BankIslami Pakistan Limited

BankIslami

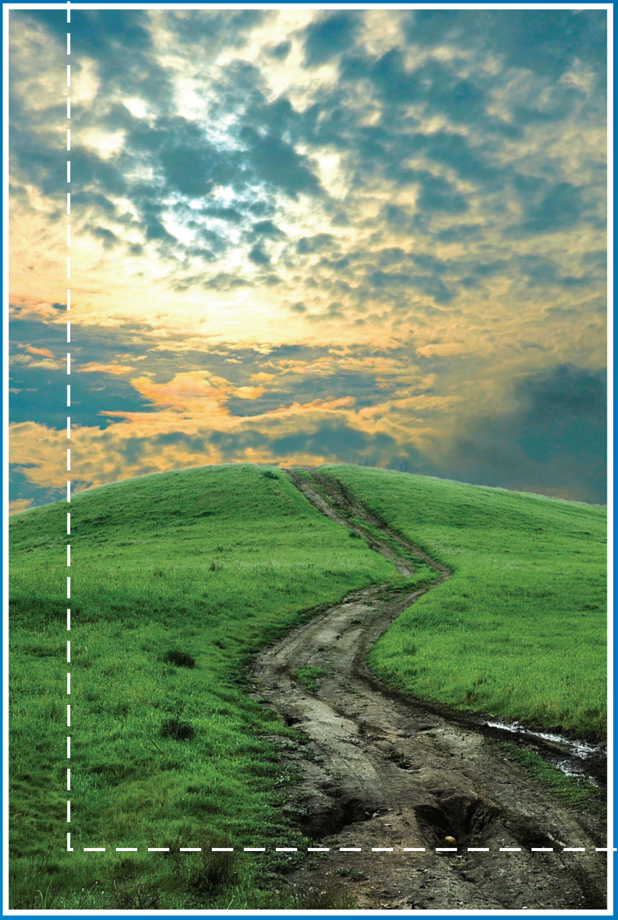
5th Annual Report

December 2008

Serving you, the Right way

Vision

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



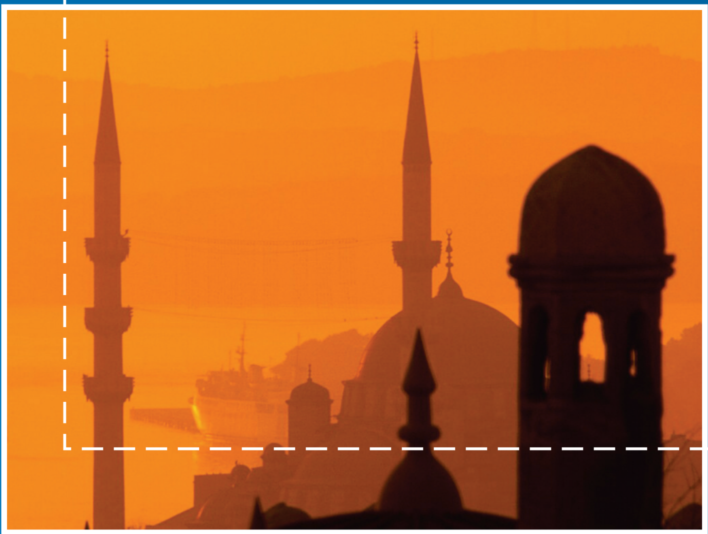
Mission

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

- Authenticity
- Innovation
- Understanding our clients' needs
- Commitment to excellence, and
- Fast, efficient and seamless delivery of solutions.

As a growing institution, the foundation for our performance lies on our human capital and BankIslami remains committed to becoming an employer of choice, attracting, nurturing and developing talent in a transparent and performance driven culture.

Values



BankIslami is strongly committed towards its core values of:

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

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Corporate Information

Board of Directors	
Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Ahmed Goolam Mahomed Randeree	
Mr. Ahmed Mohammed El Shall	
Mr. Ali Raza Siddiqui	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Mohamed Amiri*	
Mr. Shabir Ahmed Randeree	

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

Audit Committee	
Mr. Ahmed Mohammed El Shall	Chairman
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member

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

Human Resource & Compensation Committee	
Mr. Ali Raza Siddiqui	Chairman
Mr. Ahmed Goolam Mahomed Randeree	Member
Mr. Ahmed Mohammed El Shall	Member
Mr. Hasan A. Bilgrami	Member

Company Secretary
Mr. Syed Shah Sajid Hussain

Auditors
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Adviser
Haidermota & Co.
Barrister at Law

* subject to SBP's approval

Management (in alphabetical order)

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

Registered Office
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block-4 Clifton,
Karachi.
Phone: (92-21) 111-247(BIP)-111
Fax: (92-21) 5378373
Email: info@bankislami.com.pk

Share Registrar
Technology Trade (Private) Limited,
Dagia House, 241-C, Block-2,
P.E.C.H.S. Off Shahra-e-Quaideen,
Karachi.
Phone: (92-21) 4387960-61
Fax: (92-21) 4391318

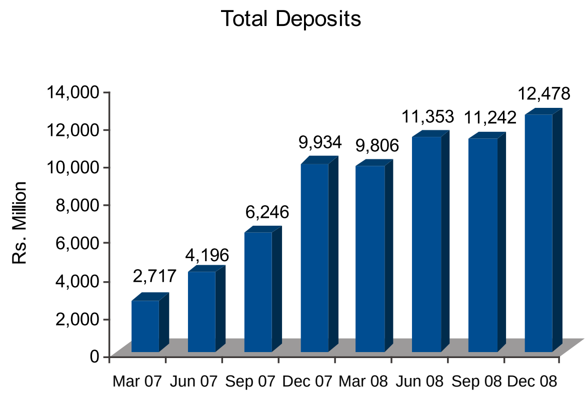
Website
www.bankislami.com.pk

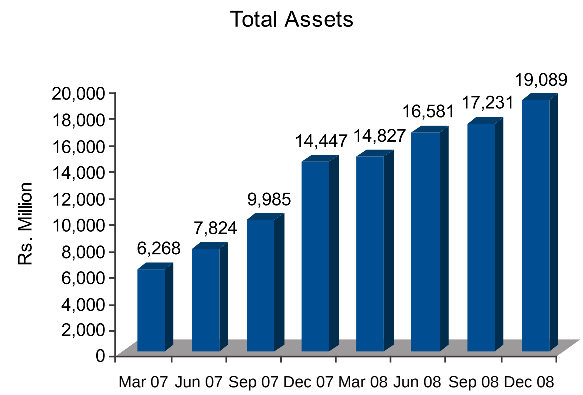
Financial Highlights at a Glance

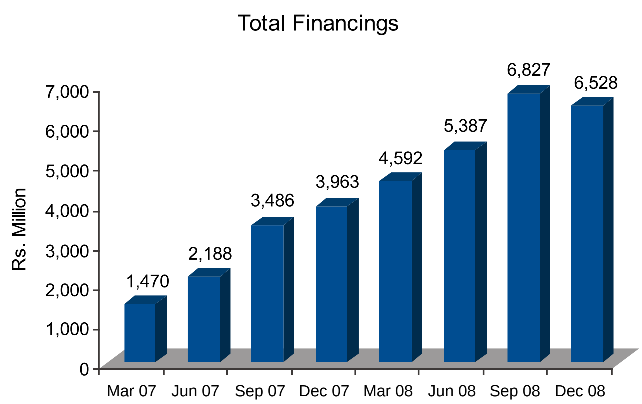
	2008	2007	2006*
	Rupees in million		
PROFIT & LOSS ACCOUNT			
Return earned	1,468.69	602.06	100.01
Profit Paid	729.53	303.84	18.67
Net Spread	739.16	298.22	81.34
Fee, Commission, Brokerage and Exchange Income	141.39	71.46	4.17
Core Banking Income	880.55	369.68	85.51
Provisions	(130.56)	(28.37)	(1.00)
Other Income	54.75	68.82	40.38
Operating Expenditure	(1,033.90)	(510.59)	(159.29)
Profit/ (Loss) before tax	(229.15)	(100.46)	(34.40)
Taxation	176.22	63.44	26.05
Profit/ (Loss) after tax	(52.93)	(37.02)	(8.35)
BALANCE SHEET			
Assets	19,089	14,447	4,025
Financings	6,528	3,963	959
Deposits	12,478	9,934	1,778
Share Capital	5,280	3,200	2,000
Shareholders Fund	5,192	3,845	2,003
Number of Staff	1,188	563	236
Number of Branches	102	36	10
RATIO			
Break up Value (Rs)	9.83	9.89	10.01
Market Value per Share (Rs.)	7.25	16.2	10.55
Earning per Share (Rs.)	(0.12)	(0.13)	(0.04)
Net Spread to Gross Return (%)	50.33%	49.50%	81.34%
Financing to Deposit Ratio-ADR (%)	52.31%	39.89%	53.94%
Capital Adequacy Ratio	39.83	37.92	61.83

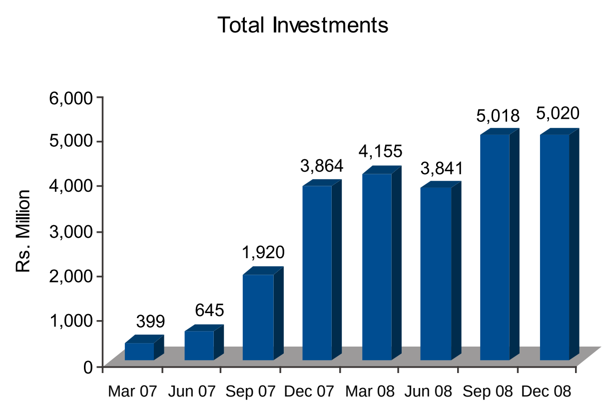
*Profit and Loss figures for 2006 represent period from 7th April 2006 to 31st December 2006.

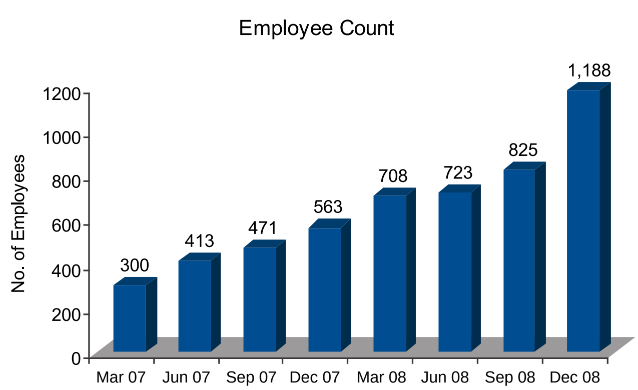
Financial Highlights at a Glance

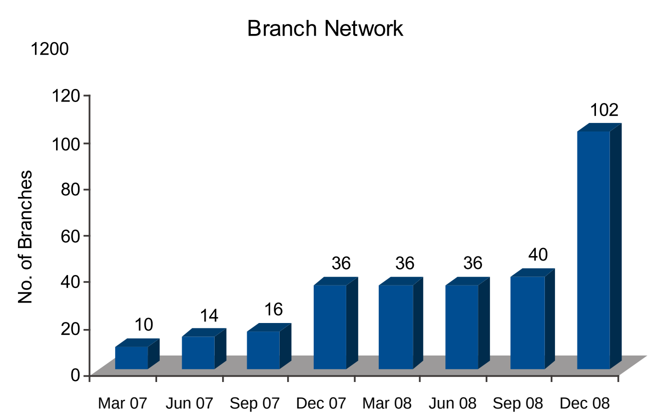












Notice of Annual General Meeting

Notice is hereby given that the 5th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Saturday, March 28, 2009 at 8:00 a.m. at the Hotel Regent Plaza, Shahra-e-Faisal, Karachi, to transact the following business:

Ordinary Business

1. To confirm 4th Annual General Meeting held on March 26, 2008.

2. To receive, consider and adopt the Audited Financial Statements (separate and consolidated) for the year ended December 31, 2008 together with the Auditors' and Directors' Reports thereon.

3. To appoint auditors of the bank for the year ending December 31, 2009 and to fix their remuneration. The present auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Any other Business

4. To transact any other business with the permission of the chair.

By Order of the Board,

Karachi: March 04, 2009

Syed Shah Sajid Hussain
Company Secretary

Notes:

The Members' Register will remain closed from March 26, 2009 to April 01, 2009 (both days inclusive).

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

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

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

Directors' Report

On behalf of the Board, I am pleased to present the 5th Annual Report of BankIslami Pakistan Limited. The highlights of the year under review are:

	(Rs. in Million) Dec-08	(Rs. in Million) Dec-07	Growth %
Total Deposits	12,478	9,934	26%
Total Assets	19,089	14,447	32%
Total Financing-net	6,528	3,963	65%
Total Investments	5,020	3,864	30%
Shareholder's Equity	5,192	3,845	35%
Branches	102	36	183%
Employees	1,188	563	111%
Loss After Tax	(52.93)	(37.02)	(43%)

Pakistan's economy passed through one of its worst periods during 2008. This was to some extent augmented by a global financial crisis of un-precedented magnitude. Our low correlation with global markets and some what restricted movement of capital helped the country to do better on relative basis but still effects were felt on all segments of the economy. The Banking industry has not been an exception. A slow down in credit off take, an almost flat growth in deposits, coupled with mounting provisioning requirements, have had a serious effect on the bottom line of the industry. While BankIslami has not been an exception, it has done remarkably well in the situation.

Some of the key initiatives and achievements of the year are outlined below:

The foremost achievement of the Bank during the year has been its emergence as a serious Islamic Bank which is increasingly being seen as the most authentic provider of Islamic Financial Solutions. We are thankful to Almighty Allah and our customer base who are now willing to pay a premium to bank with us for the authenticity of our products, our commitment to adhere to Sharia'h principles without any compromise and our delivery which is better than most of our counter parts, including conventional banks. BankIslami is an established franchise now, something we have achieved in less than three years.

Another key achievement of 2008 was the completion of our branch expansion target of 100 branches and sub-branches. We actually opened 102 branches and sub-branches covering 49 cities in all four provinces, Azad Kashmir and Northern Areas. Not only does BankIslami offer the best coverage compared with any Islamic Bank, but also this is the fastest expansion achieved by any Bank in Pakistan's Banking industry. Almost all of our branches are online, serviced with 24X7 Phone banking and offer the same standard facilities across the network. For year 2009, BankIslami intends consolidating its network and operations and as a result only one sub-branch is proposed to be added this year.

On the business, let me start with the liability side first. Towards the end of the first quarter last year, we decided to focus almost exclusively on the retail segment. As a result, institutional deposits were shed as and when they matured. This enabled us not only to deal with the liquidity crisis of un-parallel magnitude but also to develop a competitive depository franchise. I am pleased to report that at the end of the year more than 80% of the deposits came from this segment. Our confidence and competitiveness in this segment led us to successfully launch a 10 year depository product at the peak of the liquidity crisis. In 2009, we intend consolidating our gains in this segment with new saving oriented products of varying tenors.

In line with our strategy of keeping 15% to 20% of the assets in Consumer Banking, our product offering continued un-abated. Credit quality actually improved during the year with the withdrawal of other Banks from this segment, thereby allowing the Bank to book better assets. Mortgage Financing Portfolio remained infection free. We do not envisage any change in our Consumer Banking strategy i.e. keeping 15% to 20% of the assets in this business.

Investment Banking saw a complete change in fortunes. Our erstwhile success was in Syndications which came to almost a halt due to drying up of liquidity. However, the Bank changed its focus towards the Advisory business gradually. I am pleased to report that the first of our mandates, acquisition of Al-Asif Sugar Mills Limited by Macca Sugar Mills and Haq Bahu Sugar Mills was successfully completed. The deal pipe line is healthy and BankIslami will maintain its opportunistic presence in Investment Banking.

Most of the portfolio of BankIslami on the Financing side is in what we call Mid-Market. While the portfolio has behaved exceptionally well, the Bank realizes this segment does not offer the depth to address to growing needs. As a result, BankIslami is eying the top tier corporate sectors for growth in Financing. Our network, complete product range and importantly a very competitive cost of funds are some of the advantages to help us penetrate this segment. The Bank has made a provisioning of Rs.130 mn, out of which Rs.100 mn has been made using the subjective criteria. We have also not used the benefit of taking 30% of the Forced Sale Value. We expect that most of the subjective provisions will actually reverse in the next couple of years and in the mean time will keep the portfolio quality high.

Our core Banking system, iMal, was successfully deployed in the first branch in November The project is some what delayed due to frequent travel advisories thereby restricting visits of foreign consultants. Having said that, as I write, we have completed deployment in nine of our largest branches. The core Banking module is expected to be completed by end August with complete deployment towards end of the year. Deployment of iMal will make BankIslami the only bank in Pakistan to use a Banking software that has been designed for Islamic Banking. You will also be pleased to know that the Bank was the fifth largest net acquirer on the 1 Link ATM network.

Human Resources Department responded well to the challenge of recruitment for 66 branches. Staff strength rose from 563 as on December 31, 2007 to 1,188 on December 31, 2008. In all, 2,500 interviews were conducted and 785 training sessions were held. Online recruitment was launched with success. Staff turnover remained one of the lowest in the industry at 1.9%.

BankIslami was the first and I understand the only Bank that has a full time Sharia'h Adviser. During the year, the scope of the Sharia'h Department was further strengthened with more pro-active involvement in Product Development, Training and Audit. The first Sharia’h Audit of the Bank was conducted this year and I am pleased to report that not even a single deviation was found. BankIslami is actively involved in different forums at the State Bank’s level for development of Islamic Standards in the country.

Marketing Department of the Bank was at the forefront of re-branding exercise and achieving greater standardization across the network. All branches of BankIslami have the same look and feel irrespective of location. An agreement was also signed with VISA for launch of the debit card. BankIslami has also entered into an agreement with Pak-Qatar Family Takaful for distribution of BancaTakaful from selected branches of the Bank.

Future Outlook

Despite of testing times, we are optimistic about the year ahead of us. Our target for the year is to consolidate the operations and bring greater efficiencies in operations. Specifically, we would like to grow the balance sheet and wipe off the accumulated losses which we expect to go up to Rs.250m before they start reversing towards the end of the second quarter.

Our network, a viable and working depository franchise, growth in the Islamic Banking industry and our technological advantage places us in an ideal position to take advantage of the opportunities that lie ahead due to State Bank’s increased capital requirements.

Corporate and Financial Reporting Framework

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

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

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

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

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

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

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

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

8. The value of investments of the Bank's Provident Fund based on un-audited accounts at December 31, 2008 amounted to Rs. 34.873 million.

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

Compliance with Code of Corporate Governance
The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing regulation relevant for the year ended 31st December 2008 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

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

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

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

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

Credit Rating
The Bank has been assigned a long term entity rating of 'A -' and short term rating of 'A 2' for the year December 31, 2007 by Pakistan Credit Rating Agency Limited (PACRA), reflecting BankIslami well conceived business strategy and establishment of an effective operating platform to execute the business strategy. Rating process of 2008 is expected to commence soon.

Pattern of Shareholding
The pattern of shareholding as at December 31, 2008 is annexed with the report.

Auditors
The present auditors Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of Ford Rhodes Sidat Hyder & Co., as auditors for the year ending December 31, 2009.

Acknowledgments
I take this opportunity to thank the State Bank of Pakistan and Securities and Exchange Commission for their support and guidance. I would also like to thank the Former Governor of State Bank, Dr. Shamshad Akhtar who was a great supporter of Islamic Banking Industry. Similarly, the Former Chairman of SECP, Mr. Razi-ur-Rehman was of great assistance at the time of our listing in 2006. I wish both of them success in their future endeavors The Board is highly indebted to our Sharia'h Board for their guidance. A special note of thanks to our employees to whom we owe our success thus far.

On behalf of the Board,

Hasan A. Bilgrami
Chief Executive Officer
March 04, 2009

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

Name	Designation	No. of Shares as at Jan. 01, 2008	Shares subscribed during the Year	No. of Shares as at Dec. 31, 2008
Chief Justice(R) Mahboob Ahmed	Chairman	80,800	50,029	130,829
Ahmed G.M.Randeree	Director	30,000,000	21,423,883	51,423,883
Shabir Ahmed Randeree	Director	30,000,000	21,423,883	51,423,883
Hasan A Bilgrami	Director & Chief Executive Officer	50,800	448,279	499,079

Attendance of Board of Directors for the Year 2008:

Director Name	Total	Attended	Leave of Absence
Chief Justice (Retd) Mahboob Ahmed	6	6	-
Mr. Ahmed G. M. Randeree	6	2	4
Mr. Ali Raza siddiqui	6	6	-
Mr. Mohammad Ahmed El Shall	6	4	2
Mr. Hasan Aziz Bilgrami	6	6	-
Mr. Mohamed Abdulla Amer Al-Nahdi	6	1	5
Mr. Shabir Ahmed Randeree	6	4	2
Mr. Zaid Moosa Randeree	6	2	4

Statement of Internal Control

Statement of Management's Responsibility

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

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

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

Management Evaluation of the Effectiveness of the Bank’s Internal Control System

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

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

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

For and On Behalf of the Board,

Hasan A. Bilgrami
Chief Executive Officer
March 04, 2009

Statement of Compliance with the Code of Corporate Governance

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

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

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

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

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

4. Casual vacancy occurred in the Board during the year was duly filled on the same day.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hasan A. Bilgrami
Chief Executive Officer
March 04, 2009

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

We have reviewed the Statement of Compliance with the best Practices contained in the Code of Corporate Governance for the year ended December 31, 2008 prepared by the Board of Directors of BankIslami Pakistan Limited (the Bank) to comply with the regulation G-1 of the Prudential Regulations for Corporate/ Commercial Banking issued by the State Bank of Pakistan.

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

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

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

Ford Rhodes Sidat Hyder & Co.

KARACHI: Ford Rhodes Sidat Hyder & Co.
March 04, 2009 Chartered Accountants

Sharia'h Adviser's Report

The Shareholders of BankIslami Pakistan Limited:

The year under review was the third year of Islamic Commercial Banking Operations of BankIslami. During the year, BankIslami refined the products developed in the previous year. In this regard, revisions were carried out in existing Process Flows, Agreements and Product Manuals.

Sharia'h Audit was carried out in branches and departments during the year. It was a delightful experience that on account of periodic compliance and audit functions, extent of mistakes in execution of transactions has reduced considerably. In this way, organizational learning can be said to have occurred.

Based on review conducted, we report:

1. We have examined, on test check basis, each class of transaction, the relevant documentation and procedures adopted by IBI.

2. In our opinion, the affairs of IBI have been carried out in accordance with rules and principles of sharia'h, SBP regulations and guidelines related to sharia'h compliance and other rules as well as specific fatawa'h and rulings issued by Sharia'h Adviser from time to time.

3. In our opinion, the allocation of funds, weightages, profit sharing ratios, profit and charging of losses (if any) relating to PLS accounts conform to the basis vetted by Sharia'h Adviser in accordance with sharia'h rules and principles.

4. In our opinion, any earning that have been realized from sources or by mean prohibited by sharia'h rules and principles have been credited to charity account. An amount of Rs. 1,790,170/- was received from customers in respect of charity and credited to relevent account. Charity disbursed to date amounts to Rs. 2,762,563/-.

In pursuit of its aspiration to begin transactions deviated from just financing under debt based mode, BankIslami through its Mudarabah subsidiary has started school project and other plans of similiar nature are in pipeline. Such activities have long been desired by people interested in Islamic banking and our step will help strengthen their belief in Islamic banking.

In order to reinforce Sharia'h compliance, Sharia'h compliance and audit manual has been developed, detailed charity guidelines have been issued and Investment banking has been guided by issuing standardized procedures for Sukuk.

Proper training of Islamic banking is an important part of endeavor to ensure sharia'h compliance. This function was undertaken by Sharia'h Advisory and Product Development departments with the collaboration of Human Resource department. Training sessions were conducted in Major cities of the country. However, as the size of the Bank has grown with headcounts exceeding one thousand, more resources need to be allocated in this area.

Enlarged network of branches has created new challenges for sharia'h compliance too. We hope to cope with this by competent human resources, sophisticated information systems and co-operation from our people.

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

Irshad Ahmed Aijaz
Sharia'h Adviser

Auditors' Report to the Members

We have audited the annexed balance sheet of BankIslami Pakistan Limited (the Bank) as at December 31, 2008, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here in after referred to as the 'financial statements'), for the year then ended, in which are incorporated the un-audited certified returns from the branches except for ten branches which have been audited by us and we state that we have obtained all the information and explainations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2008, and its true balance of the loss, its cash flows and changes in equity for the year then ended; and

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

Ford Rhodes Sidat Hyder & Co.

KARACHI:
March 04, 2009

Ford Rhodes Sidat Hyder & Co.
CHARTERED ACCOUNTANTS

Balance Sheet
As at December 31, 2008

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
ASSETS			
Cash and balances with treasury banks	6	2,175,413	1,433,166
Balances with other banks	7	2,207,490	2,577,491
Due from financial institutions	8	40,351	625,037
Investments	9	5,019,525	3,864,027
Financings	10	6,527,531	3,962,867
Operating fixed assets	11	1,910,648	1,093,324
Deferred tax assets	12	265,257	90,418
Other assets	13	942,385	801,143
		19,088,600	14,447,473
LIABILITIES			
Bills payable	14	353,646	84,998
Due to financial institutions	15	245,939	70,000
Deposits and other accounts	16	12,477,955	9,934,282
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	819,239	513,467
		13,896,779	10,602,747
NET ASSETS		5,191,821	3,844,726
REPRESENTED BY			
Share capital	18	5,279,679	3,200,000
Reserves		-	-
Accumulated loss		(98,307)	(45,377)
		5,181,372	3,154,623
Advance against future issue of share capital	19	-	681,409
Surplus on revaluation of assets - net of deferred tax	20	10,449	8,694
		5,191,821	3,844,726
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman　　Chief Executive Officer　　Director　　Director

Profit and Loss Account
For the Year Ended december 31, 2008

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
Profit / return on financings, investments and placements earned	22	1,468,688	602,060
Return on deposits and other dues expensed	23	729,528	303,842
Net spread earned		739,160	298,218
Provision against non-performing financings - net	10.6	130,556	28,372
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		130,556	28,372
Net spread after provisions		608,604	269,846
OTHER INCOME			
Fee, commission and brokerage income		112,117	61,207
Dividend income		1,741	23,150
Income from dealing in foreign currencies		29,273	10,248
Gain on sale of securities	24	31,273	41,922
Unrealised Gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income	25	21,735	3,754
Total other income		196,139	140,281
		804,743	410,127
OTHER EXPENSES			
Administrative expenses	26	1,028,232	507,252
Other provisions / write offs		-	-
Other charges	27	5,663	3,338
Total other expenses		1,033,895	510,590
		(229,152)	(100,463)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(229,152)	(100,463)
Taxation – Current		(87)	(4,004)
– Prior years		-	-
– Deferred		176,309	67,444
	28	176,222	63,440
LOSS AFTER TAXATION		(52,930)	(37,023)
Accumulated loss brought forward		(45,377)	(8,354)
Accumulated loss carried forward		(98,307)	(45,377)
Basic and diluted loss per share – Rupee	29	(0.12)	(0.13)

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman　　Chief Executive Officer　　Director　　Director

Cash Flow Statement

For the Year Ended december 31, 2008

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(229,152)	(100,463)
Less: Dividend income		(1,741)	(23,150)
		(230,893)	(123,613)
Adjustments:			
Depreciation		163,211	65,417
Amortisation		5,657	6,397
Provision against non-performing financings		130,556	28,372
Deficit on revaluation of investments (classified as held for trading)		-	(926)
Gain on sale of fixed assets – net		(1,297)	(124)
Deferred cost amortised		16,019	16,080
		314,146	115,216
		83,253	(8,397)
(Increase) / decrease in operating assets			
Due from financial institutions		584,686	(212,906)
Held for trading securities		-	222,480
Financings		(2,695,220)	(3,032,106)
Other assets (excluding advance taxation and deferred cost)		(150,988)	(246,949)
		(2,261,522)	(3,269,481)
Increase / (decrease) in operating liabilities			
Bills payable		268,648	61,168
Due to financial institutions		175,939	20,000
Deposits and other accounts		2,543,673	8,156,274
Other liabilities – net		305,772	343,578
		3,294,032	8,581,020
		1,115,763	5,303,142
Income tax paid – net		(6,360)	(11,365)
Net cash flow from operating activities		1,109,403	5,291,777
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(1,152,273)	(3,400,008)
Investment in subsidiary		-	(191,015)
Dividend received		1,741	23,150
Investments in operating fixed assets		(990,641)	(726,420)
Sale proceeds of property and equipment disposed off		5,746	2,833
Net cash used in investing activities		(2,135,427)	(4,291,460)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		1,398,270	1,200,000
Advance against future issue of share capital - net off issue of shares		-	681,409
Net cash flow from financing activities		1,398,270	1,881,409
Net increase in cash and cash equivalents		372,246	2,881,726
Cash and cash equivalents at beginning of the year	30	4,010,657	1,128,931
Cash and cash equivalents at end of the year	30	4,382,903	4,010,657

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman   Chief Executive Officer   Director   Director

Statement of Changes in Equity
For the Year Ended december 31, 2008

	Share capital	Accumulated loss	Total
	Rupees in `000		
Balance as at January 01, 2007	2,000,000	(8,354)	1,991,646
Issue of right shares during the year	1,200,000	-	1,200,000
Loss after taxation for the year ended December 31, 2007	-	(37,023)	(37,023)
Balance as at January 01, 2008	3,200,000	(45,377)	3,154,623
Issue of right shares during the year	1,079,679	-	1,079,679
Allotment of right shares during the year – pending issuance	1,000,000	-	1,000,000
Loss after taxation for the year ended December 31, 2008	-	(52,930)	(52,930)
Balance as at December 31, 2008	5,279,679	(98,307)	5,181,372

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman   Chief Executive Officer   Director   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 registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The Bank commenced its operations from April 07, 2006. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with one hundred and two branches including thirty two sub branches (2007: thirty six branches) as at December 31, 2008.

1.2 During the year, the Bank has issued right shares representing 207.968 million ordinary shares.

2. BASIS OF PRESENTATION

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

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

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

3. STATEMENT OF COMPLIANCE

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

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

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain financial instruments which have been marked to market and are carried at fair value as stated in note 9.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

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

5.2 Investments

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

Held for trading

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

Held to maturity

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

Available for sale

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

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

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

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

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

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

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

5.3 Trade date accounting

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

5.4 Financings

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

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

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

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

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

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

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

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

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

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

5.5 Operating fixed assets

5.5.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 11.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

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

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

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

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

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

5.5.2 Capital work in progress

These are stated at cost less impairment, if any.

5.5.3 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on systematic basis to income applying the straight line method at the rate specified in note 11.3 to the financial statements.

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

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

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

5.6 Taxation

5.6.1 Current taxation

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

5.6.2 Deferred taxation

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

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

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

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

5.7 Staff retirement benefits

5.7.1 Defined benefit plan

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

5.7.2 Defined contribution plan

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

5.8 Revenue recognition

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

5.8.2 Profit from Istisna, Diminishing Musharaka, Salam and Musawamah are recognised on a time proportionate basis.

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

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

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

5.8.6 Profit on classified financing is recognised on receipt basis.

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

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

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

5.9 Financial instruments

5.9.1 Financial assets and financial liabilities

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

5.9.2 Offsetting of financial instruments

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

5.9.3 Derivatives

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

5.10 Related party transactions

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

5.11 Foreign currency transactions

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

5.12 Fiduciary assets

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

5.13 Provisions

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

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

5.14 Deferred costs

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

5.15 Impairment

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

5.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment reporting format have been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by SBP vide BSD Circular No. 04 of 2006 dated February 17, 2006.

5.17 Accounting judgments and estimates

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

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The changes in estimates made during the year and impact on the financial statements are disclosed in note 10.5.1. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

	Note
Classification of investments	5.2 & 9
Useful lives of assets and methods of depreciation	5.5 & 11
Deferred taxation	5.6.2 & 12
Provision against non-performing financings	5.4 & 10.6
Defined benefit plan	5.7.1 & 32

5.18 Accounting standards not yet effective

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

Standard or interpretation		Effective date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23	Borrowings Costs (Revised)	January 01, 2009
IAS 27	Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3	Business Combinations (Revised)	July 01, 2009
IFRS 4	Insurance Contracts	January 01, 2009
IFRS 8	Operating segments	January 01, 2009
IFRIC 13	Customer Loyalty Programs	July 01, 2008
IFRIC 15	Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17	Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 18	Transfers of Assets from Customers	July 01, 2009
IFAS 2	Ijarah	January 01, 2009

The Bank considers that the above standards and interpretations except for IFAS – 2, are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements to the extent that such presentation and disclosure requirements do not conflict with the format of financial statements prescribed by SBP for Banks.

IFAS – 2 would affect the accounting for Ijarah financing contract undertaken by the Bank. The standard would be applicable prospectively to such contracts entered into on or after January 01, 2009 and requires that the assets financed under ijarah arrangements be recorded as fixed assets separate from the assets in the Bank's own use. The said assets will be carried at cost less depreciation and impairment, if any. The rentals from ijarah are to be recognised in the profit and loss account on a straight-line basis over the terms of the contract. Currently ijarah arrangements are accounted for by the Bank in accordance with the accounting policy disclosed in note 5.4.

In addition to the above, amendments to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after January 01, 2009. The management is in the process of evaluating the impact of such amendments on the Bank's financial statements for the ensuing periods.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		933,924	214,050
- foreign currency		95,300	36,313
		1,029,224	250,363
With State Bank of Pakistan in			
- local currency current accounts	6.1	781,475	1,123,034
- foreign currency deposit accounts	6.2	34,157	26,326
		815,632	1,149,360
With National Bank of Pakistan in			
- local currency current accounts		330,557	33,443
		2,175,413	1,433,166

6.1 Includes Rs. 490.766 million (2007: Rs. 618.772 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement which is to be maintained to comply with the requirements of SBP issued from time to time. Balance amount is available to the Bank for its operations.

6.2 Includes Rs. 23.35 million (2007: Rs. 9.9 million) held against Cash Reserve Requirement and Special Cash Reserves Requirement. Balance amount is available to the Bank for its operations. These deposits do not carry any return.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		9,806	9,150
- on deposit accounts	7.1	2,099,942	2,520,330
		2,109,748	2,529,480
Outside Pakistan			
- on current accounts		89,832	48,011
- on deposit accounts	7.2	7,910	-
		97,742	48,011
		2,207,490	2,577,491

7.1 Represents deposits with various Islamic commercial banks under Musharaka and Modaraba arrangements with maturities less than 3 months. The expected profit rates on these arrangements ranges between 13 % to 13.5 % (2007: 2 % to 9.15 %) per annum.

7.2 The expected profit rates on these arrangements is 3.75% (2007: Nil) per annum.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
8. DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murabaha	8.1	40,351	-
Commodity Murabaha – local currency		-	625,037
		40,351	625,037

8.1 The Bank has entered into Sukuk Murabaha arrangement under which the Bank appoints its client as an agent under asset purchase agreement to purchase the underlying Sukuks from the open market on its behalf and later sells them on deferred Murabaha basis. This carries profit at the rate of 16.75% (2007: Nil) per annum.

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
8.2	Murabaha sale price		1,197,413	3,401,162
	Purchase price		(1,165,000)	(3,300,000)
			32,413	101,162
	Deferred Murabaha income			
	Opening balance		11,765	10,969
	Deferred during the year		32,413	101,162
	Recognised during the year		(43,596)	(100,366)
			582	11,765
	Murabaha receivable			
	Opening balance		625,037	412,131
	Sales during the year		1,197,413	3,401,162
	Received during the year		(1,782,099)	(3,188,256)
			40,351	625,037

9. INVESTMENTS

	Note	2008			2007		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
		(Rupees in '000)					
9.1 Investments by types							
Available for sale securities							
- Sukuk Certificates	9.3	4,812,435	-	4,812,435	3,510,162	-	3,510,162
- Mutual Funds (Units)	9.4	-	-	-	150,000	-	150,000
		4,812,435	-	4,812,435	3,660,162	-	3,660,162
Subsidiary							
- Unlisted company	9.5	191,015	-	191,015	191,015	-	191,015
Total investment at cost		5,003,450	-	5,003,450	3,851,177	-	3,851,177
Surplus on revaluation of available for sale securities	20.1	16,075	-	16,075	12,850	-	12,850
Total investments at market value		5,019,525	-	5,019,525	3,864,027	-	3,864,027

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
9.2	Investments by segments			
	Fully paid up ordinary shares:			
	- Unlisted company	9.5	191,015	191,015
	Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
	- Sukuk Certificates	9.3	4,812,435	3,510,162
	Other investments			
	- Mutual Funds (Units)	9.4	-	150,000
	Total investments at cost		5,003,450	3,851,177
	Surplus on revaluation of available for sale securities	20.1	16,075	12,850
	Total investments at market value		5,019,525	3,864,027

9.3 Details of investment in Sukuk

Name of the investee company	Note	2008 Number of Certificates	2007 Number of Certificates	Face Value (Rupees)	2008 Cost (Rupees in '000)	2007 Cost (Rupees in '000)	2008 Instrument rating	2007 Instrument rating
Sukuk Certificates								
First WAPDA Sukuk	9.3.1	50,000	50,000	5,000	250,112	250,162	Unrated	Unrated
Second WAPDA Sukuk	9.3.2	134,000	134,000	5,000	670,000	670,000	Unrated	Unrated
KSEW Sukuk-1	9.3.3	38,000	38,000	5,000	190,000	190,000	Unrated	Unrated
KSEW Sukuk-2	9.3.4	92,800	-	5,000	464,000	-	Unrated	-
Pak Electron Sukuk	9.3.5	60,000	90,000	5,000	300,000	450,000	A+	Unrated
Amtex Sukuk	9.3.6	59,000	64,000	5,000	295,000	320,000	A	Unrated
Engro Chemical Sukuk	9.3.7	50,000	50,000	5,000	250,000	250,000	AA	AA
Security Leasing Sukuk	9.3.8	2,000	12,000	5,000	10,000	60,000	BBB+	A-
Shahmurad Sugar Mills Sukuk	9.3.9	250	250	1,000,000	250,000	250,000	A-	A-
Second Sitara Chemicals Sukuk	9.3.10	7,500	10,000	5,000	37,500	50,000	AA-	Unrated
Third Sitara Chemicals Sukuk	9.3.11	8,000	8,000	5,000	40,000	40,000	AA-	Unrated
Sitara Energy Sukuk – 1	9.3.12	4,083	6,000	5,000	20,413	30,000	Unrated	Unrated
Sitara Energy Sukuk – 2	9.3.13	4,000	-	5,000	20,000	-	Unrated	-
New Allied Electronics (LG) Sukuk	9.3.14	11,000	29,000	5,000	55,000	145,000	Default	A-
Sui Southern Gas Company Sukuk	9.3.15	84,000	84,000	5,000	420,000	420,000	AA	AA
Kohat Cement Sukuk	9.3.16	26,082	27,000	5,000	130,410	135,000	Withdrawn	A-
Eden Housing Sukuk	9.3.17	50,000	50,000	5,000	250,000	250,000	A	A
Eden Developers Sukuk	9.3.18	40,000	-	5,000	200,000	-	A-	-
Optimus Sukuk	9.3.19	50,000	-	5,000	250,000	-	A	-
LESCO Sukuk	9.3.20	42,000	-	5,000	210,000	-	Unrated	-
HBFC Sukuk	9.3.21	15,000	-	5,000	75,000	-	A+	-
Three Star Hosiery Sukuk	9.3.22	15,000	-	5,000	75,000	-	Unrated	-
Haq Bahu Sugar Mill Sukuk – 1	9.3.23	10,000	-	5,000	50,000	-	Unrated	-
Haq Bahu Sugar Mill Sukuk – 2	9.3.24	10,000	-	5,000	50,000	-	Unrated	-
Ijarah GOP Sukuk	9.3.25	2,500	-	100,000	250,000	-	Unrated	-
					4,812,435	3,510,162		

9.3.1 These carry profit at the rate of six months KIBOR plus 35 basis points (2007: six months KIBOR plus 35 basis points) receivable on semi-annual basis with maturity in October 2012. The principal will be repaid on maturity. The rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2008, these had a market value of Rs. 259,487 (2007: Rs. 262,036).

9.3.2 These carry profit at the rate of six months KIBOR minus 25 basis points (2007: six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal will be repaid in 12 equal semi-annual installment with first installment falling due on the 54th month from the first drawdown date. The rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2008, these had a market value of Rs. 676,700 (2007: Nil).

9.3.3 These carry profit at the rate of six months KIBOR plus 40 basis points (2007: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be redeemed in eight semi-annual installments starting from May 2012. The rentals are backed by Government of Pakistan's Sovereign Guarantee.

9.3.4 These carry profit at the rate of six months KIBOR plus 40 basis points (2007: Nil) receivable on semi-annual basis with maturity in November 2015. The principal will be repaid on maturity. The rentals are backed by Government of Pakistan's Sovereign Guarantee.

9.3.5 These carry profit at the rate of three months KIBOR plus 175 basis points (2007: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2012. There is an early purchase option available to the issuer after 30 months from the date of issue.

9.3.6 These carry profit at the rate of three months KIBOR plus 200 basis points (2007: three months KIBOR plus 200 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in October 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

9.3.7 These carry profit at the rate of six months KIBOR plus 150 basis points (2007: six months KIBOR plus 150 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2015. Upto two consecutive, equal semi-annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility.

9.3.8 These carry profit at the rate of six months KIBOR plus 195 basis points (2007: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. The principal to be redeemed in eight equal semi-annual installments commencing from the 18th month from the issue date.

9.3.9 These carry profit at the rate of six months KIBOR plus 225 basis points (2007: six months KIBOR plus 225 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

9.3.10 These carry profit at the rate of three months KIBOR plus 170 basis points (2007: three months KIBOR plus 170 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

9.3.11 These carry profit at the rate of three months KIBOR plus 100 basis points (2007: three months KIBOR plus 100 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 3 years of disbursement with `No Early Payment Penalty'.

9.3.12 These carry profit at the rate of six months KIBOR plus 195 basis points (2007: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue.

9.3.13 These carry profit at the rate of six months KIBOR plus 195 basis points (2007: Nil) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue.

9.3.14 These carry profit at the rate of three months KIBOR plus 220 basis points (2007: three months KIBOR plus 220 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years of disbursement.

9.3.15 These carry profit at the rate of three months KIBOR plus 20 basis points (2007: three months KIBOR plus 20 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 1 year of disbursement.

9.3.16 These carry profit at the rate of six months KIBOR plus 180 basis points (2007: six months KIBOR plus 180 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012.

9.3.17 These carry profit at the rate of six months KIBOR plus 250 basis points (2007: six months KIBOR plus 250 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years of disbursement.

9.3.18 These carry profit at the rate of three months KIBOR plus 300 basis points (2007: Nil) receivable quarterly in arrears based on Diminishing Musharaka mechanism with maturity in May 2010.

9.3.19 These carry profit at the rate of six months KIBOR plus 125 basis points (2007: Nil) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly units. The first such unit falling due not later than the end of fifteen months from the last drawdown.

9.3.20 These carry profit at the rate of six months KIBOR plus 10 basis points (2007: Nil) receivable semi-annually. The first payment shall fall due at the end of six months from the issue date with maturity. The principal will be repaid at maturity in April 2009.

9.3.21 These carry profit at the rate of six months KIBOR plus 100 basis points (2007: Nil) receivable semi-annually and the first such profit payment will fall due from the six months from the issue date with maturity in May 2014.

9.3.22 These carry profit at the rate of three months KIBOR plus 325 basis points (2007: Nil) receivable semi annually based on Diminishing Musharaka mechanism with maturity in August 2013. The first payment shall due at the end of six months from the issue date and subsequently after every six months thereafter.

9.3.23 These carry profit at the rate of six months KIBOR plus 325 basis points (2007: Nil) receivable semi-annually, the first profit payment shall fall due at the end of six months from the issue date and subsequently after every six months thereafter based on Diminishing Musharaka mechanism with maturity in August 2011.

9.3.24 These carry profit at the rate of three months KIBOR plus 350 basis points (2007: Nil) receivable quarterly, the first profit payment shall fall due at the end of three months from the issue date and subsequently after every three months thereafter, based on Diminishing Musharaka mechanism with maturity in October 2009.

9.3.25 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills plus 45 basis points. The principal will be redeemed on maturity. These are backed by Government of Pakistan Sovereign Guarantee.

9.4 Details of investments in Mutual Funds

Name of the investee Fund	2008	2007	2008	2007	2008	2007	2008	2007
	Number of Units		Mark value (Rupees in '000)		Cost (Rupees in '000)		Entity rating Long term/short term	
Units								
NAFA Islamic Income Fund	-	7,500,000	-	75,000	-	75,000	-	MFR-5 Star
Meezan Islamic Investment Fund	-	1,436,571	-	75,975	-	75,000	-	Unrated
			-	150,975	-	150,000		

9.5 Details of investment in subsidiary

	Holding %	Net Asset value per certificate	Cost 2008	Cost 2007
			Rupees in `000	
BankIslami Modaraba Investments Limited Chief Executive Mr. Zulfiqar Ali 8,000,000 (2007: 8,000,000) Ordinary shares of Rs.10/- each	100	17.33	191,015	191,015

Net asset value per certificate is based on the unaudited financial statements for the half year ended December 31, 2008.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
10. FINANCINGS			
Financings - in Pakistan			
- Murabaha	10.1 & 10.2	2,363,736	581,505
- Istisn’a		184,797	31,886
- Diminishing Mushraka - Housing		682,141	179,213
- Diminishing Musharaka - Others		1,457,729	1,576,705
- Against Bills – Murabaha		3,576	6,158
- Salam		-	105,000
- Musawamah		3,387	66,362
- Financings to employees		200,664	112,592
		4,896,030	2,659,421
Net investment in Ijarah financings in Pakistan	10.4	1,791,430	1,332,819
Financings – gross		6,687,460	3,992,240
Provision for non-performing financings	10.6		
- Specific		(141,687)	(20,285)
- General		(18,242)	(9,088)
Financings - net of provision		6,527,531	3,962,867

10.1 Includes financings amounting to Rs. 254.54 million (2007: Rs. 100 million) against Murabaha under Islamic Export Refinance Scheme.

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
10.2	Murabaha sale price		6,289,235	1,447,724
	Purchase price		(6,034,051)	(1,379,461)
			255,184	68,263
	Deferred murabaha income			
	Opening balance		38,044	37,403
	Deferred during the year		255,184	68,263
	Recognised during the year		(205,644)	(67,622)
			87,584	38,044
	Murabaha receivable			
	Opening balance		581,505	359,166
	Sales during the year		6,289,235	1,447,724
	Received during the year		(4,507,004)	(1,225,385)
			2,363,736	581,505
10.3	Particulars of financings			
10.3.1	In local currency		6,687,460	3,971,820
	In foreign currency		-	20,420
			6,687,460	3,992,240
10.3.2	Short-term (for upto one year)		2,879,055	962,372
	Long-term (for over one year)		3,808,405	3,029,868
			6,687,460	3,992,240

10.4 Net investment in Ijarah financings

	2008				2007			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in `000							
Ijarah rentals receivable	382,509	1,469,483	-	1,851,992	522,415	964,952	-	1.487,367
Residual value	-	365,025	-	365,025	-	243,628	-	243,628
Minimum Ijarah payments	382,509	1,834,508	-	2,217,017	522,415	1,208,580	-	1,730,995
Future rental income	(123,508)	(302,079)	-	(425,587)	(181,265)	(216,911)	-	(398,176)
Present value of minimum Ijarah payments	259,001	1,532,429	-	1,791,430	341,150	991,669	-	1,332,819

10.5 Financings includes Rs.186,093 thousand (2007: Rs. 78,371 thousand) which have been placed under non-performing status as follows:

	2008								
	Classified Finanings			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in `000								
Category of classification									
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	
Substandard	51,168	-	51,168	12,792	-	12,792	12,792	-	12,792
Doubtful	12,059	-	12,059	6,029	-	6,029	6,029	-	6,029
Loss	122,866	-	122,866	122,866	-	122,866	122,866	-	122,866
	186,093	-	186,093	141,687	-	141,687	141,687	-	141,687

10.5.1 SBP vide BSD Circular No. 02 dated January 02, 2009, amended Prudential Regulations in respect of provisioning against non-performing financings. The revised regulations that are effective from December 31, 2008, allow the benefit of 30% of Forced Sale Value (FSV) of pledged stocks and mortgaged commercial and residential property held as collateral by the Bank in determining the amount of provision against non-performing financings. *However, management has not taken the benefit offered by the said circular.*

10.5.2 Included in loss category are assets amounting to Rs. 118.662 million which have been classified under subjective evaluation, resulting in a provision of Rs. 118.662 million.

10.6 Particulars of provision against non-performing financings

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	20,285	9,088	29,373	-	1,001	1,001
Charge for the year	137,961	9,154	147,115	20,285	8,087	28,372
Reversals	(16,559)	-	(16,559)	-	-	-
	121,402	9,154	130,556	20,285	8,087	28,372
Closing balance	141,687	18,242	159,929	20,285	9,088	29,373

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

10.6.2 Particulars of provisions against non-performing financings

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	141,687	18,242	159,929	20,285	9,088	29,373
In foreign currency	-	-	-	-	-	-
	141,687	18,242	159,929	20,285	9,088	29,373

10.7 No financings have been written off during the year.

	December 31, 2008	December 31, 2007
	Rupees in `000	
10.8 Particulars of financings to directors, associated companies etc.		
Financings due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
Balance at beginning of year	112,592	30,061
Financing granted during the year	128,827	99,629
Repayments	(40,754)	(17,098)
Balance at end of year	200,665	112,592
Financings due by subsidiary companies, controlled firms, managed modarabas and other related parties		
Balance at beginning of year	189,000	-
Financing granted during the year	-	189,000
Repayments	(189,000)	-
Balance at end of year	-	189,000
	200,665	301,592

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	

11. OPERATING FIXED ASSETS

	Note	December 31, 2008	December 31, 2007
Capital work-in-progress	11.1	230,240	165,994
Property and equipment	11.2	1,661,035	908,441
Intangible assets	11.3	19,373	18,889
		1,910,648	1,093,324

11.1 Capital work-in-progress

	December 31, 2008	December 31, 2007
Civil works	-	510
Equipments	39,648	12,698
Advances to suppliers and contractors	190,592	152,786
	230,240	165,994

11.2 Property and equipment

2008

	COST			DEPRECIATION				
	As at January 01, 2008	Additions / (deletions)	As at December 31, 2008	As at January 01, 2008	Charge / (deletions)	As at December 31, 2008	Book value as at December 31, 2008	Rate of depreciation %
	Rupees in `000							
Building on leasehold land	608,626	124,917	733,543	19,869	31,146	51,015	682,528	5
Furniture and fixture	157,412	391,919	549,331	16,707	32,116	48,823	500,508	10
Electrical, office and computer equipments	162,487	361,630	524,042	44,030	82,481	126,447	397,595	25
		(75)			(64)			
Vehicles	75,957	41,788	108,345	15,435	17,468	27,941	80,404	20
		(9,400)			(4,962)			
	1,004,482	920,254	1,915,261	96,041	163,211	254,226	1,661,035	
		(9,475)			(5,026)			

2007

	COST			DEPRECIATION				
	As at January 01, 2007	Additions / (deletions)	As at December 31, 2007	As at January 01, 2007	Charge / (deletions)	As at December 31, 2007	Book value as at December 31, 2007	Rate of depreciation %
	Rupees in `000							
Building on leasehold land	231,756	376,870	608,626	7,039	12,830	19,869	588,757	5
Furniture and fixture	91,097	66,385	157,412	5,075	11,634	16,707	140,705	10
		(70)			(2)			
Electrical, office and computer equipments	89,263	73,307	162,487	11,415	32,634	44,030	118,457	25
		(83)			(19)			
Vehicles	37,590	41,001	75,957	8,287	8,319	15,435	60,522	20
		(2,634)			(1,171)			
	449,706	557,563	1,004,482	31,816	65,417	96,041	908,441	
		(2,787)			(1,192)			

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

11.3 Intangible assets

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

	2007							
	COST			AMORTISATION				
	As at January 01, 2007	Additions/ (deletion)	As at December 31, 2007	As at January 01, 2007	Charge / (deletion)	As at December 31, 2007	Book value as at December 31, 2007	Rate of amortisation %
	Rupees in `000							
Computer software	16,774	11,582	27,067	1,955	6,397	8,178	18,889	20
		(1,289)			(174)			

11.4 Details of Property and equipment disposed-off

The following assets were disposed-off during the year:

	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	Rupees in `000					
Vehicles						
Suzuki Mehran	437	35	402	390	Stolen	EFU Insurance Claim
Honda Civic	1,538	184	1,354	1,425	Stolen	EFU Insurance Claim
Toyota Corolla	1,304	783	521	528	Bank Policy	Adeel Siddiqui
Suzuki Cultus	637	64	573	550	Stolen	EFU Insurance Claim
Honda Civic	1,388	926	462	737	Auction	Ovais Ahmed
Honda Civic	867	636	231	552	Auction	Ovais Ahmed
Honda Civic	1,343	985	358	640	Auction	Bankisalami Modaraba Investment
Honda City	918	673	245	610	Bank Policy	Ahmed Abid - Employee
Honda Civic	967	677	290	300	Bank Policy	Farooq Anwar-Employee
Electrical, Office and Computer Equipment						
Toshiba Note Book	75	64	11	14	Bank Policy	Aqeel Siddiqui-Employee

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
12. DEFERRED TAX ASSETS			
Deferred tax credits arising due to			
Accelerated tax depreciation		(195,056)	(147,317)
Ijarah financings		(82,960)	(97,837)
Amortisation of deferred cost		(870)	(478)
Surplus on revaluation of assets		(5,626)	(4,156)
		(284,512)	(249,788)
Deferred tax debits arising in respect of			
Available tax losses		491,162	326,812
Minimum tax credit carried forward		4,775	4,004
Provision against non-performing financings		53,832	9,390
		549,769	340,206
		265,257	90,418

The above net deferred tax asset has been recognised in accordance with the Bank's accounting policy as stated in note 5.6.2 above. The management based on financial projections prepared during the year, estimates that sufficient taxable would be available in future against which this deferred tax assets could be realised.

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
13.	OTHER ASSETS			
	Profit / return accrued in local currency		342,394	200,091
	Profit / return accrued in foreign currency		77	-
	Advances, deposits, advance rent and other prepayments		159,113	82,478
	Advance against financings	13.1	153,600	132,938
	Advance taxation (payments less provision)		22,873	16,600
	Branch adjustment account		2,951	-
	Deferred costs	13.2	36,252	52,271
	Receivable from broker		-	303,723
	Insurance claim receivable		14,816	10,897
	Car Ijarah Repossession		11,048	-
	Other receivables	13.3	199,261	2,145
			942,385	801,143

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

13.2	Deferred costs			
	Balance at the beginning of the year		52,271	68,351
	Less: Amortised during the year		16,019	16,080
	Balance at the end of the year		36,252	52,271

13.3 Includes Rs. 190.781 million (2007: Nil) in respect of payment to various banks against letter of credits.

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
14.	BILLS PAYABLE			
	In Pakistan		353,646	84,998
15.	DUE TO FINANCIAL INSTITUTIONS			
	In Pakistan – local currency		245,939	70,000

15.1 Represents Musharaka contributions by SBP against Islamic Export Refinance Scheme. These carry expected profit rate of 6.5% (2007: 6.5%) per annum and are secured against collateral.

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
16.	DEPOSITS AND OTHER ACCOUNTS			
	Customers			
	Fixed deposits		6,500,115	4,929,274
	Savings deposits		2,846,686	3,598,793
	Current accounts – non-remunerative		2,865,180	1,372,978
	Margin accounts –– non-remunerative		190,461	31,431
			12,402,442	9,932,476
	Financial institutions			
	Remunerative deposits		75,268	1,806
	Non remunerative deposits		245	-
			12,477,955	9,934,282

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
16.1	Particulars of deposits			
	In local currency		12,265,687	9,861,275
	In foreign currencies		212,268	73,007
			12,477,955	9,934,282
17.	OTHER LIABILITIES			
	Profit / return payable in local currency		130,104	82,478
	Profit / return payable in foreign currency		18	-
	Unearned fees and commission		6,096	8,185
	Accrued expenses		62,972	51,730
	Deferred Murabaha Income – Financings	10.2	87,584	38,044
	Deferred Murabaha Income – Sukuk Murabaha	8.2	582	11,765
	Payable to defined benefit plan	32	18,820	9,521
	Payable to defined contribution plan		2,294	-
	Unearned rent		10,358	-
	Security deposits against Ijarah		379,357	256,750
	Sundry creditors		35,925	29,506
	Charity payable	17.1	1,852	2,824
	Retention money		28,539	10,506
	Withholding tax payable		2,178	66
	Others		52,560	12,092
			819,239	513,467
17.1	Charity fund			
	Balance at the beginning of the year		2,824	5
	Additions during the year		1,791	2,819
	Payment / utilization during the year		(2,763)	-
	Balance at the end of the year		1,852	2,824

17.1.1 During the year, management paid charity to the Citizens Foundation amounting to Rs. 2.747 million and the remaining amount to an employee of the Bank.

18. SHARE CAPITAL

18.1 Authorised capital

2008	2007		2008	2007
Number of shares			Rupees in `000	
600,000,000	600,000,000	Ordinary shares of Rs.10/- Each	6,000,000	6,000,000

18.2 Issued, subscribed and paid up capital

2008	2007		2008	2007
Number of shares			Rupees in `000	
		Ordinary shares of Rs.10 each		
		Fully paid in cash		
320,000,000	200,000,000	- Opening balance	3,200,000	2,000,000
107,967,898	120,000,000	- Issued during the year	1,079,679	1,200,000
427,967,898	320,000,000		4,279,679	3,200,000
		- Shares pending issuance		
100,000,000	-	(Refer note 18.2.1)	1,000,000	-
527,967,898	320,000,000		5,279,679	3,200,000

18.2.1 The Board of Directors of the Bank in their meeting held on August 27, 2008 approved issue of 23.37 percent right shares in order to meet the minimum capital requirement of Rs. 5 billion (net of losses) prescribed for all commercial banks by SBP to be achieved by December 31, 2008. The Bank had received the amount before the year end and the Board of Directors on December 29, 2008 allotted the shares. Legal formalities pertaining to issuance were completed subsequent to the year end.

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
19.	ADVANCE AGAINST FUTURE ISSUE OF SHARE CAPITAL			
	Opening balance		681,409	-
	Received during the year		1,398,270	1,881,409
	Share issued / pending issuance during the year		(2,079,679)	(1,200,000)
	Closing balance		-	681,409
20.	SURPLUS ON REVALUATION OF ASSETS – NET OF DEFERRED TAX			
20.1	Surplus on revaluation of available for sale securities			
	Sukuk Certificates		16,075	11,875
	Mutual Funds (Units)		-	975
			16,075	12,850
	Less: Related deferred tax liability		(5,626)	(4,156)
			10,449	8,694
21.	CONTINGENCIES AND COMMITMENTS			
21.1	Trade-related contingent liabilities			
	Import letters of credit		405,055	455,681
	Acceptances		426,982	65,477
21.2	Transaction-related contingent liabilities			
	Guarantees favoring			
	- Banks		245,000	245,000
	- Government		426,740	168,072
	- Others		104,597	82,442
21.3	Commitments in respect of promises			
	Purchase		3,670	164,140
	Sale		-	9,121
21.4	Commitments for the acquisition of operating fixed assets		32,744	146,687

21.5 Commitments in respect of financing facilities

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

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
21.6	Other commitments			
	Bills for collection		107,126	109,865
22.	PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED			
	On financings to:			
	• Customers		717,268	305,469
	• Financial institutions		50,146	100,322
			767,414	405,791
	On Investments in available for sale securities		555,423	96,080
	On deposits / placements with financial institutions		139,101	97,663
	Others		6,750	2,526
			1,468,688	602,060
23.	RETURN ON DEPOSITS AND OTHER DUES EXPENSED			
	Deposits		710,177	297,828
	Other short-term due to financial institutions		19,351	6,014
			729,528	303,842
24.	GAIN ON SALE OF SECURITIES			
	Shares – Listed		23,771	33,827
	Mutual fund units		5,527	8,075
	Sukuk certificates		1,975	90
			31,273	41,992
25.	OTHER INCOME			
	Rent on property		12,531	-
	Gain on termination of Ijarah financing		1,833	2,043
	Gain on disposal of property and equipment		1,297	124
	Others		6,074	1,587
			21,735	3,754
26.	ADMINISTRATIVE EXPENSES			
	Salaries, allowances and other benefits		335,305	178,968
	Charge for defined benefit plan	32	9,879	7,037
	Contribution to defined contribution plan		13,410	6,330
	Non-executive directors' fees		1,350	1,350
	Insurance on consumer car ijarah		22,346	15,339
	Rent, taxes, insurance and electricity		160,958	56,638
	Legal and professional charges		8,145	6,645
	Communication		43,276	20,155
	Repairs and maintenance		57,576	21,952
	Stationery and printing		23,756	13,600
	Advertisement and publicity		41,265	34,758
	Auditors' remuneration	26.1	2,030	1,481
	Depreciation	11.2	163,211	65,417
	Amortisation	26.2	21,676	22,477
	CDC and share registrar services		3,621	4,667
	Entertainment expense		6,086	3,078
	Security service charges		18,739	5,674
	Brokerage and commission		15,760	11,436
	Travelling and conveyance		9,546	5,631
	Remuneration to Shariah Board		249	250
	Fees and subscription		33,711	11,140
	Vehicle running and maintenance		16,636	6,460
	Others		19,701	6,769
			1,028,232	507,252

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
26.1 Auditors' remuneration			
Audit fee		1,300	700
Review of half yearly financial statements		300	200
Special certifications and sundry advisory services		175	385
Tax services		186	75
Out-of-pocket expenses		69	121
		2,030	1,481
26.2 Amortisation			
Intangible assets	11.3	5,657	6,397
Deferred costs	13.2	16,019	16,080
		21,676	22,477
27. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		228	590
Others		5,435	2,748
		5,663	3,338
28. TAXATION			
For the year			
- Current		(87)	(4,004)
- Deferred		176,309	67,444
		176,222	63,440

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

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

	Note		December 31, 2008	December 31, 2007
			Rupees in `000	
29. BASIC AND DILUTED LOSS PER SHARE				
Loss for the year		Rupees in '000	(52,930)	(37,023)
Weighted average number of ordinary shares		Number	421,895,427	280,979,452
Basic loss per share	29.1	Rupee	(0.12)	(0.13)

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

	December 31, 2008	December 31, 2007
	Rupees in `000	
30. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	2,175,413	1,433,166
Balances with other banks	2,207,490	2,577,491
	4,382,903	4,010,657

	December 31, 2008	December 31, 2007
	Rupees in `000	

31. STAFF STRENGTH

Permanent	786	342
Temporary / on contractual basis	402	221
Total staff strength	1,188	563

32. DEFINED BENEFIT PLAN

General description

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

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

	December 31, 2008	December 31, 2007
	Rupees in `000	
Present value of defined benefit obligation	19,092	10,150
Net actuarial losses not recognised	(272)	(629)
Liability recognised in the balance sheet	18,820	9,521
Amounts charged to profit and loss account:		
Current service cost	8,864	6,619
Finance cost	1,015	367
Actuarial loss recognised	-	51
	9,879	7,037
Movement in the liability recognised in the balance sheet		
Opening balance	9,521	2,484
Expense for the year	9,879	7,037
Benefits paid	(580)	-
Closing balance	18,820	9,521
Movement in the present value of defined benefit obligation:		
Opening balance	10,150	3,669
Current service cost	8,864	6,619
Finance cost	1,015	367
Benefit paid	(580)	-
Actuarial gain	(357)	(505)
Closing balance	19,092	10,150
Actuarial loss to be recognised		
Corridor limit		
The limits of the corridor at the beginning of the year / period		
10% of obligations	1,015	367
10% of plan assets	-	-
Which works out to	1,015	367
Unrecognised actuarial losses as at the beginning of the year	(629)	(1,185)
Excess	-	(818)
Average expected remaining working lives in years	15	16
Actuarial loss to be recognised	-	(51)

	December 31, 2008	December 31, 2007
	Rupees in `000	
Unrecognised actuarial losses		
Unrecognised actuarial losses at the beginning of the year	(629)	(1,185)
Actuarial loss on obligation	357	505
Subtotal	(272)	(680)
Actuarial loss recognised	-	51
Unrecognised actuarial losses at the end of the year	(272)	(629)

Principal actuarial assumptions used are as follows:

Expected rate of increase in salary level	15%	10%
Valuation discount rate	15%	10%

Historical information:

	December 31, 2008	December 31, 2007	December 31, 2006
	Rupees in `000		
As at December 31			
Present value of defined benefit obligation	19,092	10,150	2,484
Fair value of plan assets	-	-	-
Deficit	19,092	10,150	2,484
Experience adjustment on plan liabilities	(357)	(505)	-

33. DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salary to the funded scheme every month. Equal monthly contribution by employer and employees during the year amounted to Rs. 13.410 million (2007: Rs. 6.330 million) each.

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees in `000					
Fees	-	-	1,350	1350	-	-
Managerial remuneration	8,785	6,250	-	-	92,432	41,888
Bonus	-	3,000	-	-	2,500	2,215
Charge for defined benefit plan	760	521	-	-	5,987	2,523
Salary in lieu of provident fund	878	625	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	6,595	4,189
Rent and house maintenance	270	270	-	-	25,770	10,524
Utilities	878	625	-	-	9,243	4,189
Medical	878	625	-	-	9,243	4,189
	12,449	11,916	1,350	1,350	151,770	69,717
Number of Persons	1	1	4	4	98	60

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

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of fixed-term financing, other assets, other liabilities and fixed-term deposits can not be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provisions for impairment of financing have been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to the financial statements.

The repricing and maturity profile and effective rates are stated in note 40.4.2 and 40.5.

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

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

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

	Trading & Sales	Retail Banking	Commercial Banking
		Rupees in `000	
2007			
Total income	369,438	147,429	225,475
Total expenses	558,528	77,800	206,476
Net income / (loss)	(189,090)	69,630	18,999
Segment assets (gross)	9,872,696	1,281,760	3,322,390
Segment non performing loans	-	40,978	37,393
Segment provision required	-	9,088	20,285
Segment liabilities	6,871,305	1,124,177	2,607,265
Segment return on net assets (ROA) (%)	(6.30%)	44.20%	(2.70%)
Segment cost of funds (%)	3.84%	3.84%	3.84%

37. RELATED PARTY TRANSACTIONS

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

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

	December 31, 2008	December 31, 2007
	Rupees in `000	
SUBSIDIARY		
Financings:		
At the beginning of the year	189,000	-
Disbursed during the year	-	189,000
Repaid during the year	(189,000)	-
At the end of the year	-	189,000
Deposits:		
At the beginning of the year	315,355	-
Deposit during the year	244,823	518,685
Withdrawal during the year	(559,821)	(203,330)
At the end of the year	357	315,355
Transactions, income and expenses:		
Profit earned on financing	131	10,876
Return on deposits expensed	4,526	-
Acquisition of fixed assets	-	327,600
ASSOCIATES		
Deposits:		
At the beginning of the year	36,649	98,350
Deposit during the year	493,484	863,096
Withdrawal during the year	(494,747)	(924,797)
At the end of the year	35,386	36,649
Transactions, income and expenses:		
Return on deposits expensed	4,949	9,069
KEY MANAGEMENT PERSONNEL		
Financings:		
At the beginning of the year	40,230	3,526
Disbursed during the year	19,101	40,940
Repaid during the year	(15,460)	(4,236)
At the end of the year	43,871	40,230
Deposits:		
At the beginning of the year	205	431
Deposit during the year	6,930	23,480
Withdrawal during the year	(6,812)	(23,706)
At the end of the year	323	205
Employee Benefit Plans:		
Contribution to Employees Gratuity Fund	9,879	7,037
Contribution to Employees Provident Fund	13,410	6,330
Transactions, income and expenses:		
Profit earned on financing	1,509	553
Return on deposits expensed	9	20

38. CAPITAL ASSESSMENT AND ADEQUACY

38. 1 Scope Of Applications

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

38.2 Capital Structure

Bank's regulatory capital is analyzed into three tiers

Tier 1 capital

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

Tier 2 capital

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

Tier 3 capital

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

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

		December 31, 2008	December 31, 2007
		Rupees in `000	
Regulatory Capital Base			
Tier I Capital			
Shareholders Capital		5,279,679	3,200,000
Advance For issue Of Share Capital		-	681,409
Accumulated loss		(98,307)	(45,377)
		5,181,372	3,836,032
Less: Cost of investment in subsidiary		(95,508)	(95,508)
Less: Book value of goodwill and intangibles		(19,373)	(18,889)
		5,066,491	3,721,635
Tier II Capital			
General provisions subject to 1.25% of total risk weighted assets		18,242	9,088
Less: Cost of investment in subsidiary		(95,508)	(95,508)
Total Tier II Capital		(77,266)	(86,420)
Eligible Tier III Capital		-	-
Total Regulatory Capital	(a)	4,989,225	3,635,215

38.3 Capital Adequacy

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

	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
	---------- Rupees in `000 ----------			
Credit Risk				
Portfolios subject to standardized approach (Simple)				
Corporate Portfolio	442,911	250,260	4,921,234	3,128,246
Retail Portfolio	25,546	17,868	283,847	223,355
Mortgage Portfolio	27,111	7,764	301,237	97,057
Past due financings	3,725	4,647	41,391	58,086
Claims on Banks	106,267	108,891	1,180,745	1,361,146
Investment	190,391	172,333	2,115,454	2,154,157
Fixed Assets	171,958	87,466	1,910,647	1,093,324
Others	77,865	56,803	865,171	710,033
	1,045,775	706,032	11,619,726	8,825,404
Portfolios subject to off balance sheet exposure – non market related				
Corporate Portfolio	32,955	376,461	366,167	4,705,757

	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
	---------- Rupees in `000 ----------			
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Foreign Exchange Risk	1,679	17,017	18,659	212,713
Operational Risk				
Capital Requirement for operational risks				
Operational Risk	46,931	9,442	521,460	118,022
TOTAL	1,127,340	1,108,951	12,526,012	13,861,896

		December 31, 2008	December 31, 2007
		------ Rupees in `000 ------	
Capital Adequacy Ratio			
Total eligible regulatory capital held	(a)	4,989,225	3,635,215
Total Risk Weighted Assets	(b)	12,526,012	13,861,896
Capital Adequacy Ratio	(a) / (b)	39.83%	26.22%

38.4 Capital Management

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

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs.23 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.5 billion paid up capital (net of losses) by the end of the financial year 2008.

The paid up capital of the Bank as at December 31, 2008 stood at Rs. 5.280 billion and is in compliance with SBP requirement for the said year.

In addition, the Bank was also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9% of the risk weighted exposure of the Bank. The Bank CAR as at December 31, 2008 was 39.83% of its risk weighted exposures.

39. RISK MANAGEMENT

Risk Management is the process of managing uncertainties that arises in the normal course of business activities. The risk management function is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. At the Bank, we follow an effective risk governance which commensurates well with our size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. The Bank adheres to the regulatory requirement in this respect, and conducts its business accordingly. Risk-exposure limits in compliance with regulatory and banks own internal policies have also been defined for each asset class.

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

- To be effective, control activities should be an integral part of the regular activities of the Bank.

- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and mitigation.

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

Macro Level
It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical stress testing is also performed as per SBP guidelines to review the resilience of the portfolio against adverse condition in the market.

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

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

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

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

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

39.1 Credit Risk

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

i) Price risk

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

ii) Counter party risk

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

iii) Settlement risk

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

iv) Country risk

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

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

39.1.1 Segmental information

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

39.1.1.1 Segments by class of business

	2008					
	Financings (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees In '000	Percent
Agriculture, forestry, hunting and fishing	250,000	3.7%	376,399	3.0%	-	-
Textile	1,644,862	24.6%	91,885	0.7%	450,434	25.7%
Chemical and pharmaceuticals	73,663	1.1%	42,236	0.3%	112,898	6.4%
Cement	23,250	0.3%	12,545	0.1%	245,000	14.0%
Sugar	372,986	5.6%	453	-	-	-
Footwear and leather garments	247,957	3.7%	34,663	0.3%	32,682	1.9%
Automobile and transportation equipment	170,952	2.6%	61,537	0.5%	69,063	3.9%
Education	15,702	0.2%	218,276	1.7%	-	-
Electronics and electrical appliances	5,376	0.1%	23,897	0.2%	4,092	0.2%
Production and transmission of energy	-	-	92,495	0.7%	-	-
Construction	256,589	3.8%	476,776	3.8%	43,142	2.5%
Power (electricity), gas, water, sanitary	69,353	1.0%	-	-	85,208	4.9%
Wholesale and retail trade	154,706	2.3%	369,359	3.0%	1,735	0.1%
Exports / imports	25,427	0.4%	17,053	0.1%	13,507	0.8%
Transport, storage and communication	285,189	4.3%	-	-	-	-
Financial	284,221	4.3%	75,513	0.6%	7,735	0.4%
Insurance	1,235	-	3,930	-	-	-
Services	484,577	7.2%	105,243	0.8%	63,144	3.6%
Individuals	1,481,866	22.2%	4,060,087	32.5%	-	-
Others	839,549	12.6%	*6,415,608	51.4%	623,274	35.6%
	6,687,460	100%	12,477,955	100%	1,751,914	100%

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

	2007					
	Financings (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees In '000	Percent
Agriculture, forestry, hunting and fishing	-	-	335,753	3.4%	-	-
Mining and quarrying	-	-	301,114	3.0%	-	-
Textile	801,379	20.1%	24,957	0.3%	153,074	10.6%
Chemical and pharmaceuticals	95,561	2.4%	7,522	0.1%	30,874	2.1%
Cement	88,564	2.2%	15,551	0.2%	245,000	16.9%
Sugar	309,780	7.8%	1,847	-	35,888	2.5%
Footwear and leather garments	168,042	4.2%	16,602	0.2%	37,500	2.6%
Automobile and transportation equipment	18,889	0.5%	384	-	174,272	12.0%
Education	2,020	0.1%	111,786	1.1%	-	-
Electronics and electrical appliances	7,703	0.2%	3,835	-	54,495	3.8%
Production and transmission of energy	-	-	10,004	0.10%	-	-
Construction	348,307	8.7%	1,877,152	18.9%	-	-
Power (electricity), gas, water, sanitary	63,740	1.6%	566,673	5.7%	-	-
Wholesale and retail trade	143,277	3.6%	49,740	0.50%	15,757	1.1%
Exports / imports	6,391	0.2%	2,429	0.0%	-	-
Transport, storage and communication	226,578	5.7%	36,753	0.4%	-	-
Financial	232,397	5.8%	432,956	4.4%	173,311	12.0%
Insurance	-	-	32,160	0.3%	-	-
Services	394,774	9.9%	-	-	195,972	13.5%
Individuals	155,625	3.9%	2,136,095	21.5%	-	-
Others*	929,213	23.3%	3,970,969	40%	330,342	22.9%
	3,992,240	100%	9,934,282	100%	1,446,485	100%

39.1.1.2 Segments by sector

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

	2007					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees In '000	Percent
Public / Government	-	-	514,536	5%	168,072	3%
Private	3,992,240	100%	9,419,746	95%	1,278,413	97%
	3,992,240	100%	9,934,282	100%	1,446,485	100%

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

	2008		2007	
	Rupees in '000			
	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held
Wholesale and retail trade	12,289	3,199	29,493	7,373
Chemical and pharmaceuticals	696	174	7,900	1,975
Power (electricity), gas, water, sanitary	6,683	3,341	16,323	4,081
Cement *	23,250	23,250	-	-
Automobile and Transportation equipment *	2,432	2,432	-	-
Import/Export	5,000	1,250	-	-
Construction *	69,980	69,980	-	-
Services *	30,101	18,775	-	-
Transport, Storage and Communication	9,940	2,485	-	-
Individuals	16,913	8,599	24,655	6,856
Others *	8,809	8,202	-	-
	186,093	141,687	78,371	20,285

* Provision has been made under subjective evaluation.

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

	2008		2007	
	Rupees in '000			
Public/ Government	-	-	-	-
Private	186,093	141,687	78,371	20,285
	186,093	141,687	78,371	20,285

39.1.1.5 Geographical segment analysis

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

	2007			
	Profit/(loss) before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan	(100,463)	14,447,473	3,844,726	1,446,485

39.1.2 Credit Risk: Standardized Approach

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

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

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

Exposures	Types of Exposures and ECAI's used 2008 JCR - VIS	PACRA	Others
Corporate	3	3	N/A
Banks	3	3	N/A

39.1.2.1 Credit Risk: Standardized Approach

Credit Exposures subject to Standardised approach

		2008			2007		
		(Rupees in '000)					
Exposures	Rating Catetgory	Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
Corporate	0%	-	-	-	-	-	-
	20%	37,645	-	37,645	-	-	-
	50%	55,496	-	55,496	-	-	-
	100%	-	-	-	-	-	-
	150%	-	-	-	-	-	-
	Unrated	5,100,971	215,014	4,885,957	3,271,814	143,568	3,128,246
Retail	0%	-	-	-	-	-	-
	20%	-	-	-	-	-	-
	50%	-	-	-	-	-	-
	75%	542,737	164,274	378,463	411,620	113,813	297,807
Total		5,736,849	379,288	5,357,561	3,683,434	257,381	3,426,053

CRM = Credit Risk Mitigation

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

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

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

The Bank takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 5,194.112 million is subject to the CRM of Rs. 215.014 million whereas a claim on retail portfolio of Rs. 542.737 million is subject to CRM of Rs. 164.274 million. The total benefit of Rs. 379.288 million was availed through CRM against total on-balance sheet exposure of Rs. 5,736.849 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs 1,608.375 million is subject to the CRM of Rs.188.410 million. Hence total benefit of Rs 188.410 million was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs.1, 608.375 million.

During the year, total amount of cash collateral used for CRM purposes was Rs. 567.698 as against amount of Rs 288.738 million in year 2007.The difference in the value of cash collateral is due to the changes in the exposure amounts and the resultant amount of cash collateral obtained.

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

Equity position includes the following:

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

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

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

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

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

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

39.4 Market Risk

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

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

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

39.4.1 Foreign Exchange Risk

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

The Banks / DFIs should discuss the nature and description of their foreign exchange exposures during the year.

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

	2007			
	Assets	Liabilities	Off-balance Sheet items	Net foreign currency exposure
	Rupees in `000			
Pakistan Rupee	14,316,490	10,528,853	(155,019)	3,632,618
United States Dollar	93,238	58,825	164,140	198,553
Great Britain Pound	17,413	6,257	-	11,156
Japanese Yen	770	-	-	770
Euro	19,473	8,812	(9,121)	1,540
U.A.E. Dirham	89	-	-	89
	14,447,473	10,602,747	-	3,844,726

39.4.2 Mismatch of Profit / Yield Rate Sensitive Assets and Liabilities

2008

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

2007

	Effective yield / Profit rate	Total	Exposed to Yield / Profit Risk: Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
		Rupees in `000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	1,433,166	1,433,166	-	-	-	-	-	-	-	-	-
Balances with Other banks	6.80%	2,577,491	2,577,491	-	-	-	-	-	-	-	-	-
Due from financial institutions	11.90%	625,037	-	625,037	-	-	-	-	-	-	-	-
Investments	10.91%	3,864,027	-	-	-	-	-	-	280,000	2,572,037	670,000	341,990
Financings	13.20%	3,962,867	294,477	264,733	117,591	343,421	115,340	599,943	1,912,028	111,385	203,949	-
Other assets	-	200,091	-	-	-	-	-	-	-	-	-	200,091
		12,662,679	4,305,134	889,770	117,591	343,421	115,340	599,943	2,192,028	2,683,422	873,949	542,081
Liabilities												
Bills payable	-	84,998	84,998	-	-	-	-	-	-	-	-	-
Due to financial institutions	6.70%	70,000	-	70,000	-	-	-	-	-	-	-	-
Deposits and other accounts	6.50%	9,934,282	3,820,481	800,683	366,263	1,953,041	46,620	247,224	1,295,561	-	-	1,404,409
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	130,043	-	-	-	-	-	-	-	-	-	130,043
		10,219,323	3,905,479	870,683	366,263	1,953,041	46,620	247,224	1,295,561	-	-	1,534,452
On-balance sheet gap		2,443,356	399,655	19,087	(248,672)	(1,609,620)	68,720	352,719	896,467	2,683,422	873,949	(992,371)
Total Yield / Profit Risk Sensitivity Gap			399,655	19,087	(248,672)	(1,609,620)	68,720	352,719	896,467	2,683,422	873,949	(992,371)
Cumulative Yield/Profit Risk Sensitivity Gap			399,655	418,742	170,070	(1,439,550)	(1,370,830)	(1,018,111)	(121,644)	2,561,778	3,435,727	2,443,356

39.5 Liquidity Risk

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

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

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

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

Maturities of Assets and Liabilities

2008

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 2 Years	Over 2 Years to 3 Yerars	Over 3 Years to 5 Years	Over 5 Years to 10 Years	Above 10 Years
	----- Rupees in `000 -----									
Assets										
Cash and balances with treasury banks	2,175,413	2,175,413	-	-	-	-	-	-	-	-
Balances with other banks	2,207,490	2,199,580	-	7,910	-	-	-	-	-	-
Due from financial institutions	40,351	11,804	28,547	-	-	-	-	-	-	-
Investments	5,019,525	-	-	-	-	460,000	300,000	2,162,810	1,905,700	191,015
Financings	6,527,531	927,225	798,518	994,606	158,706	342,011	573,602	1,637,473	665,421	429,969
Other assets	942,385	543,981	153,600	25,864	182,688	-	36,252	-	-	-
Operating fixed assets	1,910,648	20,911	41,822	62,733	355,705	250,931	250,931	202,629	409,229	315,757
Deferred tax assets	265,257	-	-	-	-	-	-	-	-	265,257
	19,088,600	5,878,914	1,022,487	1,091,113	697,099	1,052,942	1,160,785	4,002,912	2,980,350	1,201,99
Liabilities										
Bills payable	353,646	353,646	-	-	-	-	-	-	-	-
Due to financial institutions	245,939	728	135,980	109,231	-	-	-	-	-	-
Deposits and other accounts	12,477,955	6,476,764	879,707	647,802	1,155,743	240,384	355,522	2,417,374	304,659	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to Finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	819,239	253,928	36,507	-	128,333	-	-	400,471	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	13,896,779	7,085,066	1,052,194	757,033	1,284,076	240,384	355,522	2,817,845	304,659	-
Net assets	5,191,821	(1,206,152)	(29,707)	334,080	(586,977)	812,558	805,263	1,185,067	2,675,691	1,201,998
Share capital / Head office capital account	5,279,679									
Reserves										
Unappropriated/ Unremitted profit	(98,307)									
Surplus/(Deficit) on revaluation of assets	10,449									
	5,191,821									

2007

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 2 Years	Over 2 Years to 3 Yerars	Over 3 Years to 5 Years	Over 5 Years to 10 Years	Above 10 Years
	----- Rupees in `000 -----									
Assets										
Cash and balances with treasury banks	1,433,166	1,433,166	-	-	-	-	-	-	-	-
Balances with other banks	2,577,491	2,577,491	-	-	-	-	-	-	-	-
Due from financial institutions	625,037	-	625,037	-	-	-	-	-	-	-
Investments	3,864,027	-	150,975	-	-	-	-	280,000	2,572,037	861,015
Financings	3,962,867	294,477	264,733	117,591	343,421	115,340	599,943	1,912,028	111,385	203,949
Other assets	801,143	201,693	436,661	-	110,518	-	-	52,271	-	-
Operating fixed assets	1,093,324	8,950	17,899	26,850	219,648	107,399	107,399	106,520	214,215	284,444
Deferred tax assets	90,418	-	-	-	-	-	-	-	-	90,418
	14,447,473	4,515,777	1,495,305	144,441	673,587	222,739	707,342	2,350,819	2,897,637	1,439,826
Liabilities										
Bills payable	84,998	84,998	-	-	-	-	-	-	-	-
Due to financial institutions	70,000	-	70,000	-	-	-	-	-	-	-
Deposits and other accounts	9,934,282	5,224,890	800,683	366,263	1,953,041	46,620	247,224	1,295,561	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to Finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	513,467	154,551	44,095	48,550	-	-	-	266,271	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	10,602,747	5,464,439	914,778	414,813	1,953,041	46,620	247,224	1,561,832	-	-
Net assets	3,844,726	(948,662)	580,527	(270,372)	(1,279,454)	176,119	460,118	788,987	2,897,637	1,439,826
Share capital / Head office capital account	3,200,000									
Reserves										
Unappropriated/ Unremitted profit	(45,377)									
Advance against future issue of share capital	681,409									
Surplus/(Deficit) on revaluation of assets	8,694									
	3,844,726									

39.6 Operational Risk

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

39.7 Strategic Risk

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

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

39.8 Systemic Risk

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

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

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

39.9 Shariah Non-Compliance Risk

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

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

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Bank on March 04, 2009.

41. GENERAL

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

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

Chairman	Chief Executive Officer	Director	Director

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of BankIslami Pakistan Limited (the Bank) and its subsidiary company, BankIslami Modaraba Investments Limited (together referred to as the Group) as at December 31, 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for ten branches, which have been audited by us. The financial statements of the subsidiary were reviewed in accordance with the International Standard on Review Engagements 2410 by another firm of chartered accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the subsidiary, is based solely on the report of other auditor. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2008 and of the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Ford Rhodes Sidat Hyder & Co.

KARACHI:
March 04, 2009

Ford Rhodes Sidat Hyder & Co.
CHARTERED ACCOUNTANTS

Consolidated Balance Sheet

As at December 31, 2008

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
ASSETS			
Cash and balances with treasury banks	6	2,175,418	1,433,166
Balances with other banks	7	2,207,640	2,578,089
Due from financial institutions	8	40,351	625,037
Investments	9	4,861,883	3,686,474
Financings	10	6,527,531	3,773,867
Operating fixed assets	11	1,889,543	1,048,602
Deferred tax assets	12	276,283	97,760
Other assets	13	1,032,375	906,534
		19,011,024	14,149,529
LIABILITIES			
Bills payable	14	353,646	84,998
Due to financial institutions	15	245,939	70,000
Deposits and other accounts	16	12,412,598	9,617,735
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	818,421	541,296
		13,830,604	10,314,029
NET ASSETS		5,180,420	3,835,500
REPRESENTED BY			
Share capital	18	5,279,679	3,200,000
Reserves		-	-
Accumulated loss		(101,364)	(53,481)
		5,178,315	3,146,519
Advance against future issue of share capital	19	-	681,409
Surplus on revaluation of assets - net of deferred tax	20	2,105	7,572
		5,180,420	3,835,500
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

Chairman | Chief Executive Officer | Director | Director

Consolidated Profit and Loss Account

For the Year Ended december 31, 2008

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
Profit / return on financings, investments and placements earned	22	1,472,425	593,675
Return on deposits and other dues expensed	23	723,685	303,771
Net spread earned		748,740	289,904
Provision against non-performing financings - net	10.6	130,556	28,372
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		130,556	28,372
Net spread after provisions		618,184	261,532
OTHER INCOME			
Fee, commission and brokerage income		112,117	61,516
Dividend income		2,327	23,150
Income from dealing in foreign currencies		29,273	10,248
Gain on sale of securities	24	31,273	41,922
Unrealised Gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income	25	20,889	7,343
Total other income		195,879	144,179
		814,063	405,711
OTHER EXPENSES			
Administrative expenses	26	1,030,911	508,811
Other provisions / write offs		-	-
Other charges	27	5,663	3,338
Total other expenses		1,036,574	512,149
		(222,511)	(106,438)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(222,511)	(106,438)
Taxation - Current		(874)	(5,163)
- Prior years		-	-
- Deferred		175,502	66,474
	28	174,628	61,311
LOSS AFTER TAXATION		(47,883)	(45,127)
Accumulated loss brought forward		(53,481)	(8,354)
Accumulated loss carried forward		(101,364)	(53,481)
Basic and diluted loss per share - Rupee	29	(0.11)	(0.16)

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

Chairman | Chief Executive Officer | Director | Director

Consolidated Cash Flow Statement
For the Year Ended december 31, 2008

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(222,511)	(106,438)
Less: Dividend income		(2,327)	(23,150)
		(224,838)	(129,588)
Adjustments:			
Depreciation		161,159	65,466
Amortisation		5,676	6,397
Provision against non-performing financings		130,556	28,372
Deficit on revaluation of investments (classified as held for trading)		-	(926)
Gain on sale of fixed assets - net		(1,015)	(124)
Deferred cost amortised		16,019	16,080
		312,395	115,265
		87,557	(14,323)
(Increase) / decrease in operating assets			
Due from financial institutions		584,686	(212,906)
Held for trading securities		-	222,480
Financings		(2,884,221)	(2,843,106)
Others assets (excluding advance taxation and deferred cost)		(135,870)	(281,706)
		(2,435,405)	(3,115,238)
Increase / (decrease) in operating liabilities			
Bills payable		268,648	61,168
Due to financial institutions		175,939	20,000
Deposits and other accounts		2,794,863	7,839,727
Other liabilities - net		277,125	343,823
		3,516,575	8,264,718
		1,168,727	5,135,157
Income tax paid - net		(6,865)	(11,929)
Net cash flow from operating activities		1,161,862	5,123,228
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(1,183,897)	(3,415,244)
Investment in subsidiary		-	(187,817)
Dividend received		2,327	24,530
Investments in operating fixed assets		(1,012,505)	(545,424)
Sale proceeds of property and equipment disposed off		5,746	1,642
Net cash used in investing activities		(2,188,329)	(4,122,313)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		1,398,270	1,200,000
Advance against future issue of share capital - net off issue of shares		-	681,409
Net cash flow from financing activities		1,398,270	1,881,409
Net increase in cash and cash equivalents		371,803	2,882,324
Cash and cash equivalents at beginning of the year		4,011,255	1,128,931
Cash and cash equivalents at end of the year	30	4,383,058	4,011,255

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

Chairman	Chief Executive Officer	Director	Director

Consolidated Statement of Changes in Equity
For the Year Ended december 31, 2008

	Share capital	Accumulated loss	Total
	Rupees in `000		
Balance as at January 01, 2007	2,000,000	(8,354)	1,991,646
Issue of right shares during the year	1,200,000	-	1,200,000
Loss after taxation for the year ended December 31, 2007	-	(45,127)	(45,127)
Balance as at January 01, 2008	3,200,000	(53,481)	3,146,519
Issue of right shares during the year	1,079,679	-	1,079,679
Allotment of right shares during the year - pending issuance	1,000,000	-	1,000,000
Loss after taxation for the year ended December 31, 2008	-	(47,883)	(47,883)
Balance as at December 31, 2008	5,279,679	(101,364)	5,178,315

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

Director

Director

Consolidated Notes to the Financial Statements
For the Year Ended december 31, 2008

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprise of:

BankIslami Pakistan Limited (Holding Company)

BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The Bank commenced its operations from April 07, 2006. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with one hundred and two branches including thirty two sub branches (2007: thirty six branches) as at December 31, 2008.

1.2 During the year the Bank has issued right shares representing 207.968 million ordinary shares.

BankIslami Modaraba Investments Limited (Subsidiary company)

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

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

The financial statements of the subsidiary have been consolidated on their reviewed interim condensed financial statements for the half year ended December 31, 2008.

2. BASIS OF PRESENTATION

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

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

3. STATEMENT OF COMPLIANCE

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

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

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which have been marked to market and are carried at fair value as stated in note 9.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

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

5.2 Investments

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

Held for trading

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

Held to maturity

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

Available for sale

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

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

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

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

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

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

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

5.3 Trade date accounting

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

5.4 Financings

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

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

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

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

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

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

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

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

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

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

5.5 Operating fixed assets

5.5.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 11.2 to the consolidated financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

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

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

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

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

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

5.5.2 Capital work in progress

These are stated at cost less impairment, if any.

5.5.3 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on systematic basis to income applying the straight line method at the rate specified in note 11.3 to the consolidated financial statements.

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

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

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

5.6 Goodwill

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

5.7 Taxation

5.7.1 Current taxation

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

5.7.2 Deferred taxation

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

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

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

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

5.8 Staff retirement benefits

5.8.1 Defined benefit plan

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

5.8.2 Defined contribution plan

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

5.9 Revenue recognition

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

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

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

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

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

5.9.6 Profit on classified financing is recognised on receipt basis.

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

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

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

5.9.10 Modaraba management fee is recognised on an accrual basis.

5.10 Financial instruments

5.10.1 Financial assets and financial liabilities

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

5.10.2 Offsetting of financial instruments

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

5.10.3 Derivatives

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

5.11 Related party transactions

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

5.12 Foreign currency transactions

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

5.13 Fiduciary assets

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

5.14 Provisions

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

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

5.15 Deferred costs

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

5.16 Impairment

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

5.17 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment reporting format have been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by SBP vide BSD Circular No. 04 of 2006 dated February 17, 2006.

5.18 Accounting judgments and estimates

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

The estimates/judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The changes in estimates made during the year and impact on the consolidated financial statements are disclosed in note 10.5.1. The estimates, judgments and assumptions that have significant effect on the consolidated financial statements are as follows:

	Note
Classification of investments	5.2 & 9
Useful lives of assets and methods of depreciation	5.5 & 11
Deferred taxation	5.7.2 & 12
Provision against non-performing financings	5.4 & 10.6
Defined benefit plan	5.8.1 & 32

5.19 Accounting standards not yet effective

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

Standard or interpretation		Effective date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23	Borrowings Costs (Revised)	January 01, 2009
IAS 27	Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3	Business Combinations (Revised)	July 01, 2009
IFRS 4	Insurance Contracts	January 01, 2009
IFRS 8	Operating segments	January 01, 2009
IFRIC 13	Customer Loyalty Programs	July 01, 2009
IFRIC 15	Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17	Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 18	Transfers of Assets from Customers	July 01, 2009
IFAS 2	Ijarah	January 01, 2009

The Group considers that the above standards and interpretations except for IFAS - 2, are either not relevant or will have no material impact on its consolidated financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the consolidated financial statements to the extent that such presentation and disclosure requirements do not conflict with the format of financial statements prescribed by SBP for Banks.

IFAS - 2 would affect the accounting for Ijarah financing contract undertaken by the Group. The Standard would be applicable prospectively to such contracts entered into on or after January 01, 2009 and requires that the assets financed under ijarah arrangements be recorded as fixed assets separate from the assets in the Group's own use. The said assets will be carried at cost less depreciation and impairment, if any. The rentals from ijarah are to be recognised in the profit and loss account on a straight-line basis over the terms of the contract. Currently ijarah arrangements are accounted for by the Group in accordance with the accounting policy disclosed in note 5.4.

In addition to the above, amendments to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after January 01, 2009. The management is in the process of evaluating the impact of such amendments on the Group's consolidated financial statements for the ensuing periods.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		933,929	214,050
- foreign currency		95,300	36,313
		1,029,229	250,363
With State Bank of Pakistan in			
- local currency current accounts	6.1	781,475	1,123,034
- foreign currency deposit accounts	6.2	34,157	26,326
		815,632	1,149,360
With National Bank of Pakistan in			
- local currency current accounts		330,557	33,443
		2,175,418	1,433,166

6.1 Includes Rs. 490.766 million (2007: Rs. 618.772 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement which is to be maintained to comply with the requirements of SBP issued from time to time. Balance amount is available to the Group for its operations.

6.2 Includes Rs. 23.35 million (2007: Rs. 9.9 million) held against Cash Reserve Requirement and Special Cash Reserves Requirement. Balance amount is available to the Group for its operations. These deposits do not carry any return.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		9,806	9,748
- on deposit accounts	7.1	2,100,092	2,520,330
		2,109,898	2,530,078
Outside Pakistan			
- on current accounts		89,832	48,011
- on deposit accounts	7.2	7,910	-
		97,742	48,011
		2,207,640	2,578,089

7.1 Represents deposits with various Islamic commercial banks under Musharaka and Modaraba arrangements with maturities less than 3 months. The expected profit rates on these arrangements ranges between 13 % to 13.5 % per annum (2007: 2 % to 9.15 % per annum).

7.2 The expected profit rates on these arrangements is 3.75% (2007: Nil) per annum..

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
8. DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murabaha	8.1	40,351	-
Commodity Murabaha – local currency		-	625,037
		40,351	625,037

8.1 The Group has entered into Sukuk Murabaha arrangement under which the Group appoints its client as an agent under asset purchase agreement to purchase the underlying Sukuks from the open market on its behalf and later sells them on deferred Murabaha basis. This carries profit at the rate of 16.75% (2007: Nil) per annum.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
8.2 Murabaha sale price		1,197,413	3,401,162
Purchase price		(1,165,000)	(3,300,000)
		32,413	101,162
Deferred Murabaha income			
Opening balance		11,765	10,969
Deferred during the year		32,413	101,162
Recognised during the year		(43,596)	(100,366)
		582	11,765
Murabaha receivable			
Opening balance		625,037	412,131
Sales during the year		1,197,413	3,401,162
Received during the year		(1,782,099)	(3,188,256)
		40,351	625,037

9. INVESTMENTS

	Note	2008			2007		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
		(Rupees in '000)					
9.1 Investments by Types							
Available for sale securities							
- Sukuk Certificates	9.3	4,842,435	-	4,842,435	3,510,162	-	3,510,162
- Mutual Funds (Units)	9.4	-	-	-	150,000	-	150,000
- Modaraba Certificates	9.5	16,208	-	16,208	14,584	-	14,584
Total investments at cost		4,858,643	-	4,858,643	3,674,746	-	3,674,746
Surplus on revaluation of available for sale securities	20.1	3,240	-	3,240	11,728	-	11,728
Total investments at market value		4,861,883	-	4,861,883	3,686,474	-	3,686,474

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
9.2 Investments by segments			
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
- Sukuk Certificates	9.3	4,842,435	3,510,162
Other investments			
- Mutual Funds (Units)	9.4	-	150,000
- Modarba certificates	9.5	16,208	14,584
Total investments at cost		4,858,643	3,674,746
Surplus on revaluation of available for sale securities	20.1	3,240	11,728
Total investments at market value		4,861,883	3,686,474

9.3 Details of investment in Sukuk

Name of the investee company	Note	2008	2007	Face	2008	2007	2008	2007
		Number of Certificates		Value (Rupees)	Cost	Cost	Instrument rating	
					(Rupees in '000)			
Sukuk Certificates								
First WAPDA Sukuk	9.3.1	50,000	50,000	5,000	250,112	250,162	Unrated	Unrated
Second WAPDA Sukuk	9.3.2	134,000	134,000	5,000	670,000	670,000	Unrated	Unrated
KSEW Sukuk-1	9.3.3	38,000	38,000	5,000	190,000	190,000	Unrated	Unrated
KSEW Sukuk-2	9.3.4	92,800	-	5,000	464,000	-	Unrated	-
Pak Electron Sukuk	9.3.5	60,000	90,000	5,000	300,000	450,000	A+	Unrated
Amtex Sukuk	9.3.6	59,000	64,000	5,000	295,000	320,000	A	Unrated
Engro Chemical Sukuk	9.3.7	50,000	50,000	5,000	250,000	250,000	AA	AA
Security Leasing Sukuk	9.3.8	2,000	12,000	5,000	10,000	60,000	BBB+	A-
Shahmurad Sugar Mills Sukuk	9.3.9	250	250	1,000,000	250,000	250,000	A-	A-
Second Sitara Chemicals Sukuk	9.3.10	7,500	10,000	5,000	37,500	50,000	AA-	Unrated
Third Sitara Chemicals Sukuk	9.3.11	8,000	8,000	5,000	40,000	40,000	AA-	Unrated
Sitara Energy Sukuk - 1	9.3.12	4,083	6,000	5,000	20,413	30,000	Unrated	Unrated
Sitara Energy Sukuk - 2	9.3.13	4,000	-	5,000	20,000	-	Unrated	-
New Allied Electronics (LG) Sukuk	9.3.14	11,000	29,000	5,000	55,000	145,000	-	A-
Sui Southern Gas Company Sukuk	9.3.15	84,000	84,000	5,000	420,000	420,000	AA	AA
Kohat Cement Sukuk	9.3.16	26,082	27,000	5,000	130,410	135,000	-	A-
Eden Housing Sukuk	9.3.17	54,000	50,000	5,000	270,000	250,000	A	A
Eden Developers Sukuk	9.3.18	40,000	-	5,000	200,000	-	A-	-
Optimus Sukuk	9.3.19	50,000	-	5,000	250,000	-	A	-
LESCO Sukuk	9.3.20	42,000	-	5,000	210,000	-	Unrated	-
HBFC Sukuk	9.3.21	15,000	-	5,000	75,000	-	A+	-
Three Star Hosiery Sukuk	9.3.22	15,000	-	5,000	75,000	-	Unrated	-
Haq Bahu Sugar Mill Sukuk - 1	9.3.23	12,000	-	5,000	60,000	-	Unrated	-
Haq Bahu Sugar Mill Sukuk - 2	9.3.24	10,000	-	5,000	50,000	-	Unrated	-
Ijaraha GOP Sukuk	9.3.25	50,000	-	5,000	250,000	-	Unrated	-
					4,842,435	3,510,162		

9.3.1 These carry profit at the rate of six months KIBOR plus 35 basis points (2007: six months KIBOR plus 35 basis points) receivable on semi-annual basis with maturity in October 2012. The principal will be repaid on maturity. The rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2008, these had a market value of Rs. 259,487 (2007: Rs. 262,036).

9.3.2 These carry profit at the rate of six months KIBOR minus 25 basis points (2007: six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal will be repaid in 12 equal semi-annual installment with first installment falling due on the 54th month from the first drawdown date. The rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2008, these had a market value of Rs. 676,700 (2007: Nil).

9.3.3 These carry profit at the rate of six months KIBOR plus 40 basis points (2007: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be redeemed in eight semi-annual installments starting from May 2012. The rentals are backed by Government of Pakistan's Sovereign Guarantee.

9.3.4 These carry profit at the rate of six months KIBOR plus 40 basis points (2007: Nil) receivable on semi-annual basis with maturity in November 2015. The principal will be repaid on maturity. The rentals are backed by Government of Pakistan's Sovereign Guarantee.

9.3.5 These carry profit at the rate of three months KIBOR plus 175 basis points (2007: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2012. There is an early purchase option available to the issuer after 30 months from the date of issue.

9.3.6 These carry profit at the rate of three months KIBOR plus 200 basis points (2007: three months KIBOR plus 200 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in October 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

9.3.7 These carry profit at the rate of six months KIBOR plus 150 basis points (2007: six months KIBOR plus 150 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2015. Upto two consecutive, equal semi-annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility.

9.3.8 These carry profit at the rate of six months KIBOR plus 195 basis points (2007: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. The principal to be redeemed in eight equal semi-annual installments commencing from the 18th month from the issue date.

9.3.9 These carry profit at the rate of six months KIBOR plus 225 basis points (2007: six months KIBOR plus 225 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

9.3.10 These carry profit at the rate of three months KIBOR plus 170 basis points (2007: three months KIBOR plus 170 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years from the date of issue.

9.3.11 These carry profit at the rate of three months KIBOR plus 100 basis points (2007: three months KIBOR plus 100 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 3 years of disbursement with `No Early Payment Penalty'.

9.3.12 These carry profit at the rate of six months KIBOR plus 195 basis points (2007: six months KIBOR plus 195 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue.

9.3.13 These carry profit at the rate of six months KIBOR plus 195 basis points (2007: Nil) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue.

9.3.14 These carry profit at the rate of three months KIBOR plus 220 basis points (2007: three months KIBOR plus 220 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years of disbursement.

9.3.15 These carry profit at the rate of three months KIBOR plus 20 basis points (2007: three months KIBOR plus 20 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 1 year of disbursement.

9.3.16 These carry profit at the rate of six months KIBOR plus 180 basis points (2007: six months KIBOR plus 180 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012.

9.3.17 These carry profit at the rate of six months KIBOR plus 250 basis points (2007: six months KIBOR plus 250 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in December 2012. There is an early purchase option available to the issuer after 2 years of disbursement.

9.3.18 These carry profit at the rate of three months KIBOR plus 300 basis points (2007: Nil) receivable quarterly based on Diminishing Musharaka mechanism with maturity in May 2010.

9.3.19 These carry profit at the rate of six months KIBOR plus 125 basis points (2007: Nil) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly units. The first such unit falling due not later than the end of fifteen months from the last drawdown.

9.3.20 These carry profit at the rate of six months KIBOR plus 10 basis points (2007: Nil) receivable semi-annually. The first payment shall fall due at the end of six months from the issue date with maturity. The principal will be repaid at maturity in April 2009.

9.3.21 These carry profit at the rate of six months KIBOR plus 100 basis points (2007: Nil) receivable semi-annually and the first such profit payment will fall due from the six months from the issue date with maturity in May 2014.

9.3.22 These carry profit at the rate of three months KIBOR plus 325 basis points (2007: Nil) receivable semi annually based on Diminishing Musharaka mechanism with maturity in August 2013. The first payment shall be due at the end of six months from the issue date and subsequently after every six months thereafter.

9.3.23 These carry profit at the rate of six months KIBOR plus 325 basis points (2007: Nil) receivable semi-annually, the first profit payment shall fall due at the end of six months from the issue date and subsequently after every six months thereafter based on Diminishing Musharaka mechanism with maturity in August 2011.

9.3.24 These carry profit at the rate of three months KIBOR plus 350 basis points (2007: Nil) receivable quarterly, the first profit payment shall fall due at the end of three months from the issue date and subsequently after every three months thereafter, based on Diminishing Musharaka mechanism with maturity in October 2009.

9.3.25 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills plus 45 basis points. The principal will be redeemed on maturity. These are backed by Government of Pakistan Sovereign Guarantee.

9.4 Details of investments in Mutual Funds

Name of the investee company	2008	2007	2008	2007	2008	2007	2008	2007
	Number of Units		Market value (Rupees in '000)		Cost (Rupees in '000)		Entity rating Long term/short term	
Units								
NAFA Islamic income fund	-	7,500,000	-	75,000	-	75,000	-	MFR-5 Star
Meezan Islamic Investment Fund	-	1,436,571	-	75,975	-	75,000	-	Unrated
			-	150,975	-	150,000		

9.5 Details of investment in Modarba Certificates

Name of the investee	2008	2007	2008	2007	2008	2007	2008	2007
	Percentage holding		Number of Certificates		Market value (Rupees in '000)		Cost (Rupees in '000)	
Certificates								
Modaraba Al-Mali (related party)	13	11	2,342,177	2,039,677	3,373	13,462	16,208	14,584

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
10. FINANCINGS			
Financings - in Pakistan			
- Murabaha	10.1 & 10.2	2,363,736	581,505
- Istisn'a		184,797	31,886
- Diminishing Mushraka - Housing		682,141	179,213
- Diminishing Musharaka - Others		1,457,729	1,387,705
- Against Bills - Murabaha		3,576	6,158
- Salam		-	105,000
- Musawamah		3,387	66,362
- Financings to employees	10.8	200,664	112,592
		4,896,030	2,470,421
Net investment in Ijarah financings In Pakistan	10.4	1,791,430	1,332,819
Financings - gross		6,687,460	3,803,240
Provision for non-performing financings	10.6		
- Specific		(141,687)	(20,285)
- General		(18,242)	(9,088)
Financings - net of provision		6,527,531	3,773,867

10.1 Includes financings amounting to Rs. 254.54 million (2007: Rs. 100 million) against Murabaha under Islamic Export Refinance Scheme.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
10.2 Murabaha sale price		6,289,235	1,447,724
Purchase price		(6,034,051)	(1,379,461)
		255,184	68,263
Deferred murabaha income			
Opening balance		38,044	37,403
Deferred during the year		255,184	68,263
Recognised during the year		(205,644)	(67,622)
		87,584	38,044
Murabaha receivable			
Opening balance		581,505	359,166
Sales during the year		6,289,235	1,447,724
Received during the year		(4,507,004)	(1,225,385)
		2,363,736	581,505

10.3 Particulars of financings

10.3.1 In local currency	6,687,460	3,782,820
In foreign currency	-	20,420
	6,687,460	3,803,240
10.3.2 Short-term (for upto one year)	2,879,055	962,372
Long-term (for over one year)	3,808,405	2,840,868
	6,687,460	3,803,240

10.4 Net investment in Ijarah financings

	2008				2007			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in `000							
Ijarah rentals receivable	382,509	1,469,483	-	1,851,992	522,415	964,952	-	1,487,367
Residual value	-	365,025	-	365,025	-	243,628	-	243,628
Minimum Ijarah payments	382,509	1,834,508	-	2,217,017	522,415	1,208,580	-	1,730,995
Future rental income			-					
Present value of minimum	(123,508)	(302,079)		(425,587)	(181,265)	(216,911)	-	(398,176)
Ijarah payments	259,001	1,532,429	-	1,791,430	341,150	991,669	-	1,332,819

10.5 Financings includes Rs.186,093 thousand (2007: Rs. 78,371 thousand) which have been placed under non-performing status as follows:

	2008								
	Classified Finanings			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in `000								
Category of classification									
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	-
Substandard	51,168	-	51,168	12,792	-	12,792	12,792	-	12,792
Doubtful	12,059	-	12,059	6,029	-	6,030	6,030	-	6,030
Loss	122,866	-	122,866	122,866	-	122,865	122,865	-	122,865
	186,093	-	186,093	141,687	-	141,687	141,687	-	141,687

10.5.1 SBP vide BSD Circular No.02 dated January 02, 2009, amended Prudential Regulations in respect of provisioning against non-performing financings. The revised regulations that are effective from December 31, 2007, allow the benefit of 30% of Forced Sale Value (FSV) of pledged stocks and mortgaged commercial and residential property held as collateral by the Group in determining the amount of provision against non-performing financings. *However, management has not taken the benefit offered by the said circular*.

10.5.2 Included in loss category are assets amounting to Rs. 118.62 million which have been classified under subjective evaluation, resulting in a provision of Rs. 118.62 million.

10.6 Particulars of provision against non-performing financings

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	20,285	9,088	29,373	-	1,001	1,001
Charge for the year	137,961	9,154	147,115	20,285	8,087	28,372
Reversals	(16,559)	-	(16,559)	-	-	-
	121,402	9,154	130,556	20,285	8,087	28,372
Closing balance	141,687	18,242	159,929	20,285	9,088	29,373

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

10.6.2 Particulars of provisions against non-performing financings

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	141,687	18,242	159,929	20,285	9,088	29,373
In foreign currency	-	-	-	-	-	-
	141,687	18,242	159,929	20,285	9,088	29,373

10.7 No financings have been written off during the year.

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
Particulars of financings to directors, Associated companies etc.			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of year		112,592	30,061
Financing granted during the year		128,827	99,629
Repayments		(40,755)	(17,098)
Balance at end of year		200,664	112,592

11. OPERATING FIXED ASSETS

	Note	December 31, 2008	December 31, 2007
Capital work-in-progress	11.1	250,240	165,994
Property and equipment	11.2	1,619,930	863,719
Intangible assets	11.3	19,373	18,889
		1,889,543	1,048,602

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	

11.1 Capital work-in-progress

Civil works	20,000	510
Equipments	39,648	12,698
Advances to suppliers and contractors	190,592	152,786
	250,240	165,994

11.2 Property and equipment

2008

	COST			DEPRECIATION				
	Balance at January 01, 2008	Additions / (deletions)	Balance at December 31, 2008	Balance at January 01, 2008	Charge/ acquired from subsidiary*/ (adjustment)	Balance at December 31, 2008	Book value at December 31, 2008	Rate of depreciation %
	Rupees in `000							
Building	565,452	124,918	690,370	21,426	28,988	50,414	637,956	5
Furniture and fixture	158,098	391,918	550,016	17,384	32,120	49,504	500,512	10
Electrical, office and computer equipments	162,609	361,798 (75)	524,332	44,152	82,476 (64)	126,564	397,768	25
Vehicles	75,957	43,184 (9,400)	109,741	15,435	17,574 (4,962)	28,047	81,694	20
	962,116	921,818 (9,475)	1,874,741	98,397	161,158 (5,026)	254,529	1,619,930	

2007

	COST			DEPRECIATION				
	Balance at January 01, 2007	Additions / acquired from subsidiary*/ (deletions)	Balance at December 31, 2007	Balance at January 01, 2007	Charge/ acquired from subsidiary*/ (adjustment)	Balance at December 31, 2007	Book value at December 31, 2007	Rate of depreciation %
	Rupees in `000							
Building	231,756	333,696*	565,452	7,039	12,871 1,516*	21,426	544,026	5
Furniture and fixture	91,097	66,385 686* (70)	158,098	5,075	11,642 669* (2)	17,384	140,714	10
Electrical, office and computer equipments	89,263	73,307 122* (83)	162,609	11,415	32,634 122* (19)	44,152	118,457	25
Vehicles	37,590	41,001 (2,634)	75,957	8,287	8,319 (1,171)	15,435	60,522	20
	449,706	180,693 334,504* (2,787)	962,116	31,816	65,466 2,307* (1,192)	98,397	863,719	

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

11.3 Intangible assets

	2008							
	COST			AMORTISATION				
	Balance at January 01, 2008	Additions / (deletions)	Balance at December 31, 2008	Balance at January 01, 2008	Charge	Balance at December 31, 2008	Book value at December 31, 2008	Rate of amortisation %
	Rupees in `000							
Computer software	27,067	6,160	33,227	8,178	5,657	13,835	19,373	20

	2007							
	COST			AMORTISATION				
	Balance at January 01, 2007	Additions/ (deletions)	Balance at December 31, 2007	Balance at January 01, 2007	Charge / (deletion)	Balance at December 31, 2007	Book value at December 31, 2007	Rate of amortisation %
	Rupees in `000							
Computer software	16,774	11,582 (1,289)	27,067	1,955	6,397 (174)	8,178	18,889	20

11.4 Details of Property and equipment disposed-off

The following assets were disposed-off during the year:

	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	Rupees in `000					
Vehicles						
Suzuki Mehran	477	35	402	390	Stolen	EFU Insurance Claim
Honda Civic	1,538	184	1,354	1,425	Stolen	EFU Insurance Claim
Toyota Corolla	1,304	783	521	528	Group Policy	Adeel Siddiqui
Suzuki Cultus	637	64	573	550	Stolen	EFU Insurance Claim
Honda Civic	1,388	926	462	737	Auction	Ovais Ahmed
Honda Civic	867	636	231	552	Auction	Ovais Ahmed
Honda City	918	673	245	610	Group Policy	Ahmed Abid - Employee
Honda Civic	967	677	290	300	Group Policy	Farooq Anwar-Employee
Electrical, Office and Computer Equipment						
Toshiba Note Book	75	64	11	14	Group Policy	Aqeel Siddiqui-Employee

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
12. DEFERRED TAX ASSETS			
Deferred tax credits arising due to			
Accelerated tax depreciation		(195,102)	(147,317)
Ijarah financings		(82,960)	(97,837)
Amortisation of Deferred cost		(870)	(478)
Surplus on revaluation of assets		(1,135)	(4,156)
		(280,067)	(249,788)
Deferred tax debits arising in respect of			
Available tax losses		497,697	326,812
Minimum tax credit carried forward		4,777	11,346
Provision against non-performing financings		53,876	9,390
		556,350	347,548
		276,283	97,760

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

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
13.	OTHER ASSETS			
	Profit / return accrued in local currency		343,899	195,693
	Profit / return accrued in foreign currency		77	-
	Advances, deposits, advance rent and other prepayments		181,890	124,718
	Advance against financings	13.1	153,600	132,938
	Advance taxation (payments less provision)		21,997	16,005
	Branch adjustment account		2,951	-
	Deferred costs	13.2	36,252	52,271
	Goodwill	13.3	59,232	59,232
	Stamps in hand		703	544
	Receivable from broker		-	303,723
	Insurance claim receivable		14,816	10,897
	Car Ijarah Repossession		11,048	-
	Other receivable	13.4	205,910	10,513
			1,032,375	906,534

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

		Note	December 31, 2008	December 31, 2007
13.2	Deferred costs		Rupees in `000	
	Balance at the beginning of the year		52,271	68,351
	Less: Amortised during the year		16,019	16,080
	Balance at the end of the year		36,252	52,271
13.3	Goodwill			
	As at 1st January		59,232	-
	Arising on acquisition		-	59,232
			59,232	59,232
	Amortisation and impairment			
	Amortisation charge for the year		-	-
	Net book value as at December 31		59,232	59,232

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following cash generating unit:

- BankIslami Modarba Investments Limited

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

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
- BankIslami Modarba Investments Limited		59,232	59,232

Key assumptions used in value in use calculation

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

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
Discount rate - discrete period		19.4%	16.5%
Terminal growth rate		10.0%	8.0%

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

Management fees

Management fees have been assumed at 10 percent, based on prevailing industry trends and anticipated market conditions. Fee levels are based on expected fees benchmarked against comparable educational institutions.

Dividend Income

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

Discount rate

Discount rate reflect management estimates of the rate of return required for the business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the weighted average cost of capital of the Group.

Sensitivity to changes in assumptions

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

13.4 Includes Rs. 190.781 million (2007: Nil) in respect of payment to various banks against letter of credits.

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
14.	BILLS PAYABLE			
	In Pakistan		353,646	84,998
15.	DUE TO FINANCIAL INSTITUTIONS			
	In Pakistan - local currency		245,939	70,000

15.1 Represents Musharaka contributions by SBP against Islamic Export Refinance Scheme. These carry expected profit rate of 6.5% (2007: 6.5%) per annum and are secured against collateral.

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
16.	DEPOSITS AND OTHER ACCOUNTS			
	Customers			
	Fixed deposits		6,500,115	4,929,274
	Savings deposits		2,846,687	3,282,246
	Current accounts - non-remunerative		2,865,180	1,372,978
	Margin accounts - non-remunerative		190,461	31,431
			12,402,443	9,615,929
	Financial institutions			
	Remunerative deposits		9,910	1,806
	Non remunerative deposits		245	-
			10,155	1,806
			12,412,598	9,617,735

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	

16.1 Particulars of deposits

In local currency	12,200,330	9,544,728
In foreign currencies	212,268	73,007
	12,412,598	9,617,735

17. OTHER LIABILITIES

	Note	December 31, 2008	December 31, 2007
Profit / return payable in local currency		127,625	78,080
Profit / return payable in foreign currency		-	-
Unearned fees and commission		6,096	13,135
Accrued expenses		62,972	70,718
Deferred Murabaha Income - financings	10.2	87,584	38,044
Deferred Murabaha Income - Sukuk Murabaha	8.2	582	11,765
Payable to defined benefit plan	32	18,820	9,521
Payable to defined contribution plan		2,294	-
Unearned rent		10,358	-
Security deposits against Ijarah		379,357	256,750
Sundry creditors		37,586	37,795
Charity payable	17.1	1,852	2,824
Retention money		28,539	10,506
Withholding tax payable		2,178	66
Others		52,560	12,092
		818,421	541,296

17.1 Charity fund

Balance at the beginning of the year	2,824	5
Additions during the year	1,791	2,819
Payment / utilization during the year	(2,763)	-
Balance at the end of the year	1,852	2,824

17.1.1 During the year, management paid charity to the Citizens Foundation amounting to Rs. 2.747 million and the remaining amount to an employee of the Group.

18. SHARE CAPITAL

18.1 Authorised capital

2008	2007		2008	2007
Number of shares			Rupees in `000	
600,000,000	600,000,000	Ordinary shares of Rs.10/- Each	6,000,000	6,000,000

18.2 Issued, subscribed and paid up capital

		Ordinary shares of Rs.10 each Fully paid in cash		
320,000,000	200,000,000	- Opening balance	3,200,000	2,000,000
107,967,898	120,000,000	- Issued during the year	1,079,679	1,200,000
427,967,898	320,000,000		4,279,679	3,200,000
100,000,000	-	- Shares pending issuance (Refer note 18.2.1)	1,000,000	-
527,967,898	320,000,000		5,279,679	3,200,000

18.2.1 The Board of Directors of the Bank in their meeting held on August 27, 2008 approved issue of 23.37 percent right shares in order to meet the minimum capital requirement of Rs. 5 billion (net of losses) prescribed for all commercial banks by SBP to be achieved by December 31, 2008. The Bank had received the amount before the year end and the Board of Directors on December 29, 2008 allotted the shares. Legal formalities pertaining to issuance were completed subsequent to the year end.

	December 31, 2008	December 31, 2007
	Rupees in `000	
19. ADVANCE AGAINST FUTURE ISSUE OF SHARE CAPITAL		
Opening balance	681,409	-
Received during the year	1,398,270	1,881,409
Share issued during the year	(2,079,679)	(1,200,000)
Closing balance	-	681,409
20. SURPLUS ON REVALUATION OF ASSETS – NET OF DEFERRED TAX		
20.1 Surplus on revaluation of available for sale securities		
Sukuk Certificates	16,075	11,875
Mutual Funds (Units)	-	975
Modaraba certificates	(12,835)	(1,122)
	3,240	11,728
Less: Related deferred tax liability	(1,135)	(4,156)
	2,105	7,572
21. CONTINGENCIES AND COMMITMENTS		
21.1 Trade-related contingent liabilities		
Import letters of credit	405,055	455,681
Acceptances	426,982	65,477
21.2 Transaction-related contingent liabilities		
Guarantees favoring		
- Banks	245,000	245,000
- Government	426,740	168,072
- Others	104,597	82,442
21.3 Commitments in respect of promises		
Purchase	3,670	164,140
Sale	-	9,121
21.4 Commitments for the acquisition of operating fixed assets	32,744	146,687

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

	December 31, 2008	December 31, 2007
	Rupees in `000	

21.5 Other commitments

Bills for collection	107,126	109,865

21.6 Claim against group not acknowledged as debt

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

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

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
22. PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED			
On financings to:			
• Customers		717,131	297,124
• Financial institutions		50,146	100,322
		767,277	397,446
On Investments in available for sale securities		558,206	96,080
On deposits / placements with financial institutions		140,192	97,623
Others		6,750	2,526
		1,472,425	593,675
23. RETURN ON DEPOSITS AND OTHER DUES EXPENSED			
Deposits		704,334	297,788
Other short-term due to financial institutions		19,351	5,983
		723,685	303,771
24. GAIN ON SALE OF SECURITIES			
Shares - Listed		23,771	33,827
Mutual fund units		5,527	8,075
Sukuk certificates		1,975	90
		31,273	41,992
25. OTHER INCOME			
Rent on Property		12,531	3,370
Gain on termination of Ijarah financing		1,833	2,043
Gain on disposal of property and equipment		1,015	124
Others		5,510	1,806
		20,889	7,343

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
26.	ADMINISTRATIVE EXPENSES			
	Salaries, allowances and other benefits		339,253	179,784
	Charge for defined benefit plan	32	9,879	7,037
	Contribution to defined contribution plan		13,410	6,330
	Non-executive directors' fees		1,350	1,430
	Insurance on consumer car ijarah		22,346	15,339
	Rent, taxes, insurance and electricity		161,010	56,454
	Legal and professional charges		8,246	6,696
	Communication		43,318	20,155
	Repairs and maintenance		57,661	22,699
	Stationery and printing		23,769	13,600
	Advertisement and publicity		41,353	34,758
	Auditors' remuneration	26.1	2,187	1,481
	Depreciation	11.2	161,158	65,466
	Amortisation	26.2	21,676	22,477
	CDC and share registrar services		3,670	4,667
	Entertainment expense		6,094	3,078
	Security service charges		18,739	5,674
	Brokerage and commission		15,760	11,436
	Travelling and conveyance		9,693	5,631
	Remuneration to Shariah Board		249	250
	Fees and Subscription		33,724	11,140
	Vehicle running and maintenance		16,636	6,460
	Others		19,730	6,769
			1,030,911	508,811
26.1	Auditors' remuneration			
	Audit fee		1,300	700
	Review of half yearly condensed financial statements		457	200
	Special certifications and sundry advisory services		175	385
	Tax services		186	75
	Out-of-pocket expenses		69	121
			2,187	1,481
26.2	Amortisation			
	Intangible assets	11.3	5,657	6,397
	Deferred costs	13.2	16,019	16,080
			21,676	22,477
27.	OTHER CHARGES			
	Penalties imposed by the State Bank of Pakistan		228	590
	Others		5,435	2,748
			5,663	3,338
28.	TAXATION			
	For the year			
	- Current		(874)	(5,163)
	- Deferred		175,502	66,474
			174,628	61,311

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

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

The income tax assessments of the subsidiary company have been finalised upto and including the assessment year 2002-2003. The income tax assessments for the tax years 2003 to 2008 have been filed under the self assessment scheme and are deemed to be finalised under section 120 of the Income Tax Ordinance, 2001.

		Note		December 31, 2008	December 31, 2007
				Rupees in `000	
29.	BASIC AND DILUTED LOSS PER SHARE				
	Loss for the year		Rupees in '000	(47,883)	(45,127)
	Weighted average number of ordinary shares		Number	421,895,427	280,979,452
	Basic loss per share	29.1	Rupee	(0.11)	(0.16)

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

		Note	December 31, 2008	December 31, 2007
			Rupees in `000	
30.	CASH AND CASH EQUIVALENTS			
	Cash and balances with treasury banks		2,175,418	1,433,166
	Balances with other banks		2,207,640	2,578,089
			4,383,058	4,011,255
			--------- Number ----------	
31.	STAFF STRENGTH			
	Permanent		786	346
	Temporary / on contractual basis		402	221
	Total staff strength		1,188	567

32. DEFINED BENEFIT PLAN

General description

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

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

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
Present value of defined benefit obligation		19,092	10,150
Net actuarial losses not recognised		(272)	(629)
Liability recognised in the balance sheet		18,820	9,521
Amounts charged to profit and loss account:			
Current service cost		8,864	6,619
Finance cost		1,015	367
Actuarial loss recognised		-	51
		9,879	7,037

	Note	December 31, 2008	December 31, 2007
		Rupees in `000	
Movement in the liability recognised in the balance sheet			
Opening balance		9,521	2,484
Expense for the year		9,879	7,037
Benefits paid		(580)	-
Closing balance		18,820	9,521
Movement in the present value of defined benefit obligation:			
Opening balance		10,150	3,669
Current service cost		8,864	6,619
Finance cost		1,015	367
Benefit paid		(580)	-
Actuarial gain		(357)	(505)
Closing balance		19,092	10,150
Actuarial loss to be recognised			
Corridor limit			
The limits of the corridor at the beginning of the year / period			
10% of obligations		1,015	367
10% of plan assets		-	-
Which works out to		1,015	367
Unrecognised actuarial losses as at the beginning of the year		(629)	(1,185)
Excess		-	(818)
Average expected remaining working lives in years		15	16
Actuarial loss to be recognised		-	(51)
Unrecognised actuarial losses			
Unrecognised actuarial losses at the beginning of the year		(629)	(1,185)
Actuarial loss on obligation		357	505
Subtotal		(272)	(680)
Actuarial loss recognised		-	51
Unrecognised actuarial losses at the end of the year		(272)	(629)
Principal actuarial assumptions used are as follows:			
Expected rate of increase in salary level		15%	10%
Valuation discount rate		15%	10%

Historical information:

	December 31, 2008	December 31, 2007	December 31, 2006
	Rupees in `000		
As at December 31			
Present value of defined benefit obligation	19,092	10,150	2,484
Fair value of plan assets	-	-	-
Deficit	19,092	10,150	2,484
Experience adjustment on plan liabilities	(357)	(505)	-

33. DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

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

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees in `000					
Fees	-	-	1,350	1350	-	-
Managerial remuneration	8,785	6,250	-	-	92,432	41,888
Bonus	-	3,000	-	-	2,500	2,215
Charge for defined benefit plan	760	521	-	-	5,987	2,523
Salary in lieu of provident fund	878	625	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	6,595	4,189
Rent and house maintenance	270	270	-	-	25,770	10,524
Utilities	878	625	-	-	9,243	4,189
Medical	878	625	-	-	9,243	4,189
	12,449	11,916	1,350	1,350	151,770	69,717
Number of Persons	1	1	4	4	98	60

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

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of fixed-term financing, other assets, other liabilities and fixed-term deposits can not be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provisions for impairment of financing have been calculated in accordance with the Group's accounting policy as stated in note 5.4 to the consolidated financial statements.

The repricing and maturity profile and effective rates are stated in note 39.4.2 and 39.4.3.

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

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking
	Rupees in `000		
2008			
Total income	811,376	253,170	603,845
Total expenses	927,318	208,224	580,733
Net income / (loss)	(115,942)	44,946	23,113
Segment assets (gross)	11,080,124	2,470,284	5,616,252
Segment non performing loans	-	(122,471)	(63,622)
Segment provision required	-	(89,270)	(52,417)
Segment liabilities	7,331,072	2,178,318	4,321,212
Segment return on net assets (ROA) (%)	(3.1%)	15.4%	1.8%
Segment cost of funds (%)	12.41%	12.41%	12.41%

	Trading & Sales	Retail Banking	Commercial Banking
	Rupees in `000		
2007			
Total income	369,438	147,429	220,987
Total expenses	564,015	79,920	200,357
Net income / (loss)	(194,577)	67,509	20,630
Segment assets (gross)	9,749,503	1,291,075	3,138,324
Segment non performing loans	-	(9,088)	(20,285)
Segment provision required	-	(9,088)	(20,285)
Segment liabilities	6,779,682	1,102,065	2,432,282
Segment return on net assets (ROA) (%)	(6.6%)	35.7%	2.9%
Segment cost of funds (%)	3.84%	3.84%	3.84%

37. RELATED PARTY TRANSACTIONS

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

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 34 are as follows:

	December 31, 2008	December 31, 2007
	Rupees in `000	
ASSOCIATES		
Deposits:		
At the Beginning of year	36,649	98,350
Deposit during the year	493,484	863,096
Withdrawal during the year	(494,747)	(924,797)
At the end of year	35,386	36,649
Transactions, income and expenses:		
Return on deposits expensed	4,949	9,069
Modaraba Management fee	-	564
Private placements of TFCs	-	177,669
KEY MANAGEMENT PERSONNEL		
Financings:		
At the Beginning of year	40,230	3,526
Disbursed during the year	19,101	40,939
Repaid during the year	(15,460)	(4,236)
At the end of year	43,871	40,229
Deposits:		
At the Beginning of year	205	431
Deposit during the year	6,930	23,480
Withdrawal during the year	(6,812)	(23,706)
At the end of year	323	205
Employee Benefit Plans:		
Contribution to Employees Gratuity Fund	9,879	7,037
Contribution to Employees Provident Fund	13,410	6,330
Transactions, income and expenses:		
Profit earned on financing	1,509	553
Return on deposits expensed	9	20

38. CAPITAL STRUCTURE

Group's regulatory capital is analyzed into three tiers

Tier 1 capital

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

Tier 2 capital

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

Tier 3 capital

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

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

		December 31, 2008	December 31, 2007
		Rupees in `000	
Regulatory Capital Base			
Tier I Capital			
Shareholders Capital		5,279,679	3,200,000
Advance For issue Of Share Capital		-	681,409
Accumulated loss		(101,364)	(53,481)
		5,178,315	3,827,928
Less: Book value of goodwill and intangibles		(78,605)	(78,121)
Less: Deficit on account of revaluation of investments held in AFS category		(12,835)	(1,122)
		5,086,875	3,748,685
Tier II Capital			
General provisions subject to 1.25% of total risk weighted assets		18,242	9,088
Total Tier II Capital		18,242	9,088
Eligible Tier III Capital		-	-
Total Regulatory Capital	(a)	5,105,117	3,757,773

38.1 Capital Adequacy

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

	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
	Rupees in `000			
Credit Risk				
Portfolios subject to standardized approach (Simple)				
Corporate Portfolio	442,911	234,788	4,921,234	2,934,848
Retail Portfolio	25,546	17,868	283,847	223,355
Mortgage Portfolio	27,111	7,765	301,237	97,057
Past due financings	3,725	4,647	41,391	58,086
Claims on Banks	106,270	108,916	1,180,775	1,361,445
Investment	167,072	151,026	1,856,351	1,887,827
Fixed Assets	170,084	83,888	1,889,823	1,048,602
Others	86,417	66,173	960,190	827,164
	1,029,136	675,071	11,434,848	8,438,384
Portfolios subject to off balance sheet exposure - non market related				
Corporate Portfolio	32,955	376,461	366,167	4,705,757

	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
	Rupees in `000			
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Foreign Exchange Risk	1,679	17,017	18,659	212,713
Operational Risk				
Capital Requirement for operational risks				
Operational Risk	46,559	9,442	517,320	118,022
TOTAL	1,110,329	1,077,991	12,336,994	13,474,876

		December 31, 2008	December 31, 2007
		Rupees in `000	
Capital Adequacy Ratio			
Total eligible regulatory capital held	(a)	5,105,117	3,757,773
Total Risk Weighted Assets	(b)	12,336,994	13,474,876
Capital Adequacy Ratio	(a) / (b)	41.38%	27.89%

38.2 Capital Management

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

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for Groups / Development Finance Institutions to be raised to Rs.23 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.5 billion paid up capital (net of losses) by the end of the financial year 2008.

The paid up capital of the Group as at December 31, 2008 stood at Rs. 5.280 billion and is in compliance with SBP requirement for the said year.

In addition, the Group was also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9% of the risk weighted exposure of the Group. The Group CAR as at December 31, 2008 was 41.38% of its risk weighted exposures.

39. RISK MANAGEMENT

Risk Management is the process of managing uncertainties that arises in the normal course of business activities. The risk management function is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. At the Group, we follow effective risk governance which commensurate well with our size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. The Group adheres to the regulatory requirement in this respect, and conducts its business accordingly. Risk-exposure limits in compliance with regulatory and Groups own internal policies have also been defined for each asset class.

RISK MANAGEMENT FRAMEWORK

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

- To be effective, control activities should be an integral part of the regular activities of the Group.

- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and mitigation.

Strategic Level

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

Macro Level

It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical stress testing is also performed as per SBP guidelines to review the resilience of the portfolio against adverse condition in the market.

Micro Level

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

RISK APPETITE OF THE GROUP

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

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

RISK ORGANIZATION

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

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

39.1 Credit Risk

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

i) Price risk

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

ii) Counter party risk

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

iii) Settlement risk

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

iv) Country risk

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

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

39.1.1 Segmental information

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

39.1.1 Segments by class of business

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

	2007					
	Financings (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees In '000	Percent
Agriculture, forestry, hunting and fishing	-	-	335,753	3.49%	-	-
Mining and quarrying	-	-	301,114	3.13%	-	-
Textile	801,379	21.07%	24,957	0.26%	153,074	10.6%
Chemical and pharmaceuticals	95,561	2.51%	7,522	0.08%	30,874	2.1%
Cement	88,564	2.33%	15,550	0.16%	245,000	16.9%
Sugar	309,780	8.15%	1,847	0.02%	35,888	2.5%
Footwear and leather garments	168,042	4.42%	16,602	0.17%	37,500	2.6%
Automobile and transportation equipment	18,889	0.5%	384	0.00%	174,272	12.0%
Education	2,020	0.05%	111,786	1.16%	-	-
Electronics and electrical appliances	7,703	0.2%	3,835	0.04%	54,495	3.8%
Production and transmission of energy	-	-	10,004	0.10%	-	-
Construction	348,307	9.16%	1,877,152	19.52%	-	-
Power (electricity), gas, water, sanitary	63,740	1.68%	566,673	5.89%	-	-
Wholesale and retail trade	143,277	3.77%	49,740	0.52%	15,757	1.1%
Exports / imports	6,391	0.17%	2,429	0.03%	-	-
Transport, storage and communication	226,578	5.96%	36,753	0.38%	-	-
Financial	43,397	1.14%	116,410	1.21%	173,311	12.0%
Insurance	-	-	32,160	0.33%	-	-
Services	394,774	10.38%	-	-	195,972	13.5%
Individuals	155,625	4.09%	2,136,095	21.21%	-	-
Others	929,213	24.43%	3,970,969	41.29%	330,342	22.9%
	3,803,240	100%	9,617,735	100%	1,446,485	100%

All those business classes should be disclosed in which concentration is equal to or exceeds 10 percent of exposure. The above classes of business are for reference purposes only and other classes can be included or deleted.

39.1.2 Segments by sector

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

	2007					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees In '000	Percent
Public / Government	-	-	514,536	5%	168,072	3%
Private	3,803,240	100%	9,103,199	95%	1,278,413	97%
	3,803,240	100%	9,617,735	100%	1,446,485	100%

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

	2008		2007	
	Rupees in '000			
	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held
Wholesale and retail trade *	12,289	3,199	29,493	7,373
Chemical and pharmaceuticals *	696	174	7,900	1,975
Power (electricity), gas, water, sanitary	6,683	3,341	16,323	4,081
Cement	23,250	23,250	-	-
Automobile and Transportation equipment	2,432	2,432	-	-
Import/Export	5,000	1,250	-	-
Construction	69,980	69,980	-	-
Services	30,101	18,775	-	-
Transport, Storage and Communication	9,940	2,485	-	-
Individuals	16,913	8,599	24,655	6,856
Others	8,809	8,202	-	-
	186,093	141,687	78,371	20,285

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

	2008		2007	
	Rupees in '000			
Public/ Government	-	-	-	-
Private	186,093	141,687	78,371	20,285
	186,093	141,687	78,371	20,285

* Provision has been made under subjective evaluation.

39.1.5 Geographical segment analysis

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

	2007			
	Profit/(loss) before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan	(106,438)	14,149,529	3,835,500	1,446,485

39.1.6 Credit Risk: Standardized Approach

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

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

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

Exposures	Types of Exposures and ECAI's used 2008 JCR - VIS	PACRA	Others
Corporate	3	3	N/A
Banks	3	3	N/A

39.1.6.1 Credit Risk: Standardized Approach

Credit Exposures subject to Standardised approach

Exposures	Rating Catetgory	2008 Amount Outstanding	2008 Deduction CRM	2008 Net amount	2007 Amount Outstanding	2007 Deduction CRM	2007 Net amount
		(Rupees in '000)					
Corporate	0%	-	-	-	-	-	-
	20%	37,645	-	37,645	-	-	-
	50%	55,496	-	55,496	-	-	-
	100%	-	-	-	-	-	-
	150%	-	-	-	-	-	-
	Unrated	5,100,971	215,014	4,885,957	3,078,416	143,568	2,934,848
Retail	0%	-	-	-	-	-	-
	20%	-	-	-	-	-	-
	50%	-	-	-	-	-	-
	75%	542,737	164,274	378,463	411,620	113,813	297,807
Total		5,736,849	379,288	5,357,561	3,490,036	257,381	3,232,655

CRM = Credit Risk Mitigation

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

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

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

The Group takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 5,194.112 million is subject to the CRM of Rs. 215.014 million whereas a claim on retail portfolio of Rs. 542.737 million is subject to CRM of Rs. 164.274 million. The total benefit of Rs. 379.288 million was availed through CRM against total on-balance sheet exposure of Rs. 5,736.849 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs 1,608.375 million is subject to the CRM of Rs.188.410 million. Hence total benefit of Rs 188.410 million was availed by the Group through CRM against total off-balance sheet, non-market related exposure of Rs.1, 608.375 million.

During the year, total amount of cash collateral used for CRM purposes was Rs. 567.698 as against amount of Rs 288.738 million in year 2007.The difference in the value of cash collateral is due to the changes in the exposure amounts and the resultant amount of cash collateral obtained

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

Equity position includes the following:

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

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

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

39.3 Yield / Profit Rate Risk in the banking book - Basel II specific

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

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

39.4 Market Risk

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

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

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

39.4.1 Foreign Exchange Risk

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

The banks / DFIs should discuss the nature and description of their foreign exchange exposures during the year.

	2008			
	Assets	Liabilities	Off-balance Sheet items	Net foreign currency exposure
	Rupees in `000			
Pakistan Rupee	18,783,749	13,618,318	(3,670)	5,161,762
United States Dollar	174,790	169,779	3,670	8,681
Great Britain Pound	12,635	9,650	-	2,985
Japanese Yen	599	-	-	599
Euro	34,105	32,858	-	1,247
U.A.E Dirham	493	-	-	493
ACU	2,545	-	-	2,545
Saudi Riyal	2,108	-	-	2,108
	19,011,024	13,830,604	-	5,180,420

	2007			
	Assets	Liabilities	Off-balance Sheet items	Net foreign currency exposure
	Rupees in `000			
Pakistan Rupee	14,018,546	10,240,135	155,019	3,623,392
United States Dollar	93,238	58,825	(164,140)	198,553
Great Britain Pound	17,413	6,257	-	11,156
Japanese Yen	770	-	-	770
Euro	19,473	8,812	9,121	1,540
U.A.E Dirham	89	-	-	89
	14,149,529	10,314,029	-	3,835,500

Equity Position Risk

The Group had no significant open exposure to equities as of year end 2008.

39.4.2 Mismatch of Profit / Yield Rate Sensitive Assets and Liabilities

2008

	Effective yield / Profit rate	Total	Exposed to Yield / Profit Risk									Non-profit bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		Rupees in `000										
On-balance sheet financial instruments		-	-	-	-	-	-	-	-	-	-	-
ASSETS												
Cash and balances with treasury Banks	-	2,175,418	-	-	-	-	-	-	-	-	-	2,175,418
Balances with Other Banks	13.5%	2,207,640	2,100,092	-	7,910	-	-	-	-	-	-	99,638
Due from financial institutions	16.75%	40,351	11,804	28,547	-	-	-	-	-	-	-	-
Investments	15.48%	4,861,883	-	-	-	-	460,000	310,000	2,182,810	1,905,700	-	3,373
Financings	15.06%	6,527,531	927,223	798,501	994,474	157,918	342,011	573,602	1,637,473	665,421	429,969	939
Other assets	-	343,976	-	-	-	-	-	-	-	-	-	343,976
		16,156,799	3,039,119	827,048	1,002,384	157,918	802,011	883,602	3,820,283	2,571,121	429,969	2,623,344
Liabilities												
Bills payable	-	353,646	-	-	-	-	-	-	-	-	-	353,646
Due to financial institutions	6.50%	245,939	728	135,980	109,231	-	-	-	-	-	-	-
Deposits and other accounts	7.28%	12,412,598	3,420,521	814,707	647,802	1,155,743	240,384	355,522	2,417,374	304,659	-	3,055,886
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		236,905	-	-	-	-	-	-	-	-	-	236,905
		13,249,088	3,421,249	950,687	757,033	1,155,743	240,384	355,522	2,417,374	304,659	-	3,646,437
On-balance sheet gap		2,907,711	(382,130)	(123,639)	245,351	(997,825)	561,627	528,080	1,402,909	2,266,462	429,969	(1,023,093)
Total Yield / Profit Risk Sensitivity Gap			(382,130)	(123,639)	245,351	(997,825)	561,627	528,080	1,402,909	2,266,462	429,969	(1,023,093)
Cumulative Yield/Profit Risk Sensitivity Gap			(382,130)	(505,769)	(260,418)	(1,258,243)	(696,616)	(168,536)	1,234,373	3,500,835	3,930,804	2,907,711

2007

	Effective yield / Profit rate	Total	Exposed to Yield / Profit Risk									Non-profit bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		Rupees in `000										
On-balance sheet financial instruments		-	-	-	-	-	-	-	-	-	-	-
ASSETS												
Cash and balances with treasury Banks	-	1,433,166	1,433,166	-	-	-	-	-	-	-	-	-
Balances with Other Banks	6.80%	2,578,089	2,578,089	-	-	-	-	-	-	-	-	-
Due from financial Institutions	11.90%	625,037	-	625,037	-	-	-	-	-	-	-	-
Investments	10.91%	3,686,474	-	-	-	-	-	-	280,000	2,572,037	670,000	164,437
Financings	13.20%	3,773,867	294,477	264,733	117,591	343,421	115,340	599,943	1,723,028	111,385	203,949	
Other assets	-	906,534	-	-	-	-	-	-	-	-	-	906,534
		13,003,167	4,305,732	889,770	117,591	343,421	115,340	599,943	2,003,028	2,683,422	873,949	1,070,971
Liabilities												
Bills payable	-	84,998	84,998	-	-	-	-	-	-	-	-	-
Due to financial Institutions	6.70%	70,000	-	70,000	-	-	-	-	-	-	-	-
Deposits and other Accounts	6.50%	9,617,735	3,503,934	800,683	366,263	1,953,041	46,620	247,224	1,295,561	-	-	1,404,409
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	541,296	-	-	-	-	-	-	-	-	-	541,296
		10,314,029	3,588,932	870,683	366,263	1,953,041	46,620	247,224	1,295,561	-	-	1,945,705
On-balance sheet gap		2,689,138	716,800	19,087	(248,672)	(1,609,620)	68,720	352,719	707,467	2,683,422	873,949	(874,734)
Total Yield / Profit Risk Sensitivity Gap			716,800	19,087	(248,672)	(1,609,620)	68,720	352,719	707,467	2,683,422	873,949	(874,734)
Cumulative Yield/Profit Risk Sensitivity Gap			716,800	735,887	487,215	(1,125,405)	(1,053,685)	(700,966)	6,501	2,689,923	3,563,872	2,689,138

Liquidity Risk

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

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

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

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

39.4.3 Maturities of Assets and Liabilities

2008

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 2 Years	Over 2 Years to 3 Yerars	Over 3 Years to 5 Years	Over 5 Years to 10 Years	Above 10 Years
	Rupees in `000									
Assets										
Cash and balances with treasury banks	2,175,418	2,175,418	-	-	-	-	-	-	-	-
Balances with other banks	2,207,640	2,199,730	-	7,910	-	-	-	-	-	-
Due from financial institutions	40,351	11,804	28,547	-	-	-	-	-	-	-
Investments	4,861,883	-	-	-	-	460,000	310,000	2,182,810	1,905,700	3,373
Financings	6,527,531	927,225	798,518	994,606	158,706	342,011	573,602	1,637,473	665,421	429,969
Other assets	1,032,375	552,931	153,600	25,864	204,496	-	36,252	59,232	-	-
Operating fixed assets	1,889,543	20,771	41,542	62,313	374,586	249,253	249,253	198,957	398,096	294,772
Deferred tax assets	276,283	-	-	-	-	-	-	-	-	276,283
	19,011,024	5,887,879	1,022,207	1,090,693	737,778	1,051,264	1,169,107	4,078,472	2,969,217	1,004,397
Liabilities										
Bills payable	353,646	353,646	-	-	-	-	-	-	-	-
Due to financial institutions	245,939	728	135,980	109,231	-	-	-	-	-	-
Deposits and other accounts	12,412,598	6,476,407	814,707	647,802	1,155,743	240,384	355,522	2,417,374	304,659	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	818,421	251,449	37,586	-	128,915	-	-	400,471	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	13,830,604	7,082,230	988,273	757,033	1,284,658	240,384	355,522	2,817,845	304,659	-
Net assets	5,180,420	(1,194,351)	33,934	333,660	(546,880)	810,880	813,585	1,260,627	2,664,558	1,004,397
Share capital/ Head office capital account	5,279,679									
Reserves	-									
Unappropriated/ Unremitted profit	(101,364)									
Surplus/(Deficit) on revaluation of assets	2,105									
	5,180,420									

2007

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 2 Years	Over 2 Years to 3 Yerars	Over 3 Years to 5 Years	Over 5 Years to 10 Years	Above 10 Years
	Rupees in `000									
Assets										
Cash and balances with treasury Banks	1,433,166	1,433,166	-	-	-	-	-	-	-	-
Balances with other Banks	2,578,089	2,578,089	-	-	-	-	-	-	-	-
Due from financial institutions	625,037	-	625,037	-	-	-	-	-	-	-
Investments	3,686,474	-	164,437	-	-	-	-	280,000	2,572,037	670,000
Financings	3,773,867	294,477	264,733	117,591	343,421	115,340	599,943	1,723,028	111,385	203,949
Other assets	906,534	206,206	507,126	-	140,931	-	-	52,271	-	-
Operating fixed assets	1,048,602	8,778	17,557	26,335	218,544	105,399	105,399	102,262	203,028	261,300
Deferred tax assets	97,760	-	-	-	-	-	97,760	-	-	-
	14,149,529	4,520,716	1,578,890	143,926	702,896	220,739	803,102	2,157,561	2,886,450	1,135,249
Liabilities										
Bills payable	84,998	84,998	-	-	-	-	-	-	-	-
Due to financial institutions	70,000	-	70,000	-	-	-	-	-	-	-
Deposits and other accounts	9,617,735	4,908,343	800,683	366,263	1,953,041	46,620	247,224	1,295,561	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to Finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	541,296	174,091	52,384	48,550	-	-	-	266,271	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	10,314,029	5,167,432	923,067	414,813	1,953,041	46,620	247,224	1,561,832	-	-
Net assets	3,835,500	(646,716)	655,823	(270,887)	(1,250,145)	174,119	555,878	595,729	2,886,450	1,135,249
Share capital / Head office capital account	3,200,000									
Reserves										
Unappropriated/ Unremitted profit	(53,481)									
Advances for issue of Share Capital	681,409									
Surplus/(Deficit) on revaluation of assets	7,572									
	3,835,500									

Operational Risk

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

Strategic Risk

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

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

Systemic Risk

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

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

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

Shariah Non-Compliance Risk

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

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

40. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements have been approved by the Board of Directors of the Bank on March 04, 2009.

41. GENERAL

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

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

Chairman	Chief Executive Officer	Director	Director

Annual Report 2008

Pattern of Share Holding

No. Shareholders	Shareholding From	To	Shares Held	Total Shares Held
394	1	100	20,071	0.00%
18,885	101	500	8,752,927	1.66%
4,583	501	1,000	3,508,232	0.66%
3,076	1,001	5,000	6,335,943	1.20%
404	5,001	10,000	3,069,719	0.58%
134	10,001	15,000	1,705,561	0.32%
86	15,001	20,000	1,546,711	0.29%
42	20,001	25,000	985,343	0.19%
38	25,001	30,000	1,077,268	0.20%
21	30,001	35,000	671,740	0.13%
27	35,001	40,000	1,033,478	0.20%
8	40,001	45,000	343,068	0.06%
19	45,001	50,000	942,084	0.18%
8	50,001	55,000	422,082	0.08%
8	55,001	60,000	472,898	0.09%
4	60,001	65,000	252,962	0.05%
8	65,001	70,000	547,235	0.10%
5	70,001	75,000	370,405	0.07%
2	75,001	80,000	155,750	0.03%
4	80,001	85,000	335,887	0.06%
3	85,001	90,000	265,113	0.05%
1	90,001	95,000	94,187	0.02%
5	95,001	100,000	493,841	0.09%
4	100,001	105,000	417,136	0.08%
5	105,001	110,000	545,875	0.10%
3	120,001	125,000	369,565	0.07%
1	125,001	130,000	129,096	0.02%
3	130,001	135,000	392,680	0.07%
2	135,001	140,000	277,566	0.05%
2	145,001	150,000	300,000	0.06%
1	150,001	155,000	151,856	0.03%
2	160,001	165,000	323,253	0.06%
2	165,001	170,000	334,250	0.06%
1	170,001	175,000	171,608	0.03%
1	175,001	180,000	178,120	0.03%
2	180,001	185,000	366,165	0.07%
1	185,001	190,000	185,937	0.04%
5	195,001	200,000	1,000,000	0.19%
1	210,001	215,000	215,000	0.04%
1	215,001	220,000	216,016	0.04%
1	225,001	230,000	230,000	0.04%
2	230,001	235,000	462,828	0.09%
1	245,001	250,000	249,368	0.05%
1	260,001	265,000	262,500	0.05%
1	265,001	270,000	269,000	0.05%
1	270,001	275,000	275,000	0.05%
1	290,001	295,000	295,000	0.06%
2	295,001	300,000	600,000	0.11%
1	300,001	305,000	301,400	0.06%

No. Shareholders	Shareholding From	To	Shares Held	Total Shares Held
2	315,001	320,000	632,171	0.12%
1	335,001	340,000	337,877	0.06%
1	365,001	370,000	367,700	0.07%
1	475,001	480,000	475,175	0.09%
1	495,001	500,000	500,000	0.09%
1	500,001	505,000	500,122	0.09%
1	515,001	520,000	519,084	0.10%
1	520,001	525,000	522,808	0.10%
1	595,001	600,000	600,000	0.11%
1	615,001	620,000	618,549	0.12%
1	625,001	630,000	627,843	0.12%
1	695,001	700,000	698,000	0.13%
1	705,001	710,000	705,250	0.13%
2	780,001	785,000	1,565,624	0.30%
1	820,001	825,000	824,500	0.16%
1	985,001	990,000	989,229	0.19%
1	995,001	1,000,000	1,000,000	0.19%
1	1,040,001	1,045,000	1,043,770	0.20%
1	1,280,001	1,285,000	1,283,390	0.24%
1	1,410,001	1,415,000	1,412,500	0.27%
1	1,465,001	1,470,000	1,468,500	0.28%
1	1,545,001	1,550,000	1,550,000	0.29%
1	1,590,001	1,595,000	1,592,500	0.30%
1	1,600,001	1,605,000	1,601,943	0.30%
1	1,900,001	1,905,000	1,902,128	0.36%
1	1,950,001	1,955,000	1,951,000	0.37%
1	3,085,001	3,090,000	3,086,500	0.58%
1	3,195,001	3,200,000	3,200,000	0.61%
1	3,470,001	3,475,000	3,470,275	0.66%
1	3,755,001	3,760,000	3,760,000	0.71%
1	3,895,001	3,900,000	3,900,000	0.74%
1	4,245,001	4,250,000	4,247,000	0.80%
1	5,525,001	5,530,000	5,528,000	1.05%
1	5,700,001	5,705,000	5,702,050	1.08%
1	5,750,001	5,755,000	5,753,000	1.09%
1	5,805,001	5,810,000	5,806,125	1.10%
1	5,850,001	5,855,000	5,854,000	1.11%
1	6,600,001	6,605,000	6,603,975	1.25%
1	7,040,001	7,045,000	7,041,850	1.33%
1	7,195,001	7,200,000	7,196,000	1.36%
1	7,790,001	7,795,000	7,793,500	1.48%
1	10,020,001	10,025,000	10,021,475	1.90%
1	10,760,001	10,765,000	10,763,000	2.04%
1	15,870,001	15,875,000	15,872,500	3.01%
2	51,420,001	51,425,000	102,847,766	19.48%
1	111,255,001	111,260,000	111,256,116	21.07%
1	131,050,001	131,055,000	131,053,379	24.82%
27,863			527,967,898	100.00%

Categories of Shareholders

As at december 31, 2008

Particulars	Shareholders	Shareholding	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	4	103,477,674	19.60%
Associated Companies, undertakings and related parties	2	242,309,495	45.89%
Banks, Development Financial Institutions and Non Banking Financial Institutions	30	14,165,173	2.68%
Insurance Companies	6	6,847,845	1.30%
Modaraba and Mutual Funds	37	44,068,575	8.35%
General Public:			
a. Local	27,620	42,367,224	8.02
b. Foreign	22	45,715,143	8.66%
Others	142	29,016,769	5.50%
Total	27,863	527,967,898 *	100%

ADDITIONAL INFORMATION
AS AT DECEMBER 31, 2008

Particulars	Shareholders	Shareholding	Percentage
Associated Companies & Shareholders with more than 10% shareholding			
Jahangir Siddiqui & Co. Ltd.	1	111,256,116	21.07%
Dubai Bank PJSC	1	131,053,379	24.82%
NIT & ICP			
National Bank Of Pakistan Limited	1	249,368	0.05%
Directors, Chief Executive Officer, and their spouse and minor children			
Ahmed G.M. Randeree	1	51,423,883	9.74%
Shabir Ahmed Randeree	1	51,423,883	9.74%
Chief Justice (R) Mahboob Ahmed	1	130,829	0.025%
Hasan A. Bilgrami	1	499,079	0.095%
Public Sector Companies, Corporations, Banks, DFI's, NBFI's, Insurance Companies, Modaraba, Mutual Funds and other Organizations	214	93,848,994	17.78%
General Public	27,642	88,082,367	16.68%
Total	27,863	527,967,898 *	100%

* This includes the shares allotted on December 29, 2008 by the Board of Directors. Legal formalities pertaining to issuance were completed subsequent to year end.

Correspondent Banking Network

COUNTRY	NAME OF BANK
AUSTRALIA	COMMONWEALTH BANK OF AUSTRALIA KEB AUSTRALIA LIMITED
BAHRAIN	KOREA EXCHANGE BANK, BAHRAIN BRANCH
BANGLADESH	STANDARD CHARTERED BANK
BELARUS	JOINT-STOCK SAVINGS BANK BELARUSBANK
BELGIUM	HABIB BANK LIMITED
BRAZIL	BANCO KEB DO BRASIL S.A.
CANADA	HABIB CANADIAN BANK KOREA EXCHANGE BANK OF CANADA
CHINA	CHINA EVERBRIGHT BANK KOREA EXCHANGE BANK, BEIJING BRANCH KOREA EXCHANGE BANK, SHANGHAI BRANCH KOREA EXCHANGE BANK, TIANJIN BRANCH STANDARD CHARTERED BANK WUXI CITY COMMERCIAL BANK YANGZHOU CITY COMMERCIAL BANK ZHEJIANG CHOUZHOU COMMERCIAL BANK CO., LIMITED
FRANCE	HABIB BANK LIMITED KOREA EXCHANGE BANK UNION DE BANQUES ARABES
GERMANY	BAYERISCHE HYPO UND VEREINSBANK AG. COMMERZ BANK AG DRESDNER BANK AG KOREA EXCHANGE BANK (DEUTSCHLAND) AG
GHANA	STANDARD CHARTERED BANK GHANA LIMITED
HONG KONG	COMMONWEALTH BANK OF AUSTRALIA HABIB BANK LIMITED HBZ FINANCE LIMITED HONGKONG AND SHANGHAI BANKING CORP. KOREA EXCHANGE BANK MASHREQ BANK NATIONAL BANK OF PAKISTAN STANDARD CHARTERED BANK UNION BANK OF INDIA UNION DE BANQUES ARABES
INDIA	MASHREQ BANK STANDARD CHARTERED BANK UNION BANK OF INDIA
INDONESIA	KOREA EXCHANGE BANK DANAMON STANDARD CHARTERED BANK
IRAN	BANK MELLI IRAN BANK MILLAT BANK SADERAT IRAN
ITALY	BANCA UBAE SPA BANCO POPOLARE DI VERONA BAYERISCHE HYPO UND VERINSBANK, MILAN

JAPAN	COMMONWEALTH BANK OF AUSTRALIA KOREA EXCHANGE BANK STANDARD CHARTERED BANK UNION DE BANQUES ARABES
KENYA	GULF AFRICAN BANK LIMITED KENYA COMMERCIAL BANK LIMITED STANDARD CHARTERED BANK
KOREA	KOREA EXCHANGE BANK STANDARD CHARTERED FIRST BANK KOREA LIMITED UNION DE BANQUES ARABES
KUWAIT	COMMERCIAL BANK OF KUWAIT SAK, THE
MALAYSIA	BANK MUAMALAT MALAYSIA BERHAD EON BANK BERHAD STANDARD CHARTERED BANK MALAYSIA BERHAD
MAURITIUS	HABIB BANK LIMITED, MAURITIUS
NETHERLANDS	HABIB BANK LIMITED KOREA EXCHANGE BANK, AMSTERDAM BRANCH
NEPAL	HIMALAYAN BANK LIMITED STANDARD CHARTERED BANK
NIGERIA	PLATINUM HABIB BANK PLC
OMAN	HABIB BANK, OMAN
PAKISTAN	ALBARAKA ISLAMIC BANK B.S.C. (E.C.) ALLIED BANK LIMITED ARIF HABIB BANK LIMITED ASKARI BANK LIMITED ATLAS BANK LIMITED BANK AL HABIB LIMITED BANK ALFALAH LIMITED BANK OF KHYBER (THE) BANK OF PUNJAB (THE) DUBAI ISLAMIC BANK PAKISTAN LIMITED EMIRATES GLOBAL ISLAMIC BANK LIMITED FAYSAL BANK LIMITED FIRST DAWOOD ISLAMIC BANK LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED JS BANK LIMITED KASB BANK LIMITED MCB BANK LIMITED MEEZAN BANK LTD MY BANK LIMITED NATIONAL BANK OF PAKISTAN NIB BANK LIMITED SAMBA BANK LIMITED SONERI BANK LIMITED STANDARD CHARTERED BANK UNITED BANK LTD
PANAMA	KOREA EXCHANGE BANK
PHILIPPINE	KOREA EXCHANGE BANK
QATAR	QATAR ISLAMIC BANK UNITED BANK LIMITED

ROMANIA	ROMANIAN INTERNATIONAL BANK SA
SAUDI ARABIA	ALRAJHI BANKING & INVESTMENT CORPORATION NATIONAL COMMERCIAL BANK SAUDI HOLLANDI BANK
SINGAPORE	COMMONWEALTH BANK OF AUSTRALIA HABIB BANK LIMITED KOREA EXCHANGE BANK, SINGAPORE BRANCH STANDARD CHARTERED BANK UNION DE BANQUES ARABES
SOUTH AFRICA	HBZ BANK LIMITED
SPAIN	BANCO ESPANOL DE CREDITO (all Spanish offices) CAJA DE AHORROS DEL MEDITERRANEED
SRI LANKA	HATTON NATIONAL BANK STANDARD CHARTERED BANK
SWEDEN	SVENSKA HANDELSBANKEN
SWITZERLAND	KOREA EXCHANGE BANK (SCHWEIZ) AG UNITED BANK A.G.
TAIWAN	STANDARD CHARTERED BANK
THAILAND	KOREA EXCHANGE BANK STANDARD CHARTERED BANK
TURKEY	HABIB BANK LIMITED TEKSTIL BANKASI S.A.
U.K.	COMMONWEALTH BANK OF AUSTRALIA HABIB BANK AG ZURICH HABIB – UK PLC HABIBSONS BANK LIMITED ISLAMIC BANK OF BRITAIN PLC KOREA EXCHANGE BANK MASHREQ BANK STANDARD CHARTERED BANK
UKRAINE	CREDIT DNEPR BANK
U.S.A.	COMMONWEALTH BANK OF AUSTRALIA DEUTSCHE BANK TRUST COMPANY AMERICAS HABIB AMERICAN BANK HABIB BANK LIMITED KEB NY FINANCIAL CORPORATION MASHREQ BANK SAEHAN BANK, LOS ANGELES STANDARD CHARTERED BANK
U.A.E.	ABU DHABI COMMERCIAL BANK ABU DHABI ISLAMIC BANK DUBAI BANK PJSC HABIB BANK AG ZURICH HABIB BANK LIMITED MASHREQ BANK PSC STANDARD CHARTERED BANK
VIETNAM	ASIA COMMERCIAL BANK KOREA EXCHANGE BANK, HANOI BRANCH VIETNAM ASIA COMMERCIAL JOINT-STOCK BANK VINASIAM BANK

Branch Network*

SINDH

Main Branch Clifton (Karachi)
11th Floor, Executive Tower, Dolmen City,
Marine Drive, Block-4, Clifton, Karachi
Tel: (021) 5839906
Fax: (021) 5378373

26th Street D.H.A. Branch (Karachi)
31-C, Badar Commercial Street No.1, 26th Street,
Phase V, D.H.A. Karachi
Tel: (021) 5349244-5
Fax: (021) 5349243

Al Hilal Society Branch (Karachi)
Shop No.1 Ground floor, Jawwad Court, Plot
No. SC-11, KDA Scheme No. 7, Main University Road,
Chandni Chowk, Karachi
Tel: (021) 4860713-16, 4860728
Fax: (021) 4860704

Baloch Colony Branch (Karachi)
Plot No, SA-2/1 Block-3 Administrative Society, Karachi
Tel: (021) 4300036-42
Fax: (021) 4300043

Baqai Medical University Branch (Karachi)
51-DHTOR, Baqai Medical Centre,
Super High way, near Tool Plaza, Karachi
Tel: (021) 4410220-4410201
Fax: (021) 4410219

Burns Road Branch (Karachi)
Land Survey Sheet No. Am 51, Aritillery Maidan
Quarters, Burns Road, Karachi
Tel: (021) 2215505, 2215527, 2215689
Fax : (021) 2215480

Cloth Market Branch (Karachi)
Shop-05, Cochinwala Market,
Laxmidas Street, Karachi
Tel: (021) 2469031-35
Fax: (021) 2469030

D.H.A. Phase IV Branch (Karachi)
Plot No.36-C, Sunset Commercial Street No.2,
D.H.A. Phase IV, Karachi
Tel: (021) 5313191-7
Fax: (021) 5313190

Dhoraji Branch (Karachi)
Al-Madina Heights, Plot Survey No. 35-C/449 CP Berar
Cooperative Housing Society, Dhoraji, Karachi
Tel: (021) 4860407-10, 4860566-68
Fax: (021) 4860569

F.B. Area Branch (Karachi)
Plot No. C-6, Block 4, F.B. Area,
KDA Scheme No. 16, Karachi
Tel: (021) 6827783-7, 6364596
Fax: (021) 6364659

Gulshan-e-Maymar Branch (Karachi)
Areeba Heaven, SB-3, Sector X-II, Karachi
Tel: (021) 6833354-5
Fax: (021) 6833445

Jodia Bazar Branch (Karachi)
Ibrahim Manzil, Darya Lal Street,
Jodia Bazar, Karachi
Tel: (021) 2462488-9, 2462831-4
Fax: (021) 2416368

Karachi Stock Exchange Branch (Karachi)
Room No. 520, 5th Floor, K.S.E. Building, Karachi
Tel: (021) 2462861-67
Fax: (021) 2462490

Korangi Branch (Karachi)
Plot No. 51/9-B, Sector 15,
Korangi Industrial Area, Karachi
Tel: (021) 5114488-91
Fax: (021) 5114494

Malir Cantt Branch (Karachi)
Plot No. 35, Block-5, Cantt Bazar,
Malir Cantt, Karachi
Tel: (021) 4491481-82
Fax: (021) 4491483

Nazimabad No. 7 Branch (Karachi)
Plot No.4, Row No I, Sub Block-B, Block-III,
Nazimabad No. 7, Karachi
Tel: (021) 6707492-96
Fax: (021) 6707497

North Nazimabad Block A Branch (Karachi)
Shop No. 3A, 3B, 3C, 2B Unique Centre,
Block A, North Nazimabad, Karachi
Tel: (021) 6722504-6
Fax: (021) 6722507

North Nazimabad Branch (Karachi)
D-5, Block-L,
North Nazimabad, Karachi
Tel: (021) 6676474-75
Fax: (021) 6676488

Orangi Town Branch (Karachi)
Plot No. LS 55 & 56, ST 11-A, Sector 1,
Block D, Orangi Town, Karachi
Tel: (021)-6664031-34, 6692257-59
Fax: (021) 6662257

Power House Branch (Karachi)
ST-3 AS-28 Commercial Area, Sector 5-H,
Power House, New Karachi
Tel: (021) 6901356-9, 6901362
Fax: (021) 6901364

Rashid Minhas Road Branch (Karachi)
Plot No. FL-3/13 & 14, Block-5,
Gulshan-e-Iqbal, Karachi
Tel: (021) 4818227-9
Fax: (021) 4818135

S.I.T.E. Branch (Karachi)
Shop Nos. 8 & 9, Anum Trade Center,
E-31-B, Ghani Chowrangi, S.I.T.E., Karachi
Tel: (021) 2587661-2, 2587665
Fax: (021) 2587510

Shadman Town Branch (Karachi)
Shop No. 1-5, KDA Flats, Phase 3,
Sector 14/B, Shadman Town No.1,
North Nazimabad, Karachi
Tel: (021) 6950027-33
Fax: (021) 6950034

Shah Faisal Colony Branch (Karachi)
Shop No. 1 & 2, Plot No A/6, Shop No. 1 & 2,
Plot No. A/7 Survey No. 135, Deh Drigh Colony,
Shah Faisal Colony, Karachi
Tel: (021) 4686121-25
Fax: (021) 4686126

Shaheed-e-Millat Branch (Karachi)
Shop No. 15 & 16, Adam Arcade, B.M.C.H.S., Shaheed-
e-Millat Road, Karachi
Tel: (021) 4145305-9
Fax: (021) 4145310

Shahra-e-Faisal Branch (Karachi)
Shop No. 1, Faisal Tower, Plot No. 25/3,
Survey Sheet No. 35/1, Block 7 & 8,
Maqbool C.H.S. Ltd., Karachi
Tel: (021) 4555985-87
Fax: (021) 4555991

University Road Branch (Karachi)
Adjacent to Dolphin Bakery, Saleem Plaza,
Block 16, Gulshan-e-Iqbal,
Karachi
Tel: (021) 4801540-1
Fax: (021) 4801541

UP More Branch (Karachi)
LS-7, Street No. 8, Sub Sector 11-I,
North Karachi Township, Karachi
Tel: (021) 6950158-59-61-64-66
Fax: (021) 6950167

Gulistan-e-Jauhar Branch (Karachi)
Shop No. W-12, Eastern Pride, Block 15,
KDA Scheme 36, Gulistan-e-Johar,
Karachi
Tel: (021) 4619514-18, 4619563, 4619573-4
Fax: (021) 4619583

Saddar Branch (Karachi)
Habib Shopping Mall, Bohri Bazaar,
Raja Ghazanfar Ali Road, Karachi
Tel: (021) 5219891-94
Fax: (021) 5219895

Heerabad Branch (Hyderabad)
A/113-261, Jail Road, Heerabad,
Hyderabad
Tel: (022) 2636768-70, 2636862 -3
Fax: (022) 2636864

Auto Bahan Branch (Hyderabad)
Plot No. C-10-8, C-10- 3,
Block C, Auto Bhan Road, Hyderabad
Tel: (022) 3820301-7
Fax: (022) 3820308

Mirpurkhas Branch
New Town Station Road, Mirpur Khas
Tel: (0233) 874287
Fax: (0233) 875802

Sukkur Branch
Umar Welding Store City, Survey No. 3/21,
Station Road, Sukkur
Tel: (071) 5617322-8
Fax: (071) 5617329

Tando Allah Yar Branch
Mir Pur Khas Road,
Tando Allahyar
Tel: (022) 3891114, 3892424, 3891442, 3892443
Fax: (022) 3891699

Nawabshah Branch
City Survey No. 225
Ward A Masjid Road, Nawabshah
Tel: (0244) 330920-4, 330926-7
Fax: (0244) 330928

Larkana Branch
City Survey No.1806
Word-A Bank Square Road, Larkana
Tel: (074) 4059833-6, 4059884-6
Fax: (074) 4059887

BALOCHISTAN

Jinnah Road Branch (Quetta)
Jinnah Road, Quetta
Tel: (081) 2821743-28-46
Fax: (081) 2821650

Iqbal Road Branch (Quetta)
Shop No. 605, Khewat No. 200,
Khatooni No. 234, Ward No. 18, Urban No. 1,
Sharah-e-Iqbal, Quetta
Tel: (081) 2866510-13-36
Fax: (081) 2829739

Airport Road Branch (Quetta)
Alam Khan Chowk, Airport Road, Quetta
Tel: (081) 2864627-29, 2840114, 2840121
Fax: (081) 2840135

Kuchlak Branch (Quetta)
Chaman Road, Quetta
Tel: (081) 2891591-2
Fax: (081) 2891580

Muslimbagh Branch
Muslimbagh, Baluchistan
Tel: (0823) 669823-29
Fax: (0823) 669830

Qila Saifullah Branch
Main Junction Road, Qila Saifullah
Tel: (0823) 610895-899, 610804-806
Fax: (0823) 610806

Chaman Branch
Trench Road, Chaman
Tel: (0826) 618032-37
Fax: (0826) 618039

Pishin Branch
Bund Road, Opp Madina Hardware,
Pishin
Tel: (0826) 421384
Fax: (0826) 42187

Loralai Branch
Bhagi Bazar, Loralai
Tel: (0824) 661696-700
Fax: (0824) 661701

Zhob Branch
Market Road, Zhob
Tel: (0822) 412130-31, 412047-49
Fax: (0822) 412136

Dukki Branch
Masjid Road, Dukki
Tel: (0824) 667301-303
Fax: (0824) 667306

* including Sub Branches

PUNJAB

Jail Road Branch (Lahore)
Plot No. 5-A, House No.5, Main Gulberg Road,
Near EFU Building, Jail Road,
Lahore
Tel: (042) 5790571
Fax: (042) 5790573

Akbar Chowk Branch (Lahore)
883-D, Peco Road, Faisal Town,
Akbar Chowk, Lahore
Tel: (042) 5221731-7
Fax: (042) 5221738

Circular Road Branch (Lahore)
Circular Road, Near Mochi Gate, Lahore
Tel: (042) 7374009-15
Fax: (042) 7374016

Azam Cloth Market Branch (Lahore)
F-1207 Azam Cloth Market, Lahore
Tel: (042) 7670188, 7658602, 7670256
Fax: (042) 7658232

Badami Bagh Branch (Lahore)
23-Peco Road, Badami Bagh, Lahore
Tel: (042) 7723865-68, 7723881
Fax: (042) 7723882

Darogha wala gate Branch (Lahore)
326 G.T.Road (Link Shalimar Road),
Lahore
Tel: (042) 6530512-16
Fax: (042) 6530517

D.H.A. Y Block Branch (Lahore)
153, Y Block, D.H.A., Lahore
Tel: (042) 5692598-9, 5692637
Fax: (042) 5692499

Ferozepur Road Branch (Lahore)
Plot No. 174, Feroz Pur Road, Lahore
Tel: (042) 7524321-24-25-27-28
Fax: (042) 7524331

G-Block, D.H.A. Branch (Lahore)
47-G, Commercial Area, Phase I, Block-G,
Stadium Road, D.H.A., Lahore
Tel: (042) 5691066-72
Fax: (042) 5691073

Thokar Niaz Baig Branch (Lahore)
3/D- Nawab Town, Raiwind Road,
Thokar Niaz Baig, Lahore
Tel: (042) 5315636-40
Fax: (042) 5315641

Johar Town Branch (Lahore)
M-Block, Johar Town, Lahore
Tel: (042) 5315710
Fax: (042) 5315711

Airport Road Branch (Lahore)
Plot No. 595/8, Airport Road, Main Defence Road,
Lahore Cantt (Adjacent to Phase VIII), Lahore
Tel: (042) 5701160-64
Fax: (042) 5701165

Walton Road Branch (Lahore)
Plot 48-E, Super Town,
Walton Road, Cantt., Lahore
Tel: (042) 6603701
Fax: (042) 6603702

Gujranwala Branch
Gujranwala BX-11-75-7S-10+12,
GT Road, Gujranwala
Tel: (055) 3820511-16
Fax: (055) 3820517

Jhang Branch
95-A College Chowk, Jhang
Tel: (047) 7651401-05
Fax: (047) 7651406

Abdali Road Branch (Multan)
Abdali Road, Chowk Nawan Sher,
Multan
Tel: (061) 4500356-59
Fax: (061) 4500360

Gulgusht Branch (Multan)
Jalal Masjid Chowk, Multan
Tel: (061) 6210371- 5
Fax: (061) 6210376

Vehari Road Branch (Multan)
Vehari Road, Multan
Tel: (061) 6761900-6
Fax: (061) 6761907

SIE 1 Branch (Gujrat)
Danish Metal Work, SIE-1, Gujrat
Tel: (053) 3538010 -15
Fax: (053) 3538016

D.G. Khan Branch
Jampur Road, Near District Hospital, D.G. Khan
Tel: (064) 2473201-7
Fax: (064) 2473208

Kotwali Road Branch (Faisalabad)
P-16, Kotwali Road, Faisalabad
Tel: (041) 2412123-29
Fax: (041) 2412130

Susan Road Branch (Faisalabad)
Plot No. S-8, Madina Town,
Main Susan Road, Faisalabad
Tel: (041) 8728626-8, 8728631-08-31
Fax: (041) 8728671

Mian Channu Branch
Ghazi Mor, G.T Road, Mian Chunnu
Tel: (065) 2664001-7
Fax: (065) 2664008

Rahimyar khan Branch
21-A, Model Town, Rahim Yar Khan
Tel: (068) 588691-77
Fax: (068) 5886978

Sadiqabad Branch
Allama Iqbal Road, Opp. Ghalla Mandi,
Sadiqabad
Tel: (068) 5700594-7, 068-5800591-3-5
Fax: (068) 5800598

Sargodha Branch
65/2, Railway Road, Sargodha
Tel: (048) 3768264-68
Fax: (048) 3768269

Bhawalpur Branch
Block No. 915, Circular Road,
Bahawalpur
Tel: (062) 2732235-38
Fax: (062) 2732239

Okara Branch
69/1, M.A.Jinnah Road, Okara
Tel: (044) 2522901-6
Fax: (044) 2552907

Kashmir Road Branch (Sialkot)
B-III-116/99/2, Kashmir Road, Sialkot
Tel: (052) 4270419-20, 4270429-30, 4270439-40
Fax: (052) 4270426

Mainwali Branch
Mouza urra khel Pacca,
Main Sargodha Road, Mianwali
Tel: (0459) 237531
Fax: (0459) 237532

Sahiwal Branch
418, High Street, Sahiwal
Tel: (040) 4228284-88, 4467688,4461688
Fax: (040) 4462688

Chaklala Scheme No. 3 (Rawalpindi)
Plot No.11, Commercial Bazar,
Chaklala Scheme III, Rawalpindi
Tel: (051) 5766140-43
Fax: (051) 5766144

Satellite Town Branch (Rawalpindi)
69/B, 4th Road, Commercial Market,
Satellite Town, Rawalpindi
Tel: (051) 4572001-4
Fax: (051) 4572005

Saddar Branch (Rawalpindi)
60-Bank Road, RWP Cantt, Rawalpindi
Tel: (051) 5120381-4
Fax: (051) 5120385

Jehlum Branch
Tehsil Road, Near Shandar Chowk, Jehlum
Tel: (0544) 620503-4-8, 620584-88
Fax: (0544) 620498

Hazro Branch
Circular Road, Hazro
Tel: (057) 2310048-51
Fax: (057) 2310019

Taxila Branch
Faisal Shaheed Road, Taxila
Tel: (051) 4535055- 8
Fax: (051) 4534985

Turnol Branch
Muhammad Ayub Plaza, Main G.T Road,
Islamabad
Tel: (051) 2217022
Fax: (051) 2217021

Wah Cantt. Branch
A-12, Shahwali Colony, Mall Road, Wah Cantt
Tel: (051) 4539046-7
Fax: (051) 4539044

Chakwal Branch
Khasra No. 4516, Jhelum Road, Chakwal
Tel: (0543) 552739, 44,45,56
Fax: (0543) 552742

NWFP

Khyber Bazar Branch (Peshawar)
Shop No.6 & 7, Ground Floor, Survey No. 412/B(1)
Haji Khan Building, Opposite U Plaza
Situated at Khyber Bazar, Peshawar
Tel: (091) 92590341-6
Fax: (091) 2590347

Jamrud Road Branch (Peshawar)
Near Hotel Grand, Jamrud Road, Peshawar
Tel: (091) 5711482-4
Fax: (091) 5711489

Haripur Branch
Circular Road, Haripur
Tel: (0995) 613570-3
Fax: (0995) 613574

Mansehra Branch
Swati Arcade, Abbottabad Road,
Tehsil & District Mansehra
Tel: (0997) 307761- 4
Fax: (0997) 303479

Dera Ismail Khan Branch
West Circular Road, Near Taank Adda,
Dera Ismail Khan
Tel: (0966) 715018-9
Fax: (0966) 715021

Abottabad Branch
Abbottabad Business Complex (ABC Plaza),
Aamir Shaheed Road, Supply Bazar, Abottabad
Tel: (0992) 343959-64
Fax: (0992) 343957

Chitral Branch
Attalique Bazar, Chitral
Tel: (0943) 414501,414530,414550
Fax: (0943) 414591

Gilgit Branch
Askari Bakers, Gilgit Cantt
Tel: (05811) 57832-6
Fax: (05811) 57837

ISLAMABAD & AZAD KASHMIR

Blue Area Branch (Islamabad)
5-6, Chenab Center, Block-104-E,F-7/G-7,
Jinnah Avenue, Islamabad
Tel: (051) 2804271-74
Fax: (051) 2804275

I-9 Branch (Islamabad)
Plot No-2 E, I-9 Markaz, Islamabad.
Tel: (051) 4858403-08
Fax: (051) 4445852

I-8 Branch (Islamabad)
Executive Centre, I-8 Markaz, Islamabad
Tel: (051) 4861017, 4861029, 4861117, 4861038
Fax: (051) 4861118

F-10 Markaz Branch (Islamabad)
Plot No.6C, Insaf Plaza, F-10 Markaz, Islamabad
Tel: (051) 2222961-66
Fax: (051) 2222965

Mirpur Branch
Plot No. 2- B/3, Sub Sector A/2,
Mian Muhammad Road, Mirpur, AJK
Tel: (058610) 39701-4
Fax: (058610) 39705

Islamgarh Branch
Ground Floor, Main Kotli Road,
Islam Garh Tehsil, District Mirpur, AJK
Tel: (058612) 43971-7
Fax: (058612) 43970

* including Sub Branches

notes

Proxy Form

5th Annual General Meeting

The Company Secretary,
BankIslami Pakistan Limited,
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block - 4, Clifton,
Karachi, Pakistan

I/We ______________________________ of ______________________ being a member(s) of BankIslami Pakistan Limited and holder of ________________________________ ordinary shares as per Share Register Folio No. ____ and /or CDC Participant I.D.No. ______________ and Sub Account No. _____________________________ do hereby appoint _____________________________________ of _____________________ or failing him/her ______________________ of _____________________ as my/our proxy to vote and act for me/us on my/our behalf at the 5th Annual General Meeting of BankIslami Pakistan Limited, to be held on Saturday, March 28, 2009 at 8:00 a.m. at Regent Plaza Hotel, Shahra-e-Faisal, Karachi, and at any adjournment thereof.

Signed this _____________________ day of _____________2009

Witness:

Please affix Rupees five revenue stamp

Signature of Member(s)

Name: ___________________________

Address: _________________________

CNIC or Passport No.: ________________

NOTES:

1. Proxies in order to be effective, must be received by the company not less then 48 hours before the meeting.

2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity card or Passport with this proxy form before submission to the company.

Please affix
correct
postage

The Company Secretary

BankIslami Pakistan Limited
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan

بینک اسلامی

Our Value Added Services

24 Hour Call Centre: Just call us at 111-ISLAMI (111-475264) any time of the week.

Online Banking: Access your funds from our online network of 102 branches in 49 cities.

FREE ATM/Debit Card: Access all ATMs (MNET and 1 Link) & the facility of availing Orix terminals for fuel, dining & shopping.

FREE Internet Banking: Access your account information and transaction history at home or office 24 hours a day, 7 days a week.

eStatement: Enjoy daily, weekly, monthly or yearly statement of your account whenever and wherever required.

Safe Deposit Lockers: Enjoy safety of your valuables in strong heat resistant steel lockers with 24 hour security.

Interbank Funds Transfer: Enjoy Branchless, Cashless & Chequeless transfer of funds to your friends, relatives & business associates via ATM.

Our Products

- Islami Auto Ijarah
- Islami Current Account
- Islami Mahana Munafa Account
- Islami Amadni Certificate
- Ijarah
- Salam Financing
- Musharakah Financing
- MUSKUN - Home Financing
- Islami Bachat Account
- Islami Dollar Bachat Account
- Murabahah Financing
- Islamic Export Re-finance
- Istisna Financing
- Diminishing Musharakah Financing

BankIslami Pakistan Limited

11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton Block - 4, Karachi, Pakistan.

Tel: (92-21) 111-247-111 (111-BIP-111) Fax: (92-21) 5378373

www.bankislami.com.pk