

**DAWOOD ISLAMIC BANK LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)**  
**AS AT SEPTEMBER 30, 2008**

		<i>Unaudited</i> <i>Sep 30,</i> <i>2008</i>	<i>Audited</i> <i>Dec 31,</i> <i>2007</i>
	<i>Note</i>	<i>Rupees '000'</i>	
<b>ASSETS</b>			
Cash and balances with treasury banks		605,504	380,381
Balances with other banks		44,884	187,747
Due from financial institutions		-	725,022
Investments	5	2,083,396	1,318,657
Financing	6	5,750,066	3,723,752
Operating fixed assets	7	418,368	299,404
Deferred tax assets		-	20,065
Other assets		1,315,262	195,505
		10,217,480	6,850,533
<b>LIABILITIES</b>			
Bills payable		25,646	80,240
Due to financial institutions		780,000	
Deposits and other accounts		4,947,674	2,888,762
Sub-ordinated loans		-	
Liabilities against assets subject to finance lease		-	
Deferred tax liabilities		269	
Other liabilities		348,461	215,644
		(6,102,050)	(3,184,646)
<b>NET ASSETS</b>		<b>4,115,430</b>	<b>3,665,888</b>
<b>REPRESENTED BY</b>			
Share capital		4,001,333	3,601,200
Reserves		17,225	10,206
Unappropriated profit		68,903	40,825
		4,087,461	3,652,231
Surplus on revaluation of assets		27,969	13,657
		<b>4,115,430</b>	<b>3,665,888</b>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes from 1 to 11 form an integral part of these interim financial statements.

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

**DAWOOD ISLAMIC BANK LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2008**

	Period ended Sept. 2008	Period ended Sept. 2007	Quarter ended Sept. 2008	Quarter ended Sept. 2007
<b>Rupees in '000</b>				
Profit / Return Earned	561,770	132,766	234,458	73,847
Profit / Return Expensed	(234,480)	(10,413)	(107,828)	(9,563)
Net spread earned	327,290	122,353	126,630	64,284
Provision against consumer financing	(1,026)	(924)	(111)	(693)
Provision for diminution in the value of investments		-	-	-
Bad debts written off directly		-	-	-
	(1,026)	(924)	(111)	(693)
Net spread after provisions	326,264	121,429	126,519	63,591
<b>OTHER INCOME</b>				
Fee, Commission and Brokerage Income	11,178	19	6,482	9
Dividend Income	550	-	550	-
Income from dealing in foreign currencies	17,384	189	9,932	114
Gain / (loss) on sale of securities	-	-	-	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-	-	-
Other Income	8,579	1,543	1,146	1,357
Total other income	37,691	1,751	18,110	1,480
	363,955	123,180	144,629	65,071
<b>OTHER EXPENSES</b>				
Administrative expenses	(308,480)	(97,416)	(133,294)	(52,791)
Other provisions / write offs	-	-	-	-
Other charges (SBP Penalty)	(44)	(54)	(44)	(54)
Total other expenses	(308,524)	(97,470)	(133,338)	(52,845)
	55,431	25,710	11,291	12,226
Extra ordinary / unusual items	-	-	-	-
	55,431	25,710	11,291	12,226
<b>PROFIT BEFORE TAXATION</b>				
Taxation - Current	-	(7,530)	-	(2,456)
- Prior years	-	-	-	-
- Deferred	(20,334)	115	(4,604)	(664)
	(20,334)	(7,415)	(4,604)	(3,120)
<b>PROFIT AFTER TAXATION</b>	35,097	18,295	6,688	9,106
Unappropriated profit / (loss) brought forward	40,825	-	40,825	-
Profit available for appropriation	75,922	18,295	47,513	9,106
<b>Earnings per share - Basic</b>	0.088	0.060	0.017	0.030
<b>Earnings per share - Diluted</b>	0.088	0.060	0.017	0.030

The annexed notes from 1 to 11 form an integral part of these interim financial statements.

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<b>PRESIDENT AND CHIEF EXECUTIVE</b>	<b>DIRECTOR</b>	<b>DIRECTOR</b>	<b>DIRECTOR</b>

**DAWOOD ISLAMIC BANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008**

**Unaudited**      **Unaudited**  
**Sep 30,**      **Sep 30,**  
**2008**      **2007**  
**Rupees in '000**

**A. CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	55,431	25,710
Adjustments:		
Depreciation	35,672	15,367
Amortization	32,110	3,294
Provision against consumer financings	1,026	924
	68,808	19,585
	124,239	45,295
Increase in operating assets		
Due from financial institutions	725,022	(1,600,000)
Financing	(2,026,314)	(1,452,881)
Others assets	(1,110,506)	(59,093)
	(2,411,798)	(3,111,974)
Increase in operating liabilities		
Bills Payable	(54,594)	5,764
Due to Financial Institution	780,000	284,447
Deposits	2,058,912	1,071,179
Other liabilities	134,110	23,691
	2,918,428	1,385,081
	630,869	(1,681,598)
Income tax paid	(4,742)	(11,448)
<i>Net cash used in operating activities</i>	626,127	(1,693,046)

**B. CASH FLOWS FROM INVESTING ACTIVITIES**

Net investments in available-for-sale securities	(764,739)	(605,000)
Investments in operating fixed assets	(181,805)	(148,613)
Proceed from Sale of Fixed Assets	2,544	-
<i>Net cash used in investing activities</i>	(944,000)	(753,613)

<b>Unaudited</b>	<b>Unaudited</b>
<b>Sep 30,</b>	<b>Sep 30,</b>
<b>2008</b>	<b>2007</b>
<b>Rupees in '000</b>	

**C. CASH FLOWS FROM FINANCING ACTIVITIES**

Issue of share capital	400,133	314,547
Advance against future subscription of share capital		15,647
<i>Net cash flow from financing activities</i>	<u>400,133</u>	<u>330,194</u>
 (Decrease) / increase in cash and cash equivalents (A + B + C)	 82,260	 (2,116,465)
 Cash and cash equivalents at beginning of the period	 <u>568,128</u>	 <u>2,471,788</u>
Cash and cash equivalents at end of the period	<u>650,388</u>	<u>355,323</u>

The annexed notes from 1 to 11 form an integral part of these interim financial statements.

**PRESIDENT AND CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

**DAWOOD ISLAMIC BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2008**

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
	< ----- Rupees in '000' ----- >			
Balance as at December 31, 2006	2,686,453			2,686,453
Profit after taxation for the period	-	-	18,295	18,295
Right shares allotted	(686,453)			(686,453)
Issue of share capital	1,001,000			1,001,000
Transferred to statutory reserve	-	3,660	(3,660)	-
<b>Balance as at September 30, 2007</b>	<b>3,001,000</b>	<b>3,660</b>	<b>14,635</b>	<b>3,019,295</b>
Issue of share capital		-	-	-
Profit after taxation for the period	-	-	32,736	32,736
Right shares subscribed but not allotted	600,200	-	-	600,200
Transferred to statutory reserve	-	6,546	(6,546)	-
<b>Balance as at December 31, 2007</b>	<b>3,601,200</b>	<b>10,206</b>	<b>40,825</b>	<b>3,652,231</b>
Profit after taxation for the period	-	-	35,097	35,097
Right shares allotted		-	-	-
Transferred to statutory reserve	-	7,019	(7,019)	-
Issue of share capital	400,133	-	-	400,133
<b>Balance as at September 30, 2008</b>	<b>4,001,333</b>	<b>17,225</b>	<b>68,903</b>	<b>4,087,461</b>

The annexed notes from 1 to 11 form an integral part of these interim financial statements.

**PRESIDENT AND CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

**DAWOOD ISLAMIC BANK LIMITED**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2008**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Dawood Islamic Bank Limited (the Bank) was incorporated in Pakistan as a public limited company on August 29, 2005 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Sharia. The registered office of the Bank is situated at Saima Trade Tower, I.I Chundrigar Road, Karachi.
- 1.2** The State Bank of Pakistan (SBP) issued a "Scheduled Islamic Commercial Bank" license to the Bank on March 16, 2007 and granted approval for commencement of Islamic Banking Business on April 09, 2007. The Bank is principally engaged in commercial, consumer and investment activities. At present the Bank has eighteen branches including four sub branches.

**2. STATEMENT OF COMPLIANCE**

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standard-I, (IFAS-I) - Murabahah issued by the Institute of Chartered Accountants of Pakistan, are as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan and the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP). In case the requirements of provisions and directives issued under the Companies Ordinance 1984 and the Banking Companies Ordinance 1962 and the directives issued by the SBP differ with the requirements of these standards, the provisions of and the directives issued under the Companies Ordinance 1984 and the Banking Companies Ordinance 1962 and the directives issued by the SBP shall prevail.

The Securities and Exchange Commission of Pakistan has notified for adoption "Islamic Financial Accounting Standard-2, Ijarah (IFAS-II)" issued by the Institute of chartered Accountants of Pakistan (ICAP) which is applicable for accounting periods beginning January 01, 2008. Consequent to the issuance of IFAS-II, the six (6) fullfledged Islamic Banks approached ICAP to seek clarifications on its implementation.

Pending above clarifications, the bank has continued recognizing Ijarah transactions consistent with the policy used for the preparation of audited financial statements for the year ended December 31, 2007. During the period ended September 30, 2008 the bank has disbursed the Ijarah Financing aggregating to Rs.565.959 million.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

### 3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except for the measurement of certain financial instruments at fair value.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these unaudited interim financial statements are the same as those adopted in the preparation of financial statements of the Bank for period ending December 31, 2007.

### 5. INVESTMENTS

	September 30, 2008			December 31, 2007		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	< ----- Rupees '000' ----- >					
<b>Available-for-sale securities</b>						
Sukuk Bonds	1,705,427	-	1,705,427	1,055,000		1,055,000
Open-end Mutual Fund	350,000	-	350,000	250,000		250,000
	2,055,427	-	2,055,427	1,305,000		1,305,000
Surplus on revaluation of Mutual Fund	27,969	-	27,969	13,657		13,657
Investment at cumulative amount	2,083,396	-	2,083,396	1,318,657		1,318,657
				<b>Unaudited</b>	<b>Audited</b>	
				<b>Sep 30,</b>	<b>Dec. 31,</b>	
				<b>2008</b>	<b>2007</b>	
				<b>Rupees '000'</b>		

### 6. FINANCINGS

In Pakistan		
Morabaha	2,322,327	1,892,191
Diminishing Musharika	2,227,070	1,378,016
Ijarah	685,280	145,754
Modaraba	450,116	276,029
Staff Finance	68,157	33,620
Financing - Gross	5,752,950	3,725,610
Provision against consumer financing - General	(2,884)	(1,857)
Financing - Net of Provision	5,750,066	3,723,752

### 7. OPERATING FIXED ASSETS

Capital work in progress	58,323	18,939
Property and equipment	289,795	192,024
Intangible assets	70,250	88,442
	418,368	299,404

#### 7.1 Additions - at cost

Building	58,383	8,094
Computer equipment	29,296	3,066
Furniture, fixture and office equipment	26,447	
Vehicles	21,966	
Computer software	8,976	7,779

#### 7.2 Deletion - at cost

Computer equipment	58
Vehicles	2,259

Unaudited Sep 30, 2008	Audited Dec. 31, 2007
Rupees '000'	

## 8. CONTINGENCIES AND COMMITMENTS

### 8.1 Transactions-related contingent liabilities / commitments

#### Guarantees given in favour of :

Government	813,292
Others	5,606

### 8.2 Trade related contingencies

Import letter of credits	572,858	642,294
Acceptance	285,075	

### 8.3 Commitments for the acquisition of operating fixed assets

Building	14,782	842
Acquisition of computer hardware	9,865	31,331
Acquisition of computer software	6,258	
	30,905	32,173

### 8.4 Commitments for Forward Contracts

Sale	793,541
Purchase	852,712

## 9. RELATED PARTY TRANSACTIONS

Transactions with related parties are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties.

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

Relationship	Nature of Transactions	Sep 30, 2008	Dec. 31, 2007
			Rupees '000'
Associated Companies	Expenses incurred by associated company on behalf of the bank	-	274
	Deposits received	10,678,980	288,919
	Deposits repaid	10,730,181	278,873
	Rent paid	23,565	15,640
	Profit on Deposits	453	18
	Commodity Murabaha disbursed	1,000,000	500,000
	Commodity Murabaha repayments	(1,000,000)	(500,000)
	Income from Commodity Murabaha	772	10,895
	Security deposits paid	5	-
Gorup Company	Investment made	-	250,000
Directors	Deposits received	46,165	32,805
	Deposits repaid	45,846	23,549
	Profit on Deposits	88	93
Provident Fund	Transfer to provident fund	4,081	4,916



**10. DATE OF AUTHORIZATION FOR ISSUE**

The interim financial statements were authorized for issue on October 23, 2008 by the Board of Directors of the bank.

**11. GENERAL**

**11.1** Figures have been rounded off to the nearest thousand rupee.

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**