

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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## CORPORATE INFORMATION

<b>Board of Directors</b>	Mr. Rafique Dawood Mr. Ayaz Dawood Mr. Aamir Husain Khan Mr. Mohammad Tariq Mr. Azam Essof Kolia Mr. Jamil A. Qureshi Mr. Adel Yousef Al-Saqabi Mr. Shehab M. Gargash Mr. Nikolaus Schwarz	Chairman / Director Director Director Director Director Director Director Director President & CEO
<b>Audit Committee</b>	Mr. Mohammad Tariq Mr. Azam Essof Kolia Mr. Jamil A. Qureshi	Chairman Member Member
<b>Company Secretary</b>	Mr. Rauf Ahmed Butt	
<b>CFO</b>	Mr. Sohail Sikandar	
<b>Shariah Advisor</b>	Prof. Mufti Munib-ur-Rehman	
<b>Legal Advisor</b>	M/s. Mohsin Tayebaly & Co. Advocates & Corporate legal consultants	
<b>Auditors</b>	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants	
<b>Share Registrar</b>	F.D. Registrar Services (SMC-Pvt) Ltd. 1700-A, Saima Trade Tower, I. I. Chundrigar Road, Karachi	
<b>Registered Office</b>	1500-A, Saima Trade Tower, I. I. Chundrigar Road, Karachi	
<b>Head Office</b>	Trade Centre, I. I. Chundrigar Road, Karachi	

## DIRECTORS' REPORT

On behalf of the Board of Directors of Dawood Islamic Bank Limited, I am pleased to present the accounts of the Bank for the quarter ended March 31, 2009.

### Economic Review

Through prudent fiscal, monetary and exchange rate policies, financial discipline, along with consistent and transparent economic policies, the Government of Pakistan has successfully managed to restore macroeconomic balance and improved the overall economic environment. Accordingly, the investors' confidence is returning as reflected by the KSE index which reached over 7,000 points. Further, the discount rate has come down by 100 bps so the interest rate will reduce and business is expected to continue to flourish.

### Bank's performance

Highlights of the period under review are as follows:

	March 31, 2009 (PKR in Million)	March 31, 2008 (PKR in Million)
Total Assets	10,496	7,796
Deposits	4,965	3,414
Financings	5,288	4,461
Investments	2,051	1,444
Shareholders' Equity	5,091	4,102
Gross Income	296	154
Fee, commission & brokerage income	3.2	0.21
Profit / (Loss) After Taxation	(8)	22
Earning Per Share	(0.07)	0.06
Book Value per share	10.16	10.25
Branches	21	7
No. of employees	391	165

The following is a brief description of our operations and performance for the period:

The loss before tax for this quarter is attributed, more than 88%, to the provisioning of Non Performing Finance (NPF) and reversal of its related accrued profit. Due to the fact that our limited exposure and risk averse approach towards extending finance helped us to have a minimal provisioning for NPF, contrary to the industry, which is badly affected by NPF; total provisions for NPF (within the industry) turned out to be more than 103 billion Rupees, which is 57% higher than the last year.

The paid-up capital of your Bank has increased from PKR 4 billion to PKR 5 billion. Your Bank has been granted license for 29 more branches. With an increased number of branches, your Bank will focus on developing stronger customer base, both on asset and liability sides, whilst meeting the Shariah compliant banking needs of its customers.

The Board would like to take this opportunity to thank our valued customers for their patronage and confidence. The Board would also like to extend its appreciation for the dedicated services and hard work of the DIBL team. The Board also expresses its gratitude to the State Bank of Pakistan and other regulatory bodies for their advice and continuing support.

On behalf of the Board,

- sd -  
Rafique Dawood  
Chairman

**CONDENSED INTERIM BALANCE SHEET  
AS AT MARCH 31, 2009**

	Note	Un-audited Mar 31, 2009	Audited Dec 31, 2008
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		386,611	418,948
Balances with other banks		816,105	255,703
Due from financial institutions		950,694	250,040
Investments	5	2,051,270	2,045,146
Financings	6	5,288,470	5,639,877
Operating fixed assets	7	427,529	417,364
Deferred tax assets		25,899	-
Other assets		549,218	539,632
		<u>10,495,796</u>	<u>9,566,710</u>
<b>LIABILITIES</b>			
Bills payable		56,729	20,138
Due to financial institutions		50,000	50,704
Deposits and other accounts		4,964,921	5,063,393
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	8,612
Other liabilities		332,803	349,053
		<u>(5,404,453)</u>	<u>(5,491,900)</u>
<b>NET ASSETS</b>		<u><u>5,091,343</u></u>	<u><u>4,074,810</u></u>
<b>REPRESENTED BY</b>			
Share capital		5,010,458	4,001,333
Reserves		16,751	16,751
Unappropriated profit		59,041	67,007
		<u>5,086,250</u>	<u>4,085,091</u>
Surplus / (Deficit) on revaluation of assets		5,093	(10,281)
		<u><u>5,091,343</u></u>	<u><u>4,074,810</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2009**

	Mar 31, 2009	Mar 31, 2008
	(Rupees in '000)	
Profit / return earned	296,438	153,929
Profit / return expensed	(176,291)	(55,083)
Net spread earned	120,147	98,846
Provision against non performing financings	(30,212)	(841)
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	(30,212)	(841)
Net spread after provisions	89,935	98,005
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	3,186	213
Dividend income	-	-
Income from dealing in foreign currencies	2,569	2,721
Gain / (loss) on sale of securities	-	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	530	1,133
Total other income	6,285	4,067
	96,220	102,072
<b>OTHER EXPENSES</b>		
Administrative expenses	(138,558)	(79,722)
Other provisions / write offs	-	-
SBP penalty	(139)	-
Total other expenses	(138,697)	(79,722)
	(42,477)	22,350
Extra ordinary / unusual items	-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	(42,477)	22,350
Taxation - Current	-	(833)
- Prior years	-	-
- Deferred	34,511	821
	34,511	(12)
<b>PROFIT / (LOSS) AFTER TAXATION</b>	(7,966)	22,338
Unappropriated profit brought forward	67,007	40,825
Profit available for appropriation	59,041	63,163
<b>Basic Earnings per share</b>	(0.074)	0.060
<b>Diluted Earnings per share</b>	(0.074)	0.060

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

PRESIDENT AND CHIEF EXECUTIVE OFFICER

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**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2009**

	Mar 31, 2009	Mar 31, 2008
	Rupees in '000	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	(42,477)	22,350
Adjustments:		
Depreciation	21,237	10,122
Amortization	12,981	9,947
Provision against non performing financings	30,212	841
	<u>64,430</u>	<u>20,910</u>
	21,953	43,260
 (Increase) / Decrease in operating assets		
Due from financial institutions	(700,654)	572,810
Financings	316,579	(738,739)
Other assets	(11,233)	(101,930)
	<u>(395,308)</u>	<u>(267,860)</u>
 Increase / (Decrease) in operating liabilities		
Bills Payable	36,591	77,812
Deposits	(98,472)	525,114
Due to Financial Institutions	(704)	-
Other liabilities	(16,250)	(93,314)
	<u>(78,835)</u>	<u>509,612</u>
	(452,190)	285,012
Income tax paid	-	(2,779)
Net cash used in operating activities	<u>(452,190)</u>	<u>282,234</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	9,250	(111,177)
Investments in operating fixed assets	(39,647)	(28,531)
Proceeds from sale of operating fixed Assets	1,527	-
Net cash used in investing activities	<u>(28,870)</u>	<u>(139,708)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of share capital	1,009,125	400,133
Net cash flow from financing activities	<u>1,009,125</u>	<u>400,133</u>
 Increase / (decrease) in cash and cash equivalents (A + B + C)	528,065	542,659
 Cash and cash equivalents at beginning of the period	674,651	568,127
Cash and cash equivalents at end of the period	<u>1,202,716</u>	<u>1,110,786</u>

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

PRESIDENT AND CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2009

	Share capital	Statutory reserve	Unappropriated Profit	Total
	(Rupees in '000)			
Balance as at December 31, 2007	3,601,200	10,206	40,825	3,652,231
Right shares allotted	400,133	-	-	400,133
Profit after taxation for the period	-	-	22,338	22,338
Transferred to statutory reserve	-	4,468	(4,468)	-
Balance as at March 31, 2008	4,001,333	14,674	58,696	4,074,702
Profit after taxation for the period	-	-	10,389	10,389
Transferred to statutory reserve	-	2,077	(2,077)	-
Balance as at December 31, 2008	4,001,333	16,751	67,007	4,085,091
Issue of share capital	1,009,125	-	-	1,009,125
Profit after taxation for the period	-	-	(7,966)	(7,966)
Balance as at March 31, 2009	<u>5,010,458</u>	<u>16,751</u>	<u>59,041</u>	<u>5,086,250</u>

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

PRESIDENT AND CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED MARCH 31, 2009

### 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 been operating through its twenty one branches including six sub branches (2008: twenty one 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 Standards 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 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, 2008.

### 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. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those adopted in the preparation of financial statements of the Bank for the year ended December 31, 2008 except for accounting of Ijarah Financings (refer note 4.1).

- 4.1 During the period, State Bank of Pakistan vide IBD Circular No.01 dated January 27, 2009 has made effective the implementation of "IFAS 2 - IJARAH" for Ijarah transactions beginning on or after January 01, 2009. Adoption of IFAS 2 has resulted in following changes:
  - Assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment, if only.
  - Rentals accrued from Ijarah financings net of depreciation charged during the period has been taken to profit and loss account.

5. INVESTMENTS

	Mar 31, 2009			Dec 31, 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)					
Available-for-sale securities						
Sukuk Bonds	1,696,177	-	1,696,177	1,705,427	-	1,705,427
Open-end Mutual Fund	350,000	-	350,000	350,000	-	350,000
	2,046,177	-	2,046,177	2,055,427	-	2,055,427
Surplus / (deficit) on revaluation of available for sale securities	5,093	-	5,093	(10,281)	-	(10,281)
Total Investment at market value	2,051,270	-	2,051,270	2,045,146	-	2,045,146

6. FINANCINGS

In Islamic Investment and Financing Products

In Pakistan

Murabaha

Diminishing Musharika

Ijarah

Modaraba

Staff Finance

6.1

Less: Provision for non-performing financings

- Specific provision

- General provision

Financings-net of provision

6.1 Ijarah

Ijarah under finance method

Ijarah under IFAS II

6.2 Financings include Rs. 136.528 million which have been placed under non-performing status as detailed below:-

Category of classification	Mar 31, 2009			Provision	Provision
	Domestic	Overseas	Total	Required	Held
	(Rupees in '000)				
Substandard	86,528	-	86,528	14,438	14,438
Doubtful	50,000	-	50,000	18,622	18,622
Loss	-	-	-	-	-
	136,528	-	136,528	33,060	33,060

	Mar 31, 2009	Dec 31, 2008
	(Rupees in '000)	
<b>7. OPERATING FIXED ASSETS</b>		
Capital work in progress	14,336	30,875
Property and equipment	329,148	302,108
Intangible assets	84,045	84,381
	<u>427,529</u>	<u>417,364</u>
<b>7.1. Additions - at cost</b>		
Building	27,425	67,751
Furniture, fixture and office equipment	7,712	34,903
Computer equipment	4,558	36,342
Vehicles	2,859	24,106
Computer software	10,998	33,812
	<u>53,552</u>	<u>196,914</u>
<b>7.2. Deletion - at cost</b>		
Computer equipment	-	58
Vehicles	2,636	2,301
	<u>2,636</u>	<u>2,359</u>
<b>8. CONTINGENCIES AND COMMITMENTS</b>		
<b>8.1 Transactions-related contingent liabilities / commitments</b>		
Guarantees given in favour of:		
Government	1,152,986	1,153,159
Others	1,780	19,358
<b>8.2 Trade-related contingent liabilities</b>		
Import letters of credit	232,138	136,474
Acceptances	160,079	223,138
<b>8.3 Commitments for the acquisition of operating fixed assets</b>		
Civil works	14,538	18,965
Acquisition of computer hardware	6,110	12,292
Acquisition of computer software	2,866	11,853
	<u>23,514</u>	<u>43,110</u>
<b>8.4 Commitments in respect of forward exchange contracts</b>		
Forward purchase of foreign exchange	-	286,085
Forward sale of foreign exchange	-	355,697

#### 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	Mar 31,	Dec 31,
		2009	2008
		(Rupees in '000)	
Associated Companies	Deposits received	13,104,880	33,636,327
	Deposits repaid	13,053,544	33,538,446
	Profit on deposits	44,205	67,054
	Rent paid	18,060	30,560
	Commodity Murabaha disbursed	30,000	1,500,000
	Commodity Murabaha repayments	(30,000)	(1,500,000)
	Income from commodity Murabaha	39	3,509
	Security deposits paid	-	5
	Letters of credit	-	78,143
	Guarantees	-	1,135,921
	Fee Earned	-	4,653
Directors	Deposits received	41,299	117,661
	Deposits repaid	36,689	110,796
	Profit on deposits	-	190
	Meeting fee	2,030	7,125
Remuneration to Key Management Personnel	President and Chief Executive Officer	2,874	11,920
	Executives	22,947	67,309
Provident Fund	Transfer to provident fund	2,119	11,876

#### 10. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 27 APR 2009 by the Board of Directors of the bank.

#### 11. GENERAL

Figures have been rounded off to the nearest thousand Rupee.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

## BRANCH NETWORK

Br. Code	Branch Name	Address	Telephone Number
0001	Main Branch	Trade Centre, I.I.Chundrigar Road, Karachi	021-2637174-75
0002	Shahrah-e-Faisal Branch	3/A, Zubaida Garden, Near Awami Markaz, Main Shahrah-e-Faisal, Karachi	021-4543720, 021-4323711
0003	Gulshan Branch	Ground Floor, Dawood Avenue, Plot No. ZC-5, Block-7, Gulshan-e-Iqbal, Karachi.	021-4833780-3
0004	Gulberg Branch	57-B-III, Hussain Chowk, Gulberg III, Lahore	042-5772667-75
0005	Jodia Bazar Branch	Daryalal Street, Napier Quarters Jodia Bazar, Karachi	021-2430291
0006	Kharadar Branch	Ground Floor, Qasr-e-Yaseen, Survey No. 5 & 6, Sheet No. B.R.1, Bunder Quarters, Near Police Chowki, Kharadar, Karachi	021-2315176
0007	Sir Syed Road Branch	Shop No. G-07, Madina Arcade, Plot No. 154-S, Block 2, Sir Syed Road, PECHS, Karachi	021-4303084-8
0008	Dhorajee Branch	Ground Floor, Chhotani Arcade C.P & Berar Co-operative Housing Societies Ltd., Block 7/8, Plot No. 35/130, Survey Sheet No.35-P/1, Karachi	021-4860781
0009	Small Industrial Estate Branch	Plot No. BIII-8S-202/, Mianapora Ogoki Road, Chowck Shahabpura, Sialkot	052-3557061
0010	Hasan Arcade Branch	Hasan Arcade, Chen One Road, Faisalabad	041-8730017-18-19
0011	Iqbalabad Branch	5, 6 Moza Dera Shams, Iqbalabad, Rahim Yar Khan	068-5678002-6
0012	Blue Area Branch	Saleem Plaza, 19 Jinnah Avenue, Blue Area, F-6/G-6, Islamabad	051-2870013-6
0013	13 Wala More Branch	13 Wala More, Chuck 13, 6 Kilometer, Muzaffar Gadh Road, Joharabad	0454-720901-3
0014	Ghalla Mandi Branch	Shop No. 616, Inside Corporation Near Islam Nagar, Vehari Road, Multan	061-4482941-42
0015	Zamzama Branch	11-C, Zamzama Boulevard, Phase-V, DHA, Karachi	021-5302023

Sub Br. Code	Sub Branch Name	Address	Telephone Number
7001	Metropole Sub Branch Karachi	18-C, Mereweather Road, Near Metropole Hotel, Saddar Town, Karachi.	021-5651651-2
7102	Clifton Sub-Branch Karachi	S-07, Ground Floor, Yousuf Grand Plaza, Plot No. G4, Block 8, KDA Scheme 5, Kehkashan, Clifton, Karachi	021-5876077
7131	Joharabad Sub Branch Khushab	Pioneer Cement Factory, Joharabad	0454-206804
7141	Old Bahawal Pur Sub Branch Multan	House No. 126, situated at Bahawalpur Road, Multan	061-4571733, 061-4500411
7151	Khayaban-e-Saheer Sub Branch Karachi	Plot No.19-E, Khayaban-e-Saheer, Phase VI, D.H.A, Karachi	021-5342585, 021-5342578
7401	Shah Alam Sub Branch Lahore	14-A, situated at Main Road Shahalam Market, Lahore	042-7655208, 042-7654948