



# QUARTERLY REPORT

Unaudited - March 31, 2008

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## Company Information

### Board of Directors

Mr. Rafique Dawood	Chairman / Director
Mr. Ayaz Dawood	Director
Mr. Aamir Husain Khan	Director
Mr. Mohammad Tariq	Director
Mr. Azam Essof Kolia	Director
Mr. Arif M. Ali	Director
Mr. Jamil A. Qureshi	Director
Mr. Adel Yousef Al-Saqabi	Director
Mr. Shehab M. Gargash	Director
Mr. Nikolaus Schwarz	President / CEO

**Company Secretary** Uzman Naveed Chaudry

**Auditors** M. Yousuf Adil Saleem & Co.  
Chartered Accountant

**Legal Advisors** Mohsin Tayabaly & Co.  
Advocates & Corporate Conellors

<b>Audit Committee</b>	Mr. Mohammad Tariq	Chairman
	Mr. Azam Essof Kolia	Member
	Mr. Arif M. Ali	Member

**Sharia Advisors** Mufti Muneeb ur Rehman  
Moulana Sabir Hussain

**Share Registrar** FD Registrar Services (SMC-Pvt) Ltd.  
1700-A, Saima Trade Towers  
I. I. Chundrigar Road  
Karachi

**Registered Office** 1500-A, Saima Trade Towers  
I. I. Chundrigar Road  
Karachi

**Head Office** Trade Tower  
I. I. Chundrigar Road  
Karachi

## DIRECTORS' REPORT

On behalf of the Board of Directors of Dawood Islamic Bank Limited [Formerly First Dawood Islamic Bank Ltd.] ("Dawood Islamic" or the "Bank"), we are pleased to present the accounts of Dawood Islamic for the first quarter ended March 31, 2008.

The Company continues to show steady growth in all areas of operations. Some key data is stated below:

	March 31, 2008 (PKR in Million)
<b>Total Assets</b>	<b>7,796</b>
Deposit	3,414
Financing	4,462
Gross Income	158
Profit After Taxation	22
Earning Per Share	0.06
Book Value	10.25

We continue to manage your Company for the benefit of all its stakeholders. The following is an overview of our operations and performance for the first quarter 2008.

Despite tough economic challenges faced by the country and the financial sector, with the blessings of ALLAH, your company has been able to maintain a sustainable growth in the financing and deposits. At the end of this quarter, balance sheet footing grew to Rs 7.8 billion from Rs. 6.9 billion, which is an increase of 13%.

Financing, as on March 31, 2008 is at Rs. 4.4 billion as compared to the year end figure of Rs 3.72 billion, which reflects an increase of 18.25%. The financing portfolio continues to remain well diversified in all major sectors including sugar & allied products, textile, food, engineering, energy, oil & gas, chemicals, construction, leather, etc. This diversification ensures lowering of risks. We are

cautiously building our consumer portfolio with concentration in Diminishing Musharaka Housing Finance. Consumer products are bound to find increased popularity with customers, following the opening of new branches in different parts of the city and the country. Dawood Islamic has also introduced the Shari'ah compliant innovative products to penetrate and make visibility in both consumer & corporate segments.

Our Investments portfolio stood at Rs. 1.4 billion as of March 31, 2008, which includes investments in Sukuk and Islamic mutual fund.

On the liabilities side of the balance sheet, your Bank continued its vigorous efforts to increase deposits from its customer base. The corporate and consumer banking team's efforts have paid off, showing a deposit of Rs.3.4 billion as on March 31, 2008; an increase of 18% from last year figures. Net profits for the quarter were Rs. 22 million.

Despite the uncertain political and adverse economic condition during this quarter, the management is ensuring growth in net profits has posted after tax profit of Rs.22 Millions.

The total gross income of the bank amounted to Rs.158 million. An analysis of the results shows that major portion of revenue is being generated from the core business of financing i.e. 73% of the total income.

Administrative expenses stood at Rs.79.9 million which related to opening of branches, administration and IT expenses for the same period. We will continue to invest in the growth of branches and IT infrastructure by building new distribution channels to position Dawood Islamic as a premier provider of Islamic banking products.

By the grace of Almighty Allah, after an addition of two branches, our network has expanded to 7 branches. During the second half of the calendar year, your Bank will increase its franchise presence across the country. Going forward the

strategy will concentrate on providing ease of customer access to a wider segment of population in a selected number of cities.

The paid up capital of the Bank has increased from Rs. 3.6 billion to Rs. 4.001 billion during this quarter. The paid-up capital is to be increased from existing Rs.4 billion to Rs. 5 billion by the end of December 2008 in order to meet the Minimum Capital Requirement as specified by the State Bank of Pakistan. The members of the Board have recommended an Initial Public Offering (IPO) of Rs. 1.0 billion, thereby raising the required additional amount of Rs. 1 billion towards paid-up capital.

JCR-VIS, Credit Rating Agency has rated the medium to long term rating of A- (Single A minus) with a 'stable' outlook and a short term rating of A2 (A Two) to the Bank. The long term rating denotes good credit quality with a low expectation of credit risk and the adequate capacity for timely payment of financial commitments. Similarly the short term ratings denote obligations supported by a satisfactory capacity for timely repayment. Overall these ratings have been assigned a Stable outlook.

We take this opportunity to thank our customers for allowing us to develop deep relationships with them and we hope to exceed their expectations in the future. Our staff is our main strength; therefore, we would like to acknowledge their commitment and hard work in bringing the Bank to this threshold of future growth.

**On behalf of the Board,**

**Rafique Dawood**  
**Chairman**

**DAWOOD ISLAMIC BANK LIMITED**  
*(Formerly: FIRST DAWOOD ISLAMIC BANK LIMITED)*  
**BALANCE SHEET (UNAUDITED)**  
**AS AT MARCH 31, 2008**

		<i>Unaudited</i> <i>March 31,</i> <i>2008</i>	<i>Audited</i> <i>December 31,</i> <i>2007</i>
	<i>Note</i>	<i>Rupees '000'</i>	
<b>ASSETS</b>			
Cash and balances with treasury banks		360,139	380,381
Balances with other banks		750,647	187,747
Due from financial institutions		152,212	725,022
Investments	5	1,443,534	1,318,657
Financing	6	4,461,651	3,723,752
Operating fixed assets	7	309,513	299,404
Deferred tax assets		20,886	20,065
Other assets		297,735	195,505
		7,796,316	6,850,534
<b>LIABILITIES</b>			
Bills payable		158,052	80,240
Due to financial institutions		-	-
Deposits and other accounts		3,413,876	2,888,762
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		122,330	215,644
		3,694,258	3,184,646
<b>NET ASSETS</b>			
		4,102,059	3,665,888
<b>REPRESENTED BY</b>			
Share capital		4,001,333	3,601,200
Reserves		14,674	10,206
Unappropriated profit		58,696	40,825
		4,074,702	3,652,231
Surplus on revaluation of assets		27,356	13,657
		4,102,059	3,665,888

**CONTINGENCIES AND COMMITMENTS**

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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**  
*(Formerly: FIRST DAWOOD ISLAMIC BANK LIMITED)*  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2008**

**Rupees in**  
**'000**  
*Unaudited*  
*Quarter ended*  
*March, 31 2008*

Profit / Return Earned	153,929
Profit / Return Expensed	(55,083)
Net spread earned	98,846
Provision against consumer financing loans	(841)
Provision for diminution in the value of investments	-
Bad debts written off directly	-
	(841)
Net spread after provisions	98,005

**OTHER INCOME**

Fee, Commission and Brokerage Income	213
Dividend Income	-
Income from dealing in foreign currencies	2,721
Gain / (loss) on sale of securities	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-
Other Income	1,133
Total other income	4,067
	102,072

**OTHER EXPENSES**

Administrative expenses	(79,722)
Other provisions / write offs	-
Other charges (SBP Penalty)	-
Total other expenses	(79,722)
	22,350

Extra ordinary / unusual items	-
<b>PROFIT BEFORE TAXATION</b>	22,350

Taxation - Current	(833)
- Prior years	-
- Deferred	821
	(12)

**PROFIT AFTER TAXATION**

Unappropriated profit / (loss) brought forward	40,825
Profit available for appropriation	63,163

<b>Basic Earnings per share</b>	0.06
<b>Diluted Earnings per share</b>	0.06

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**  
*(Formerly: FIRST DAWOOD ISLAMIC BANK LIMITED)*  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE QUARTERS ENDED MARCH 31, 2008**

Unaudited                      Unaudited  
**March 31,**                      **March 31,**  
**2008**                              **2007**  
*Rupees in '000*

**A. CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	22,350	-
Deferred cost incurred - net		12,338
Adjustments:		
Depreciation	10,122	5,481
Amortization	9,947	1,198
Provision against consumer financing loans	841	-
	<u>20,910</u>	<u>6,679</u>
	43,260	19,017
Increase in operating assets		
Due from financial institutions	572,810	(200,000)
Financing	(738,739)	(224)
Others assets	(101,930)	1,532
	<u>(267,860)</u>	<u>(198,692)</u>
Increase in operating liabilities		
Bills Payable	77,812	-
Due to Financial Institution	-	-
Deposits	525,114	-
Payable to Associate		(1,450)
Other liabilities	(93,314)	13,671
	<u>509,612</u>	<u>12,221</u>
	285,012	(167,454)
Income tax paid	<u>(2,779)</u>	<u>(5,177)</u>
<i>Net cash used in operating activities</i>	<u>282,234</u>	<u>(172,632)</u>

**B. CASH FLOWS FROM INVESTING ACTIVITIES**

Net investments in available-for-sale securities	(111,177)	
Investments in operating fixed assets	<u>(28,531)</u>	<u>(49,584)</u>
<i>Net cash used in investing activities</i>	<u>(139,708)</u>	<u>(49,584)</u>

Unaudited <b>March 31,</b> <b>2008</b>	Unaudited <b>March 31,</b> <b>2007</b>
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*Rupees in '000*

**C. CASH FLOWS FROM FINANCING ACTIVITIES**

Issue of share capital	400,133	-
Advance against future subscription of share capital	-	330,194
<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)	542,659	107,978
Cash and cash equivalents at beginning of the period	568,127	2,471,788
Cash and cash equivalents at end of the period	<u><u>1,110,786</u></u>	<u><u>2,579,766</u></u>
		-

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

<b>PRESIDENT AND CHIEF EXECUTIVE</b>	<b>DIRECTOR</b>	<b>DIRECTOR</b>	<b>DIRECTOR</b>
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**DAWOOD ISLAMIC BANK LIMITED**  
*(Formerly: FIRST DAWOOD ISLAMIC BANK LIMITED)*  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2008**

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
	< ----- Rupees in '000' ----- >			
Balance as at January 01, 2006	2,000,000	-	-	2,000,000
Profit after taxation for the period	-	-	-	-
Right shares subscribed but not allotted	686,453	-	-	686,453
Transferred to statutory reserve	-	-	-	-
<b>Balance as at December 31, 2006</b>	<b>2,686,453</b>	<b>-</b>	<b>-</b>	<b>2,686,453</b>
Issue of share capital	1,001,000	-	-	1,001,000
Profit after taxation for the period	-	-	51,031	51,031
Right shares subscribed but not allotted	600,200	-	-	600,200
Right Shares Alloted	(686,453)	-	-	(686,453)
Transferred to statutory reserve	-	10,206	(10,206)	-
<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	-	-	22,338	22,338
Right shares allotted	400,133	-	-	400,133
Transferred to statutory reserve	-	4,468	(4,468)	-
Issue of share capital	-	-	-	-
<b>Balance as at March 31, 2008</b>	<b>4,001,333</b>	<b>14,674</b>	<b>58,696</b>	<b>4,074,702</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 LTD.**  
**(Formerly: FIRST DAWOOD ISLAMIC BANK LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 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 15th Floor, 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 seven branches.

**2. STATEMENT OF COMPLIANCE**

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. 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 these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

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) full-fledged Islamic Banks approached ICAP to seek certain clarifications on its implementation specially regarding the methods of applicability of Prudential Regulations for Corporate and Consumer Banking issued by the State Bank of Pakistan (SBP). ICAP has approached SBP seeking necessary clarifications.

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 quarter ended March 31, 2008 the bank has disbursed the Ijarah financing aggregating to Rs.260.023 Millions.

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.

### 3. BASIS OF MEASUREMENT

These 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 interim financial statements are the same as those adopted in the preparation of financial statements of the Bank for period ending December 31, 2007. Further the Bank has adopted the following policies: -

#### 4.1 Revenue Recognition

**4.1.1** Profit from Morabaha is accounted for on culmination of Morabaha transaction. However, the profit on that portion of Morabaha not due for payment is deferred by accounting for "Deferred Morabaha Income" with a corresponding credit to "Unearned Morabaha Income" which is recorded as a liability. The same is then recognised on a time proportionate basis.

**4.1.2** The Bank follows the finance method in recognising income on Ijarah contracts. Under present method the unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir.

**4.1.3** Profit on Diminishing Musharika is recognised on an accrual basis.

**4.1.4** Service Charges on letters of credits and acceptances is recognised on receipt basis.

#### 4.2 Investments

**4.2.1** The Bank classifies its investments as available for sale, these are recognised at fair value.

**4.2.2** The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in "Surplus / (Deficit) on Revaluation of Assets 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.

#### 4.3 Financing - Islamic Investment and Financing Products

These are financial products originated by the Bank and principally comprise Morabaha, Ijarah, Modaraba and Diminishing Musharika receivables. These are stated net of specific and general provision against non-performing financing, if any, which are charged to the profit and loss account.

### 5. INVESTMENTS

	31-Mar-08			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	1,166,177	-	1,166,177	1,055,000	-	1,055,000
Open-end Mutual Fund	250,000	-	250,000	250,000	-	250,000
	1,416,177	-	1,416,177	1,305,000	-	1,305,000
Surplus on revaluation of securities	27,356	-	27,356	13,657	-	13,657
Investment at cumulative amount	1,443,534	-	1,443,534	1,318,657	-	1,318,657

	Unaudited 31-Mar 2008	Audited December 31, 2007
Note	Rupees '000'	

## 6. FINANCINGS

In Islamic Investment and Financing Products

In Pakistan

Morabaha

Ijarah

Diminishing Musharika

Modaraba

Staff Finance (DM-House+Car Ijarah)

Provision against consumer financing - General

2,116,618	1,892,191
359,859	145,754
1,538,385	1,378,016
412,911	276,029
36,576	33,620
4,464,349	3,725,610
(2,698)	(1,857)
4,461,651	3,725,610
0	

## 7. OPERATING FIXED ASSETS

Capital work in progress

Property and equipment

Intangible asset

34,260	18,939
193,633	192,024
81,620	88,442
309,513	299,405
-	

### 7.1 Additions - at cost

Building

Furniture and fixture

Electrical, office and computer equipment

Vehicles

Computer software

-	94,611
72	9,629
5,247	61,559
6,413	11,273
1,478	84,018

	Unaudited 31-Mar 2008	Audited December 31, 2007
Note	Rupees '000'	

## 8 CONTINGENCIES AND COMMITMENTS

### 8.1 Transactions-related contingent liabilities / commitments

Guarantees given in favour of :

Others

1,148,270	642,294
-	-

### 8.2 Commitments in respect to forward exchange contracts

Purchase

Bank

Customer

Sale

Bank

Customer

-	-
69,264	-
69,264	-
157,422	-
-	-
157,422	-

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

Civil works

Acquisition of computer hardware

Acquisition of computer software

11,719	842
155	31,331
20,190	-
32,064	32,173

## 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: -

<i>Relationship</i>	<i>Nature of Transactions</i>	Unaudited <i>31-Mar</i> <i>2008</i>	Audited <i>December 31,</i> <i>2007</i>
		<i>Rupees '000'</i>	
Associated Companies	Expenses incurred by associated company on behalf of the bank	-	274
	Deposits Received	2,864,407	288,919
	Deposits Repaid	2,864,863	278,873
	Profit on deposits	10	18
	Adv. Rent paid	6,360	15,640
	Commodity Murabaha Disbursed	100,000	500,000
	Commodity Murabaha Repayment	(100,000)	(500,000)
	Income from Commodity Murabaha	182	10,895
Group Companies	Investments made		250,000
Directors	Deposits Received	19,711	32,805
	Deposits Repaid	15,954	23,549
	Profit on Deposits	18	93
Provident Fund	Transferred to provident fund	1,979	4,916

## 10 DATE OF AUTHORIZATION FOR ISSUE

The interim financial statements were authorized for issue on 24 April, 2008 by the Board of Directors of the bank.

## 11 GENERAL

**11.1** Bank's profit & loss account has been prepared for the period from January 01, 2008 to March 31, 2008.

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

**PRESIDENT & CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

## **BRANCH NETWORK**

<b>Main Branch</b>	<b>Trade Centre I.I. Chundrigar Road, Karachi 74000 – Pakistan Phone: +92-21-2272447, 2272464 Fax: +92-21-2272448</b>
<b>Shahrah-e-Faisal Branch</b>	<b>3/A Zubaida Garden, Near Awami Markaz Main Shahrah-e-Faisal, Karachi Tel: 021-4543720, 4323711 Fax: 021-4323713</b>
<b>Gulshan-e-Iqbal Branch</b>	<b>Ground Floor, Dawood Avenue, Plot No. ZC-5, Block 7, Gulshan-e-Iqbal Karachi. Tel: 021-4833780-3 Fax: 021-4833784</b>
<b>Jodia Bazar Branch</b>	<b>Daryalal Street, Napier Quarters Jodia Bazar, Karachi Tel: 021-2430921, 021-2430987-8 Fax: 021-2430292</b>
<b>Gulberg Branch</b>	<b>Hussain Chowk, 57-B-III, Near Hussain Chowk, Gulberg III, Lahore Tel: 042-5772667-75 Fax: 042-5772676</b>
<b>Kharadar Branch</b>	<b>Ground Floor, Qasr-e-Yaseen Building, Survey No.5&amp;6 Sheet # BR1, Liyari Town, Karachi. Tel: 021-2315177, 2315129 Fax: 021-2315132</b>
<b>Sir Syed Branch</b>	<b>Madina Arcade , Plot # 154-S Sir Syed Road, P.E.C.H.S Karachi Tel-021-4303084-85 Fax 021 -4303089</b>