

October 03, 2019



BankIslami

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The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Our Ref: 100.2.363

MS


Subject: Notice of Extra Ordinary General Meeting

Dear Sir,

Please find attached Notice of Extra Ordinary General Meeting published in following newspapers:

- 1- Business Recorder (English) dated October 03, 2019
- 2- Daily Express (Urdu) dated October 03, 2019

Yours Sincerely


Muhammad Shoab
Company Secretary

NOTICE OF EXTRA ORDINARY GENERAL MEETING



Notice is hereby given that the Extra Ordinary General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Thursday, October 24, 2019 at 10:00 am at Regent Plaza Hotel, Karachi to transact the following business:

SPECIAL BUSINESS

- 1- To consider and, if thought fit, approve the conversion of Sukuk into Ordinary Shares of the Bank upon the occurrence of a conversion event as determined by the State Bank of Pakistan and in that connection to pass the following resolution:

"RESOLVED that in respect of the proposed Sukuk Issue of PKR 2,000,000,000/- (Pak Rupees Two Billion), to be issued by the Bank ("Sukuk") in accordance with the instructions of the State Bank of Pakistan ("SBP") under the "Instructions for Basel III Implementation in Pakistan" ("Basel III Rules") issued under BPRD Circular No. 06 dated August 15, 2013, as amended from time to time, regarding loss absorbency, in the event (i) all or part of the Sukuk are subject to a mandatory conversion into common shares at the discretion of SBP in case of the Bank's inability to exercise the lock-in clause, or (ii) all or part of the Sukuk are converted into common shares upon the declaration by the SBP of the occurrence of a Point of Non-Viability event (PONV); or (iii) all or part of the Sukuk are converted into common shares by the Bank upon the occurrence of a Pre-specified Trigger Event (collectively the "Conversion Events"), such ordinary shares shall be issued other than by way of rights as per the applicable provisions of the Companies Act, 2017 ("Additional Shares").

FURTHER RESOLVED that the issuance of such Additional Shares shall be based on the market value of the shares of the Bank on the date of trigger of the Conversion Event as declared by SBP and shall be subject to a cap of 184,000,000 (one hundred eighty four million) additional ordinary shares being issued, or such other number as may be agreed to in consultation with SBP and shall further be subject to approval of the Securities and Exchange Commission of Pakistan in accordance with the applicable provisions of the Companies Act, 2017.

FURTHER RESOLVED that the President & Chief Executive, Chief Financial Officer and Company Secretary or their delegates (the "Authorized Representatives") of the Bank, be and are hereby singly authorized to take all steps, necessary, ancillary and incidental to the above, and are further authorized to sign, execute and deliver all necessary documents, agreements and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes abovementioned."

ANY OTHER BUSINESS

- 2- To transact any other business with the permission of Chair.

By Order of the Board

Muhammad Shoib
Company Secretary

Karachi: October 03, 2019

Statements under section 134 (3) of the Companies Act 2017 pertaining to special business are enclosed.

STATEMENTS UNDER SECTION 134(3) OF THE COMPANIES ACT 2017

These statements set out the material facts concerning the resolution contained in Item 2 of the Notice pertaining to the special business to be transacted at the Extraordinary General Meeting of the Bank to be held on October 24, 2019.

1. To consider and, if thought fit, approve conversion of Sukuk into Ordinary Shares of the Bank upon the occurrence of a conversion event as determined by the State Bank of Pakistan

On April 24, 2019 the Board of Directors of BankIslami Pakistan Limited ("BIPL" or the "Bank") resolved to raise Shariah compliant Additional Tier 1 Capital through issuance of redeemable capital under s. 66 of the Companies Act, 2017 in the amount of PKR 2,000,000,000/- (Pak Rupees Two Billion) (the "Sukuk Issue" or the "Sukuk") to eligible investors in terms of BPRD Circular Number 08 dated June 27, 2006 and as updated vide BPRD Circular Number 06 of August 15, 2013 (as amended from time to time), read with all relevant rules, regulations, circulars and approvals of State Bank of Pakistan ("SBP").

SBP through BSD Circular No. 7 dated April 15, 2009 had directed all banks to achieve and maintain the minimum CAR of 10% by December 2013. SBP vide its Circular No. 6 of Banking Policy and Regulation Department ("BPRD") dated August 15, 2013 ("Basel III Circular"), covering Basel III reforms, gave a roadmap to increase the minimum CAR up to 12.5% in a phased manner by December 31, 2019. In addition, SBP has also directed the Bank to apply regulatory deductions on balance sheet amount of 'Goodwill' and 'Deferred Tax Assets' in a phased manner till December 31, 2021. The Sukuk Issue is intended to comply with the State Bank of Pakistan's ("SBP") regulation to maintain the minimum Capital Adequacy Ratio ("CAR"), sustain the regulatory deductions as directed by SBP and to support on-going business operations of the Bank.

As per the requirements of Basel III under the aforementioned Basel III Circular, the terms and conditions of the ADT 1 must have a provision of "loss absorbency" for it to be qualified as Additional Tier 1 Capital instrument.

The relevant portion of the Basel III Circular relating to "loss absorbency" is reproduced below:

"A-5-2 Loss Absorption of Additional Tier-1 Instruments at a Pre-specified Trigger:

- The additional Tier-1 capital Instruments (classified as other than equity at Issuance) must have loss absorption clause whereby these Instruments will be permanently converted to common shares when the bank's CET1 ratio falls to or below 6.625% of RWA (i.e. minimum CET1 of 6.0% plus 25% of capital conservation buffer of 2.5% (0.625%). Moreover, the bank should immediately notify SBP upon reaching the trigger point.
- A bank will have full discretion to determine the amount of Additional Tier-1 Instruments to be converted into common shares subject to following conditions:
 - Where a bank's CET1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET1 ratio to above 6.625% of total RWA (if possible).
 - The converted amount should not exceed the amount needed to bring the CET1 ratio to 8.5% of RWA (i.e. minimum CET1 of 6.0% plus capital conservation buffer of 2.5%).
- The contractual terms and conditions of Additional Tier-1 Instruments must also include a clause requiring full and permanent conversion of the instrument into common shares at the point of non-viability (mentioned below in Section A-5-3).
- The conversion method will describe and follow the order (hierarchy of claims) in which they will absorb losses in liquidation/ gone concern basis. These terms must be clearly stated in the offer documents.

"A-5-3 Loss Absorbency of Non-Equity Capital Instruments at the Point of Non-Viability

- The terms and conditions of all non-CET1 and Tier 2 instruments issued by banks must have a provision in their contractual terms and conditions that the instruments, at the option of the SBP, will either be fully and permanently converted into common share upon the occurrence of a non-viability trigger event called the Point of Non-Viability (PONV) as described below;
- The PONV trigger event is the earlier of:
 - A decision made by SBP that a conversion is necessary without which the bank would become non-viable.
 - The decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by SBP.
- The issuance of any new shares as a result of the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.
- The amount of non-equity capital to be converted will be determined by the SBP.
- Where an Additional Tier-1 capital instrument or Tier-2 capital instrument provides for conversion into ordinary shares, the terms of the instruments should include provision that upon a trigger event the investors holding 5% or more of paid-up shares (ordinary or preferred) will have to fulfill fit and proper criteria (FPT) of SBP.
- The conversion terms of the instruments must contain pricing formula linked to the market value of common equity on or before the date of trigger event. However, to quantify the maximum dilution and to ensure that prior shareholder/ regulatory approvals for any future issue of the required number of shares is held, the conversion method must also include a cap on the maximum number of shares to be issued upon a trigger event.
- The conversion method should describe and take into account the order (hierarchy of claims) in which the instruments will absorb losses in liquidation/ gone concern basis. These terms must be clearly stated in the offer documents. However, such hierarchy should not impede the ability of the capital instrument to be immediately converted.
- There should be no impediments (legal or other) to the conversion i.e. the bank should have all prior authorizations (sufficient room in authorized capital etc.) including regulatory approvals to issue the common shares upon conversion.
- The contractual terms of all Additional Tier 1 and Tier 2 capital instruments must state that SBP will have full discretion in deciding/ declaring a bank as a non-viable bank. SBP will, however, form its opinion based on financial and other difficulties by which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by a bank should be such that these are likely to result in financial losses and raising the CET1/ MCR of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. Such measures will include conversion of non-equity regulatory capital into common shares in combination with or without other measures as considered appropriate by the SBP."

In addition to the above conversion conditions, it is expected that SBP will also require conversion of the Sukuk ADT 1 where all or part of the Sukuk ADT 1 are subject to a mandatory conversion into common shares at the discretion of SBP in case of the Issuer's inability to exercise the lock-in clause as follows:

Lock-in Clause

In compliance with the lock-in requirement provided under the Basel III Circular, neither profit nor principal can be paid in respect of the Sukuk Issue. If such payment will result in a shortfall in the Bank's minimum capital requirement or capital adequacy ratio or results in an increase in any existing shortfall in minimum capital requirement or capital adequacy ratio. It being clarified that the profit rate for such period shall effectively be reduced to 0.005%. Any inability to exercise the lock-in clause will subject the ADT 1 Sukuk to mandatory conversion into common shares at the discretion of the SBP.

In light of the above contemplated conversion events, the Bank is required to obtain all approvals (in advance) for the issuance of such additional shares, which additional shares shall be issued based on the [market value] of the shares of the Bank (as at the relevant time) and shall be subject to a cap of 184,000,000 (one hundred eighty four million) additional ordinary shares being issued in aggregate, or such other number as may be agreed to in consultation with SBP. It may further be noted that issuance of such additional shares shall further be subject to approval of the Securities and Exchange Commission of Pakistan in accordance with s. 84(1)(b) of the Companies Act, 2017.

The information required to be annexed to the notice is set out below:

Name of the persons to whom shares will be issued	The shares will be issued to the Sukuk ADT1 holders (at that time)
Price at which the proposed shares will be issued	The shares shall be at the [market value] of the shares of the Bank on the relevant date
Purpose of the issue, utilization of the proceeds of the issue and benefits to the Company and its shareholders with necessary details	To convert the outstanding Sukuk ADT1 amount (in whole or part) into shares of the Bank.
Existing shareholding of the persons to whom the proposed shares will be issued	Not Applicable
Total shareholding of the persons after the proposed issue of shares	Not Applicable
Whether the persons have provided written consent for purchase of such shares	The terms of the Trust Deed for the Sukuk Issue shall contain the details regarding such conversion.
Justification as to why proposed shares are to be issued otherwise than rights and not as rights shares	This is in accordance with the requirements of SBP vide its Circular No. 6 of Banking Policy and Regulation Department ("BPRD") dated August 15, 2013
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value	Not Applicable

The shares issued will rank pari passu in all respects with the existing shares of the Bank. The issue of shares other than by way of rights is subject to approval from the Securities and Exchange Commission of Pakistan. The Directors of the Bank have no vested interest, directly or indirectly in the above business, save to the extent of their shareholding of the Bank.

Notes:

1. The Members' Register will remain closed from October 18, 2019 to October 24, 2019 (both days inclusive).
2. A member eligible to attend and vote at this meeting may appoint proxy to attend and vote in the meeting.
3. Proxies in order to be effective must be received at the registered office of the Bank not less than 48 hours before the time of the meeting.
4. Central Depository Company of Pakistan ("CDC") Account holders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

For Attending the Meeting:

- i. In case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC regulations shall authenticate his /her identity by showing his/her original Computerized National Identity Card ("CNIC") or original passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/ her original CNIC or passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.
5. Members are requested to promptly notify CDC Share Registrar Services Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 of any change in their address.
6. The Shareholders having physical shareholding may open CDC sub-account with any of the brokers or Investors Account directly with CDC to place their physical shares into script-less form, this will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange. Further, Section 72 of the Companies Act 2017 states that after the commencement of the Act from a date notified by SECP, a company having share capital, shall have shares in book-entry form only. Every existing company shall be required to replace its physical shares with book entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act.
7. Section 242 of the Companies Act 2017 requires that the listed companies shall pay cash dividend only through electronic mode directly into the bank account designated by the shareholders. SECP vide its notification SRO 1145 (I)/2017 has also issued the Companies (Distribution of Dividends) Regulations, 2017 whereby every shareholder shall be responsible to provide valid information pertaining to its designated bank account to disburse any dividend payable in cash only through electronic mode directly into the bank account designated by the entitled shareholders.

In this regards, Bank has already communicated through its letters addressed to the shareholders individually along with newspapers publications requesting to provide the International Bank Accounts Number ("IBAN") designated by the shareholders to receive the cash dividends electronically. Hence, shareholders are requested to fill the required fields of Bank's letter available on website of the Bank: www.bankislami.com.pk and send the same to the Share Registrar and Transfer Agent of the Bank. In case of shares held as book-entry securities, the said information would be required to be provided to Central Depository System ("CDS") through CDS Participants. (Please ignore, if the said information has already been provided).

Consent for Video Conference Facility

For this Extra Ordinary General Meeting, under following conditions, Members can also avail video conference facility at Lahore & Islamabad.

Pursuant to SECP Circular No. 10 of 2014 dated May 21, 2014, if the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

In this regard, members who wish to participate through video conference facility at Lahore & Islamabad should send a duly signed request as per following format to the registered address of the Bank at least 10 days before the date of general meeting.

I/We, _____ of _____, being a member of BankIslami Pakistan Limited, holder of _____ ordinary share(s) as per Registered Folio No./ CDC Account No. _____ hereby opt for video conference facility at _____.

Signature of Member

