforesaid scheme stand amalgamated with and vested into the Bank as at May 7, 2015 (close of business). Accordingly, the assets and liabilities included in the statement of financial position also include balances of the defunct KASB Bank Limited.

2.2 Acquisition of controlling interest

International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's balance sheet and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values.

The acquisition has been accounted for by applying the purchase method in accordance with the requirements of IFRS 3 (revised) 'Business Combinations'. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise the accounting for business combination. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date. The fair valuation exercise is substantially complete. Any adjustment arising at the time of finalisation of this exercise will be incorporated in the financial statements for the period ending June 30, 2016 with retrospective effect from the date of acquisition.

The fair valuation exercise of recorded assets and liabilities will be completed within the period specified under IFRS 3.

The fair valuation exercise is being carried out by M/s KPMG Taseer Hadi & Co. Chartered Accountants (an independent professional consultant) engaged by the Bank for this purpose. Details of the provisional fair values of the assets acquired, liabilities assumed and purchase consideration and the resultant goodwill recognised are as follows:

	May 7, 2015 Rupees in '000
Fair value of assets acquired (provisional)	54,685,418
Fair value of liabilities assumed (provisional)	(60,254,372)
Net liabilities assumed	(5,568,954)
Purchase Consideration:	
Cash payable	(1)
Fair value benefit of financing received from SBP	2,952,536
	2,952,535
Excess of purchase consideration over net assets	(2,616,419)

2.3 The provisional fair values and carrying amounts of identifiable assets (including intangible assets) and liabilities of the defunct KASB Bank Limited at the date of acquisition are as follows:

	Acquiree's carrying amounts as on May 7, 2015 (based on audited financial statements)	Fair value adjustments / intangible recognised (as per Consultant's report)	Fair values as at May 7, 2015 (as per Consultant's report)
.....Rupees in '000.....			
ASSETS			
Cash and balances with treasury banks	3,704,020	-	3,704,020
Balances with other banks	1,146,980	-	1,146,980
Investments - net	29,248,460	(617,861)	28,630,599
Islamic financing and related assets (net) and Advances (net)	10,279,732	669,254	10,948,986
Operating fixed assets	2,415,271	-	2,415,271
Intangible assets recognised on acquisition	-	40,600	40,600
Deferred tax assets - net	5,980,235	(30,978)	5,949,257
Other assets - net	1,853,190	(3,485)	1,849,705
	54,627,888	57,530	54,685,418
LIABILITIES			
Bills payable	163,920	-	163,920
Due to financial institutions	313,206	-	313,206
Deposits and other accounts	56,952,737	-	56,952,737
Other liabilities	2,824,509	-	2,824,509
	60,254,372	-	60,254,372
Fair Value of Net assets acquired	(5,626,484)	57,530	(5,568,954)

In addition, financial statements of the defunct KASB Bank Limited as at May 7, 2015 duly audited by Ernst & Young Ford Rhodes Sidat Hyder & Co includes a sum of Rs 981,410,000 representing advance against issue of right shares has been treated and disclosed as a part of equity. This amount does not form of the part of KASB Undertakings acquired and amalgamated with the bank as per the Scheme. A case has been filed in respect of this matter details of which are disclosed in note 21.6 to this condensed interim financial information.

2.3.1 Intangibles acquired in business combination

Consequent to the amalgamation of the defunct KASB Bank Limited with and into the Bank, the Bank has recognised the following intangible asset as at the acquisition date of May 7, 2015.

**May 7,
2015
Rupees in '000**

Customer relationship core deposit intangible	40,600
--	---------------

This intangible asset comprises of core deposits of the defunct KASB Bank Limited and represents the funding benefit that would be available to the Bank on account of availability of funding through deposit customers rather than from the wholesale or inter-bank markets. This benefit also considers the fact that the economic lifetime of these deposits is longer than their contractual life. Based on this assumption, this intangible asset has been valued using certain valuation techniques and is being amortised keeping in view the life expectancy of the core deposits.

The fair value of this identifiable intangible asset has been determined using an income approach, by an independent valuer. The income approach begins with an estimation of the annual cash flows, which a market participant acquirer would expect the asset to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the fair value of the specific asset.

In applying the income approach, the Bank used the Multiple-period Excess Earnings Method ("MEEM") to determine the value of the above intangible. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) have been deducted from the asset's after-tax operating earnings.

The valuations are based on information at the time of acquisition and the expectations and assumptions that have been deemed reasonable by the Bank's management. It has been assumed that the underlying assumptions or events associated with such assets will occur as projected.

- 2.4 The fair value of the gross contractual receivables representing advances and lendings as at the acquisition date amounts to Rs 11,099 million. Gross contractual amounts for the aforementioned receivables due is Rs 24,288 million. The management believes that out of the total gross contractual receivables, a gross contractual amount of Rs 13,858 million is expected to be uncollectable. The uncollectable amounts of receivables and impairment of investments arising on account of fair valuation exercise have been disclosed as "Provisions transferred from amalgamated entity" in the respective notes.

3 BASIS OF PRESENTATION

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

4 STATEMENT OF COMPLIANCE

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

Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

- 4.3 The disclosures made in the condensed interim financial information have been limited based on the format prescribed by the SBP through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of IAS 34, "Interim Financial Reporting". They do not include all of the information required for a full set of annual financial statements and this condensed interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2014.
- 4.4 IFRS 8 "Operating Segments" is effective for the Group's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in this condensed interim financial information is based on the requirements laid down by the SBP.
- 4.5 The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the surplus / (deficit) on revaluation of Available For Sale (AFS) securities only, may be included in the 'Statement of Comprehensive Income'.

However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.

- 4.6 **Other standards, interpretations and amendments to published approved accounting standards that are effective in the current period**
- 4.6.1 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 is effective from financial periods beginning on, or after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has no material impact on this condensed interim financial information except for disclosure relating to deposits as disclosed in note 16 to this condensed interim financial information.

5 BASIS OF MEASUREMENT

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

6 FUNCTIONAL AND PRESENTATION CURRENCY

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

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2014.

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim consolidated financial information are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2014.

9 CORRESPONDING FIGURES

Corresponding information has been re-classified, re-arranged or additionally incorporated in this condensed interim consolidated financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period.

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

10 DATE OF AUTHORISATION FOR ISSUE

This condensed interim consolidated financial information was authorised for issue on December 30, 2015 by the Board of Directors of the holding Company.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director



Moroccan Architectural Motif

317 BRANCHES
93 Cities

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