

Script of كۈنلۈك



ANNUAL REPORT 17

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:

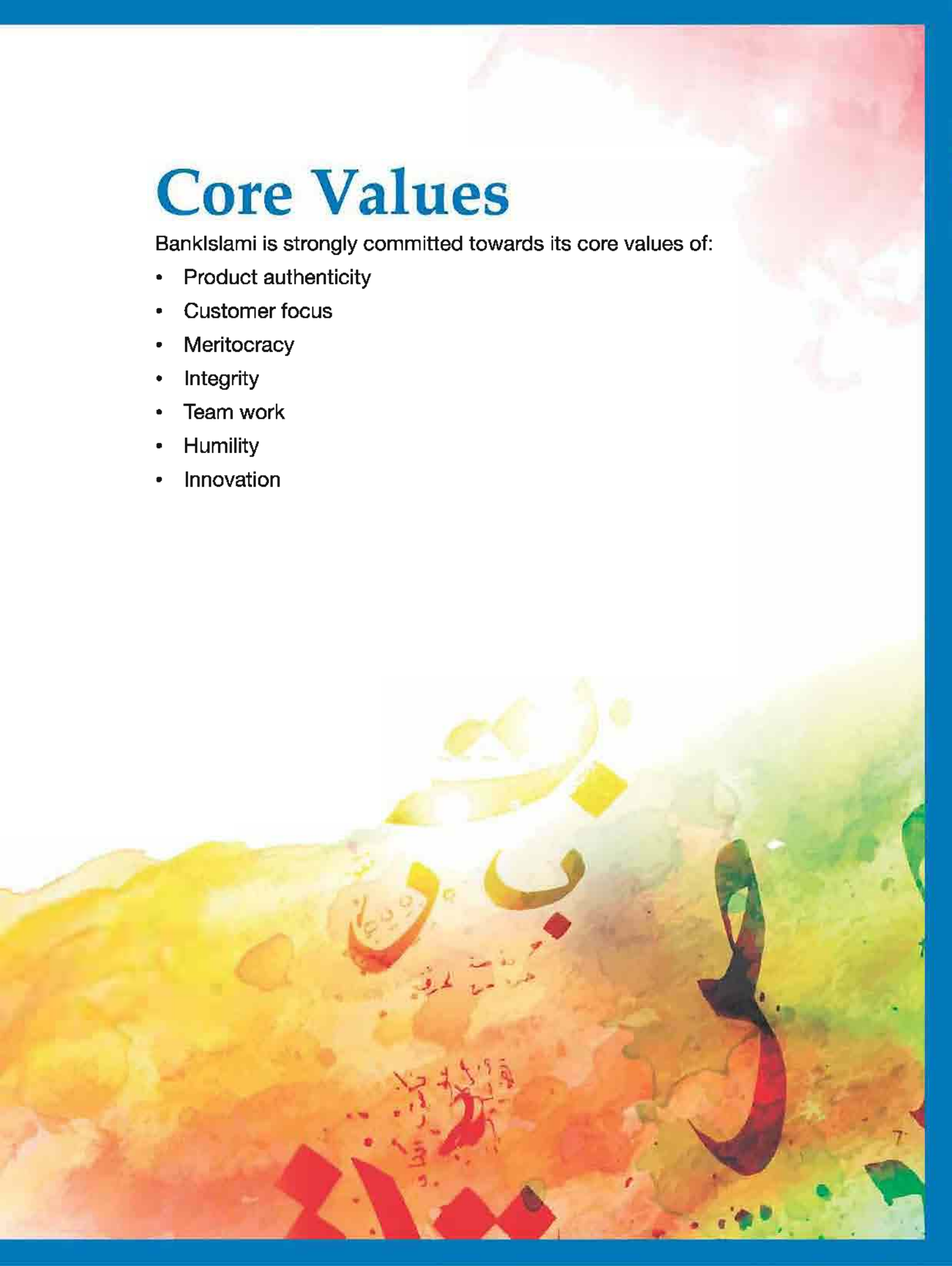
- Authenticity
- Innovation
- Understanding our clients' needs
- Commitment to excellence and
- Fast, efficient and seamless delivery of solutions.

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.

Core Values

BankIslami is strongly committed towards its core values of:

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







SCRIPT OF SUCCESS

Calligraphy is a visual art related to writing. It gives form to lettering in an expressive, harmonious and skillful manner. Urdu calligraphy draws its inspiration from various writing styles including Arabic, Ottoman and Persian.

The BankIslami logotype, derived from the Arabic Script 'Khat-Sulus', was chosen for its versatility and beauty. It stands for timeless traditions and values that Muslims have shared for centuries.

The words displayed in this Annual Report are chosen for more than the beauty of their calligraphic forms, they stand for our values, our passion and our work ethics. These words speak of our commitment towards building the future for ourselves and our customers.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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A simple and Authentic name that leaves no confusion about what we do - only Islamic Banking!



BankIslami



Motif:

The blue and green motif sets the background of the logo. Like all 'Authentic' Islamic motifs, it has eight corners filled with flowing lines without any source point. These two features are important part of Islamic art.

Script and Calligrapher:

We opted for the Arabic script for its versatility and beauty. 'Khat-Sulus', a script which has graced the Islamic monuments from the subcontinent to Turkey and Arabia, including the two most sacred mosques was opted for. It stands for timeless traditions and values that Muslims in these regions have shared for centuries - trade and commerce included. Ustad Shafiq-uz-Zaman, the only person chosen to do calligraphy in the Masjid-e-Nabwi after 500 years, is behind crafting of the logo.

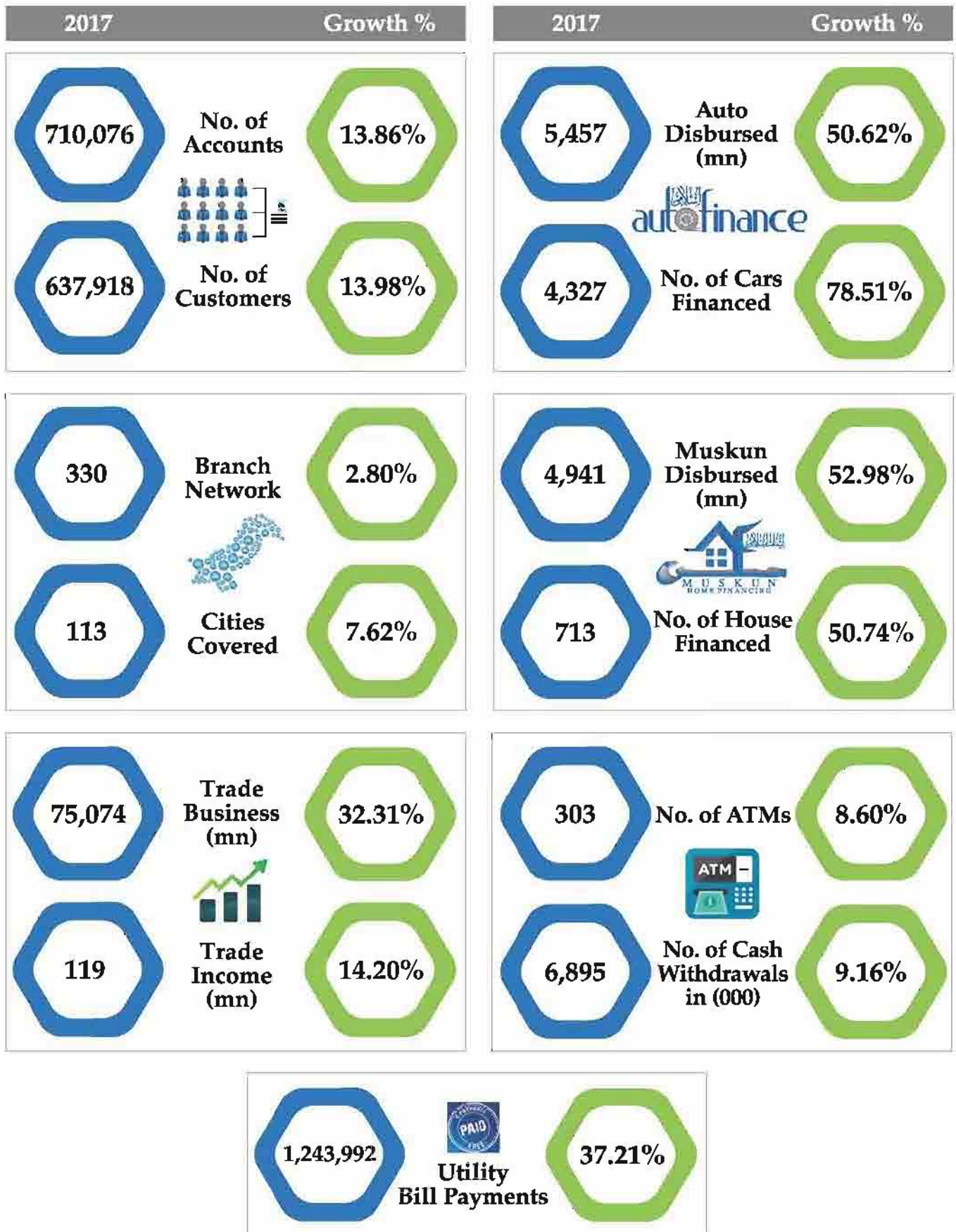
The Crescent:

A rising crescent in the traditional green encircles the motif and calligraphy. The Crescent has deep association with contemporary and modern Islam. In our logo, it stands for Shariah encompassing everything that we do at BankIslami.

Motif Bands:

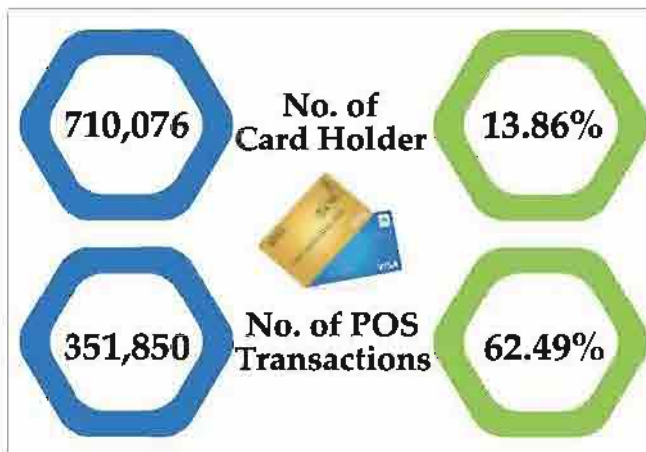
Two motif bands run parallel to each other and frame the symbol. This band is found on many Islamic monuments all around the world including the Holy Kaa'ba.

2017 in Review

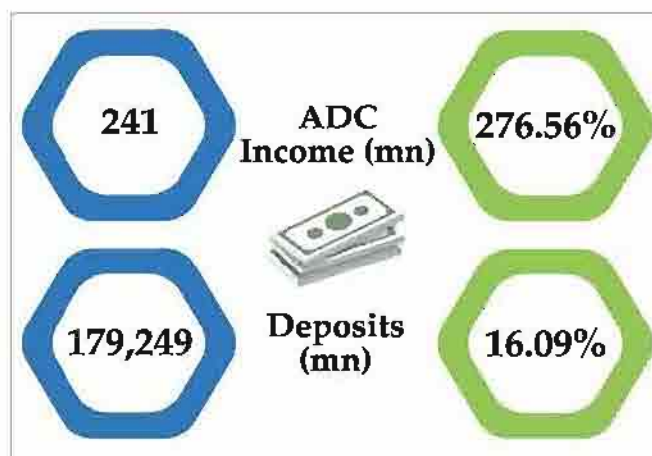
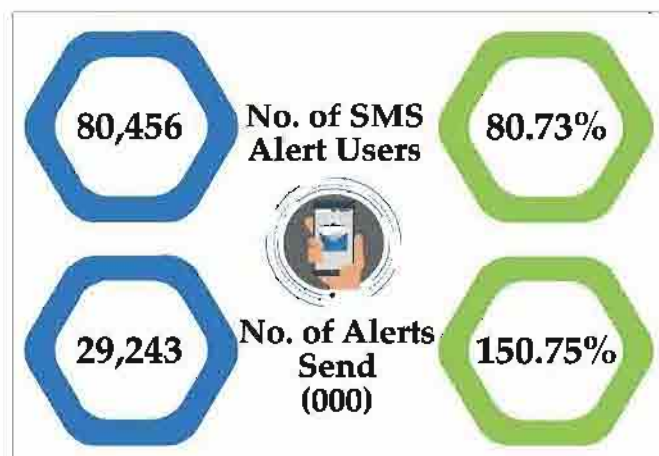
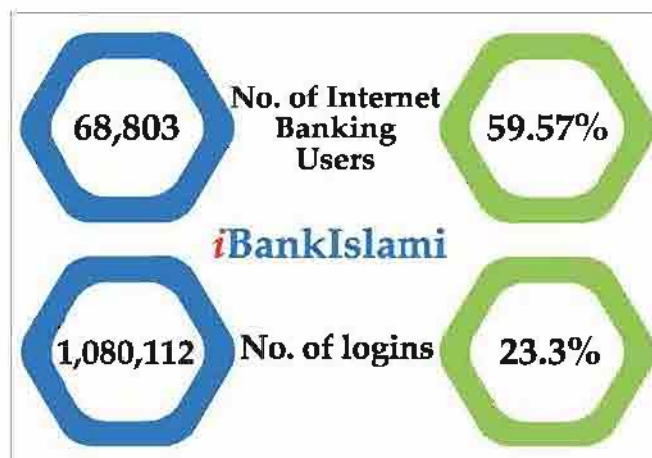
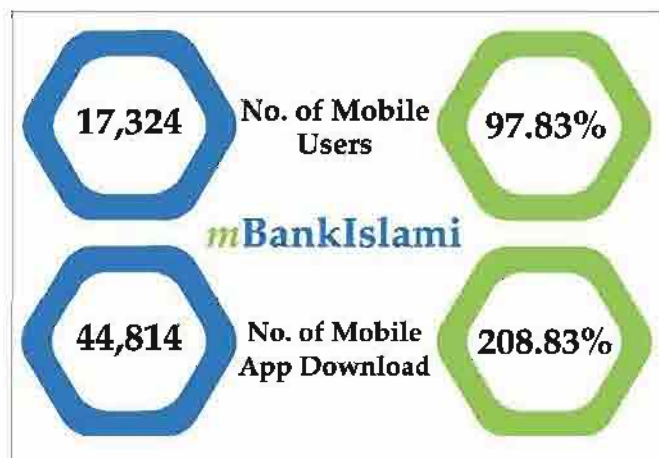
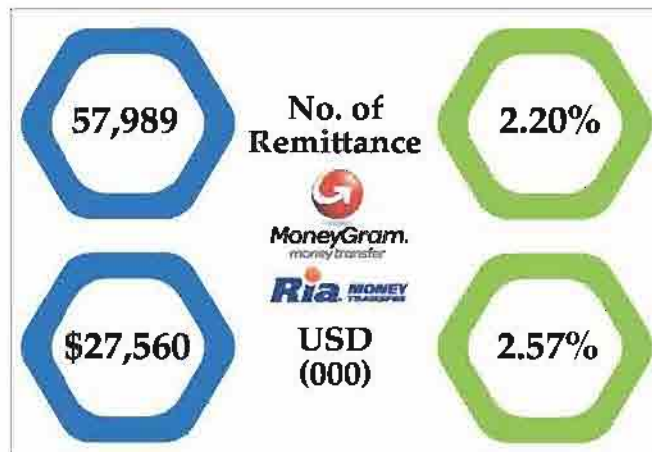


2017 in Review

2017 Growth %



2017 Growth %



Corporate Information

Board of Directors

Mr. Ali Hussain	Chairman
Mr. Fawad Anwar	Vice Chairman
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	
Dr. Amjad Waheed	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Noman Yakooob	
Mr. Siraj Ahmed Dadabhoy	
Mr. Ruhail Mohammed *	

Sharia'h Supervisory Board

Mufti Irshad Ahmad Aijaz	Chairman
Mufti Muhammad Husain	Member
Mufti Javed Ahmed	Member

Audit Committee

Dr. Amjad Waheed	Chairman
Mr. Noman Yakooob	Member
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	Member

Risk Management Committee

Mr. Fawad Anwar	Chairman
Mr. Siraj Ahmed Dadabhoy	Member
Mr. Hasan A. Bilgrami	Member

Human Resource & Compensation Committee

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	Chairman
Mr. Fawad Anwar	Member
Mr. Siraj Ahmed Dadabhoy	Member
Mr. Hasan A. Bilgrami	Member

Board Remuneration Committee

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	Chairman
Mr. Fawad Anwar	Member
Mr. Siraj Ahmed Dadabhoy	Member

Executive Committee

Mr. Ali Hussain	Chairman
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member
Mr. Siraj Ahmed Dadabhoy	Member

Company Secretary

Mr. Khawaja Ehrar ul Hassan

* As on December 31, 2017 appointment was subject to SBP approval.

Auditors

EY Ford Rhodes,
Chartered Accountants

Legal Adviser

1- Haidermota & Co.
Barrister at Law

2- Mohsin Tayebaly & Co.
Corporate Legal Consultants / Barristers & Advocates
High Courts & Supreme Court

Management (in alphabetical order)

Ahmad Mobeen Malik	Regional General Manager
Bilal Zuberi	Regional General Manager
Fakhir Ahmad	Head, Human Resources
Farooq Anwar	Head, Operations
Hasan A. Bilgrami	Chief Executive Officer
Kashif Nisar	Head, Shariah Advisory & Structuring
Khawaja Ehrar ul Hassan	Company Secretary & Head of Legal
Mahmood Rashid	Head, Government Relations & Security
Masood Muhammad Khan	Head, Compliance
Muhammad Asadullah Chaudhry	Head, Service Quality & Phone Banking
Rehan Shuja Zaidi	Head, Internal Audit
Saad Ahmed Madani	Head, Corporate Banking
Sadaruddin Pyar Ali	Head, Administration & General Services
Sohail Sikandar	Chief Financial Officer
Syed Akhtar Ausaf	Head, Risk Management
Syed Ata Hussain Jaffri	Head, Information System
Syed Muhammad Amir Shamim	Head, Treasury & Financial Institutions

Registered Office

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block-4, Clifton,
Karachi.
Phone (92-21) 111-247(BIP)-111
Fax: (92-21) 35378373
Email: info@bankislami.com.pk

Share Registrar

Share Registrar Department
Central Depository Company of Pakistan Limited
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

PUBLIC DEALING TIMINGS

Monday to Thursday:	9:00 am to 7:00 pm
Friday	9:00 am to 12:30 pm and 2:30 pm to 7:00 pm
Saturday	9:00am to 1:00pm

Website:

www.bankislami.com.pk

Profile of Shariah Supervisory Board

Mufti Irshad Ahmad Aijaz (Chairman, Shariah Supervisory Board)

Mufti Irshad Ahmad Aijaz is graduated from Jamiat-ul-Uloom Islamiyyah, Binnori Town, Karachi and obtained his Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) from there. Afterwards, he completed his Takhassus fil-Iftaa (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Dar-ul-Uloom, Karachi. He has also completed his MBA program from a leading private university in Karachi, Pakistan.

He currently holds advisory position in following Institutions:

- Member, AAOIFI Shariah Standard Committee – Karachi
- Member, AAOIFI Ethics Committee
- Shariah Advisor, Al-Hilal Shariah Advisors
- Consultant, Shariah Review Bureau - Bahrain
- Member, ICAP- Committee on Accounting & Auditing Standards for Interest Free Modes of Financing and Investments
- Member of Shariah Board in different Islamic Financial Institutions

He is actively involved in providing consultation for development of policies and regulations for regulatory authorities and different Islamic financial institutions. He also regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions including National Institute of Banking and Finance (State Bank of Pakistan) and Centre for Islamic Economics (a division of Jamia Dar-ul-Uloom, Karachi).

Mufti Muhammad Hussain Khaleel Khail (Member, Shariah Supervisory Board)

Mufti Muhammad Hussain is a prominent scholar in the field of Islamic jurisprudence. He graduated from Jamia Dar-ul-Uloom, Karachi and obtained his Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) from there. Afterwards, he completed his Takhassus fil-Iftaa (Specialization in Islamic Jurisprudence and Fatwa) from Jamia -tur-Rasheed, Karachi.

He has been teaching Islamic studies including Fiqh and Fatwa for years. He has undertaken research work in various topics including economic thoughts in Islam, financial markets, modern economic and financial issues and Islamic banking and finance. His research works include Ushr obligation, Takaful on the basis of Waqf, Shariah rules of wealth earned through impermissible sources and rulings on status of juristic person in Islam. He has authored several articles and issued verdicts (Fatwas) on various issues. He is associated with Jamia-tur-Rasheed, Karachi as a senior Mufti in Darul Iftaa and lecturer in department of Fiqhul Muaamlaat.

Mufti Javed Ahmad (Resident Shariah Board Member)

Mufti Javed Ahmad has completed his Shahadat-ul-Alamia (Masters in Arabic and Islamic Studies) from Jamia Dar-ul-Uloom, Karachi, and Takhassus fi Fiqh-el-Muamlat (Specialization in Islamic Jurisprudence of trade and finance) from Jamia-tur-Rasheed, Karachi. He is also a Certified Shariah Advisor and Auditor (CSAA) from AAOIFI, Bahrain and Chartered Islamic Finance Professional (CIFP) from INCEIF, Malaysia. He has completed M.A. Economics from Karachi University. He has undertaken research work in numerous topics including Islamic Banking and Finance. He is also a member of AAOIFI Editorial Committee for Urdu translation of AAOIFI Shariah Standard. Prior to joining BankIslami, he was associated with Ernst & Young Ford Rhodes as 'Senior Shariah Consultant' where he was engaged in Shariah Advisory, Shariah Review, Shariah Audit and Shariah Compliance activities for more than four years.

He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions including National Institute of Banking and Finance (State Bank of Pakistan).

Six Years' Horizontal Analysis

Statement of Financial Position													
2017		2016		2015		2014		2013		2012			
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	
Assets													
Cash and balances with treasury banks	11,784	32%	8,921	40%	9,036	85%	6,361	30%	4,883	-1%	4,939	5%	
Balances with other banks	802	-30%	1,140	55%	1,781	84%	734	-24%	968	20%	806	47%	
Due from financial institutions - net	21,372	-21%	27,219	50%	39,824	512%	18,144	179%	6,511	-22%	8,476	91%	
Investments - net	42,092	-9%	46,317	51%	35,886	14%	31,655	-3%	31,610	9%	28,994	38%	
Islamic financing and related assets and advances (net)	119,155	53%	77,817	89%	68,709	79%	41,097	7%	38,309	4%	27,433	11%	
Operating fixed assets	9,072	-3%	9,348	177%	8,829	198%	3,380	14%	2,958	55%	1,913	6%	
Deferred tax assets	7,702	30%	5,918		6,591		-	0%	-	0%	79	0%	
Other assets - net	4,186	0%	4,166	158%	3,575	121%	1,614	0%	1,616	0%	1,608	12%	
	216,165	20%	180,916	77%	174,231	101%	101,984	17%	86,656	17%	74,249	26%	
Liabilities													
Bills payable	2,989	31%	2,274	148%	1,524	82%	918	10%	836	-3%	1,251	57%	
Due to financial institutions	15,571	157%	6,066	981%	3,198	26%	561	-78%	2,538	57%	1,621	103%	
Deposits and other accounts	179,249	16%	154,400	71%	153,098	103%	90,331	20%	75,226	17%	64,246	27%	
Deferred tax liabilities	-	0%	-	-100%	-	-100%	200	14%	176	-	-	-	
Other Liabilities	4,680	-17%	5,662	82%	5,265	186%	3,107	69%	1,838	17%	1,569	17%	
	202,489	20%	168,402	77%	163,045	102%	95,117	18%	80,613	17%	68,638	25%	
Net Assets	13,676	10%	12,444	81%	11,186	79%	6,867	10%	6,242	12%	5,591	5%	
Represented by													
Share Capital	10,000	0%	10,000	76%	10,000	89%	5,680	8%	5,280	0%	5,280	0%	
Reserves	926	51%	614	128%	523	149%	273	30%	210	21%	173	90%	
Unappropriated profit / (loss)	1,474	595%	212	-21%	(171)	-789%	267	95%	25	222%	8	-104%	
Surplus on revaluation of assets - net of tax	1,276	-21%	1,618	150%	834	15%	647	-11%	727	435%	130	-22%	
	13,676	10%	12,444	81%	11,186	79%	6,867	10%	6,242	12%	5,591	5%	
Profit & Loss Account													
Profit / return earned	10,355	2%	10,127	30%	8,834	40%	7,812	24%	6,289	5%	5,992	9%	
Profit / return expensed	(5,249)	9%	(5,791)	-30%	(5,119)	-35%	(4,459)	-18%	(3,790)	-5%	(3,807)	-22%	
Net Spread earned	5,104	18%	4,336	29%	3,715	49%	3,353	34%	2,500	1%	2,485	-5%	
Provisions	392	-81%	2,000	5119%	482	480%	(40)	68%	(127)	-38%	(92)	-9%	
Net Spread after provisions	5,496	-14%	6,366	92%	4,197	77%	3,313	40%	2,373	-1%	2,394	-6%	
Other income	964	51%	638	1%	520	26%	632	39%	454	36%	333	47%	
Other expenses	(6,303)	2%	(6,160)	-77%	(5,039)	-100%	(3,475)	-38%	(2,518)	-11%	(2,264)	-5%	
Profit / (loss) before taxation	157	-51%	841	80%	(272)	-188%	470	52%	308	-33%	403	-24%	
Taxation	1,406	459%	(392)	-151%	76	162%	(156)	-27%	(123)	21%	(156)	21%	
Profit / (loss) after taxation	1,563	246%	452	44%	(196)	-206%	314	69%	185	-40%	307	-25%	

قدم اقلع

خط کے وفی

خط کے وفی متفرق عربی رسم الخطوں میں خطا طے ہے۔ یہ رسم الخط ہے جو قدیم نبطی خط کے جدید شکل پر مشتمل ہے۔ وقت تہذیبوں اور سلطنتوں کے تغیر سے اس کی مختلف اقسام وجود میں آئیں جن میں سے ایک یہ ہے خط کے وفی ساتویں صدی کے اختتام پر کے وفی عراق میں وجود میں آیا جہاں سے اس کا نام اخذ کیا گیا خط کے وفی ساتویں صدی میں عربی کے قرآن کے نسخوں میں موجود تھا۔ گیارہویں صدی میں یہ قرآن کے کتابت کے لئے زیادہ خط کے وفی حیثیت اختیار کر چکا تھا۔

Khat-e-Kufic

Kufic is the oldest calligraphic form of various Arabic scripts and consists of a modified form of the old Nabataean script. With changes in time, culture and kingdoms the Kufic script has evolved into various styles from which this is one. This script was developed around the end of the 7th century in Kufa, Iraq, from which it takes its name. It was prevalent in manuscripts of 7th to 10th century. Until about the 11th century, it was the main script used to copy the Holy Quran.

بَيْتُكَ إِسْلَامِي



BankIslami

autofinance



Drive your Dream Car - the Shariah Compliant Way

BankIslami's **Islami Auto Finance*** offers you the convenience to get the car of your choice, the Shariah compliant way.

The features of Islami Auto Finance are:

- Lowest customer equity
- No upfront Takaful (Islamic Insurance)
- No upfront registration charges
- Flexibility of choosing your own dealer
- No rental Payment till the delivery of vehicle
- Minimal processing charges
- No upfront tracker charges
- Freedom of choosing New or Used/ reconditioned vehicles
- Preferred Pricing for existing BankIslami's customers

Serving you, the Right way

BankIslami Pakistan
www.bankislami.com.pk



24/7 Phone Banking
111-ISLAMI (111-475264)

*Terms & Conditions apply

Six Years' Vertical Analysis

		2017		2016		2015		2014		2013		2012	
		Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
Statement of Financial Position													
Assets													
Cash and balances with treasury banks		11,784	5%	8,921	5%	9,036	5%	6,361	6%	4,883	6%	4,939	7%
Balances with other banks		802	0%	1,140	1%	1,781	1%	734	1%	968	1%	806	1%
Due from financial institutions - net		21,372	10%	27,219	15%	39,824	23%	18,144	18%	6,511	7%	8,476	11%
Investments - net		42,092	19%	46,317	26%	35,886	21%	31,655	30%	31,610	36%	28,994	39%
Islamic financing and related assets and advances (net)		119,155	55%	77,817	43%	68,709	39%	41,097	40%	38,309	44%	27,433	37%
Operating fixed assets		9,072	4%	9,348	5%	8,829	5%	3,380	3%	2,958	3%	1,913	3%
Deferred tax assets		7,702	4%	5,918	3%	6,591	4%	-	0%	-	0%	79	0%
Other assets - net		4,186	2%	4,166	2%	3,575	2%	1,614	2%	1,616	2%	1,608	2%
		216,165	100%	180,846	100%	174,231	100%	101,984	100%	86,856	100%	74,249	100%
Liabilities													
Bills payable		2,989	1%	2,274	1%	1,524	1%	918	1%	836	1%	1,251	2%
Due to financial institutions		15,571	7%	6,066	3%	3,198	2%	561	1%	2,538	3%	1,621	2%
Deposits and other accounts		179,249	83%	154,400	85%	153,058	88%	90,331	89%	75,226	87%	64,216	86%
Deferred tax liabilities		-	0%	-	0%	-	0%	200	0%	176	0%	-	0%
Other liabilities		4,680	2%	5,662	3%	5,265	3%	3,107	3%	1,838	2%	1,569	2%
		202,489	94%	168,402	93%	163,045	94%	95,117	93%	80,613	93%	68,658	92%
Net Assets		13,676	6%	12,444	7%	11,186	6%	6,867	7%	6,242	7%	5,591	8%
Represented by													
Share Capital		10,000	5%	10,000	6%	10,000	6%	5,680	6%	5,280	6%	5,280	7%
Reserves		926	0%	614	0%	523	0%	273	0%	210	0%	173	0%
Unappropriated profit / (loss)		1,474	1%	212	0%	(171)	0%	267	0%	25	0%	8	0%
Surplus on revaluation of assets - net of tax		1,276	1%	1,618	1%	834	0%	647	1%	727	1%	130	0%
		13,676	6%	12,444	7%	11,186	6%	6,867	7%	6,242	7%	5,591	7%
Profit & Loss Account													
Profit / return earned		10,353	91%	10,127	94%	8,834	94%	7,812	95%	6,289	95%	5,992	95%
Profit / return expensed		(5,249)	-46%	(5,791)	-54%	(5,119)	-54%	(4,459)	-53%	(3,790)	-56%	(3,507)	-55%
Net Spread earned		5,104	45%	4,336	40%	3,715	40%	3,353	40%	2,500	39%	2,485	39%
Provisions		392	3%	2,000	19%	482	5%	(40)	0%	(127)	-2%	(91)	-1%
Net Spread after provisions		5,496	49%	6,336	59%	4,197	45%	3,313	38%	2,373	38%	2,394	38%
Other income		964	9%	638	6%	570	6%	632	7%	454	7%	333	5%
Other expenses		(6,303)	-56%	(6,160)	-57%	(5,039)	-54%	(3,475)	-41%	(2,518)	-37%	(2,264)	-36%
Profit / (loss) before taxation		157	1%	844	8%	(272)	-3%	470	6%	308	5%	463	7%
Taxation		1,406	12%	(392)	-4%	76	1%	(156)	-2%	(123)	-2%	(156)	-2%
Profit / (loss) after taxation		1,563	14%	452	4%	(196)	-2%	314	4%	185	3%	307	5%

Statement of Value Added

	2017	2016
	--- Rupees in million ---	
Value Added		
Net Spread earned	5,105	4,336
Other income	964	638
Operating expenses excluding staff cost, depreciation, amortisation, donations, defined benefit plan and defined contribution plan, etc.	(2,742)	(2,740)
Provision against advances, investments & others	392	2,030
Value added available for distribution	<u>3,719</u>	<u>4,264</u>
Distribution of value added		
To employees		
Remuneration, defined benefit plan and defined contribution plan	2,784	2,702
To government		
Worker welfare fund	-	17
Taxation	(1,406)	391
	<u>(1,406)</u>	<u>408</u>
To Society		
Donations	-	-
To Shareholders		
Depreciation	715	641
Amortisation	63	61
Retained during the year	1,563	452
	<u>2,341</u>	<u>1,154</u>
	<u>3,719</u>	<u>4,264</u>

دیکھتے

خط رقاع

کاغذ کے ٹکڑے کو ورقہ کہتے ہیں اور یہ خط ابتداء میں کاغذ کے چھوٹے چھوٹے ٹکڑوں پر لکھا جاتا تھا اس لیے اس خط کو رقاع کہا جاتا ہے عربی رسم الخط میں یہ سب سے زیادہ استعمال کیا جانے والا خط ہے

Khat-e-Riq'ah

The name of this calligraphic style comes from the word for paper 'Ruq'ah', as it was initially written on small pieces of paper. It is the most common style of handwriting in the Arabic Script.

بَيْنَكِ اِسْلَامِي



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Standing Instructions for Recurring Payments

mBankIslami

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Six Years' Financial Summary 2012-2017

		Rupees in million					
Specific Provision		2017	2016	2015	2014	2013	2012
Profit & Loss Accounts							
Profit/return Earned		10,353	10,127	8,834	7,812	6,289	5,992
Profit/return Expensed		5,249	5,791	5,119	4,459	3,790	3,507
Net Spread earned		5,104	4,336	3,715	3,353	2,500	2,485
Fee,commission,brokerage & exchange Income		732	404	490	560	368	282
Dividend and capital gains		154	122	15	32	7	17
Other Income		78	111	65	40	79	34
Total Other Income		964	637	570	632	454	333
Total Income		6,068	4,973	4,285	3,985	2,953	2,818
Other expenses		6,303	6,160	5,039	3,475	2,518	2,264
Profit/(loss) before tax and provisions		(235)	(1,187)	(754)	510	435	554
Provisions		(392)	(2,030)	(482)	40	127	91
Profit/(loss) before tax		157	843	(273)	470	308	463
Profit/(loss) after tax		1,563	452	(196)	314	185	307
Statement of Financial Position							
Paid up capital		10,000	10,000	10,000	5,680	5,280	5,280
Reserves		926	614	523	273	210	173
Unappropriated profit/(loss)		1,474	212	(171)	267	25	8
Shareholders' equity		12,400	10,826	10,352	6,220	5,515	5,461
Surplus on revaluation of assets-net of tax		1,276	1,618	834	647	727	130
Net Assets		13,676	12,444	11,186	6,867	6,242	5,591
Total Assets		216,165	180,846	174,231	101,984	86,856	74,249
Earning Assets		183,421	152,493	146,200	90,629	77,398	65,710
Gross Financings		130,828	89,949	82,361	41,698	38,932	27,934
Financings-net of provisions		119,155	77,817	68,709	41,097	38,309	27,433
Non-performing Loans (NPLs)		15,837	14,534	15,684	1,062	1,109	1,205
Investments-net of provisions		42,092	46,317	35,886	30,655	31,610	28,994
Total Liabilities		202,489	168,402	163,045	95,117	80,613	68,658
Deposits & other accounts		179,249	154,400	153,058	90,331	75,226	64,216
Current & Saving Deposits (CASA)		136,273	111,037	102,491	55,234	40,556	33,925
Borrowing		15,571	6,066	3,198	561	2,538	1,621
Cost bearing Liabilities		136,010	110,912	110,800	73,688	65,141	54,393
Contingencies and commitments		22,435	27,184	29,022	9,538	10,308	8,238
Financial Ratios							
Profit before tax ratio (PBT/total income)		2.58%	16.95%	-6.36%	11.79%	10.43%	16.43%
Net Spread earned / Profit Earned		49.30%	42.82%	42.05%	42.92%	39.74%	41.47%
Other income to total income		15.89%	12.81%	13.30%	15.86%	15.36%	11.83%
Total income/ Other expense ratio (excl. provisions)	Times	0.96	0.81	0.85	1.15	1.17	1.24
Return on average equity (ROE)		13.46%	4.27%	-2.37%	5.35%	3.38%	5.78%
Return on average assets (ROA)		0.79%	0.25%	-0.14%	0.33%	0.23%	0.46%
Return on Capital Employed (ROCE)		0.10%	0.68%	-0.22%	0.58%	0.43%	0.77%
Earning per share (EPS after tax)	Rs.	1.5509	0.4487	(0.2437)	0.5777	0.3467	0.5809
Gross financings/ deposit ratio		72.99%	58.26%	53.81%	46.16%	51.75%	43.50%
Net financings / deposit ratio		66.47%	50.40%	44.89%	45.50%	50.92%	42.72%
Breakup value per share (excl. surplus on rev. of assets)	Rs.	12.30	10.74	10.27	10.80	10.45	10.34
Breakup value per share (incl. surplus on rev. of assets)	Rs.	13.57	12.35	11.10	11.92	11.82	10.59
Earning assets to total assets ratio		84.85%	84.32%	83.91%	88.87%	89.11%	88.50%
Earning assets to cost bearing Liabilities	Times	1.35	1.37	1.32	1.23	1.19	1.21
CASA to Total Deposits		64.53%	71.92%	66.96%	61.15%	53.91%	52.83%
NPLs to Gross Financings ratio		12.11%	16.16%	19.04%	2.55%	2.85%	4.31%
Total Assets to Equity (excl. surplus on rev. of assets)	Times	17.43	16.70	16.83	16.40	15.75	13.60
Deposit to shareholders' equity	Times	14.46	14.26	14.79	14.52	13.64	11.76
Capital Adequacy Ratio		14.68%	13.43%	12.34%	16.70%	15.37%	15.13%
Market value per share-Dec31	Rs.	9.29	13.36	11.50	9.81	6.94	9.21
Non Financial Information							
Number of branches		330	321	317	213	201	141
Total number of employees		3,350	3,206	2,929	2,150	1,520	1,410

Notice of Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Saturday, April 28, 2018 at 09:30 a.m. at Regent Plaza Hotel & Convention Centre, Shahrah-e-Faisal, Karachi to transact the following business:

ORDINARY BUSINESS

- 1- To confirm minutes of the 13th Annual General Meeting of the Bank held on April 11, 2017.
- 2- To receive, consider and adopt the Annual Audited Accounts of the Bank and Consolidated Audited Accounts of the Bank for the year ended December 31, 2017 together with the Auditors; and Directors; Reports thereon.
- 3- To appoint Auditors of the Bank for the year ending December 31, 2018 and to fix their remuneration. The present auditors, EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

- 4- To approve remuneration of Chairman, Vice Chairman, Independent Directors and Non-Executive Directors of the Bank as required under Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

A statement of material facts under Section 134(3) of Companies Act 2017 in respect to above mentioned special business to be considered at the Annual General Meeting is being sent to the members alongwith the Notice.

By Order of the Board



Khawaja Ehrar ul Hassan
Company Secretary

Karachi: April 7, 2018

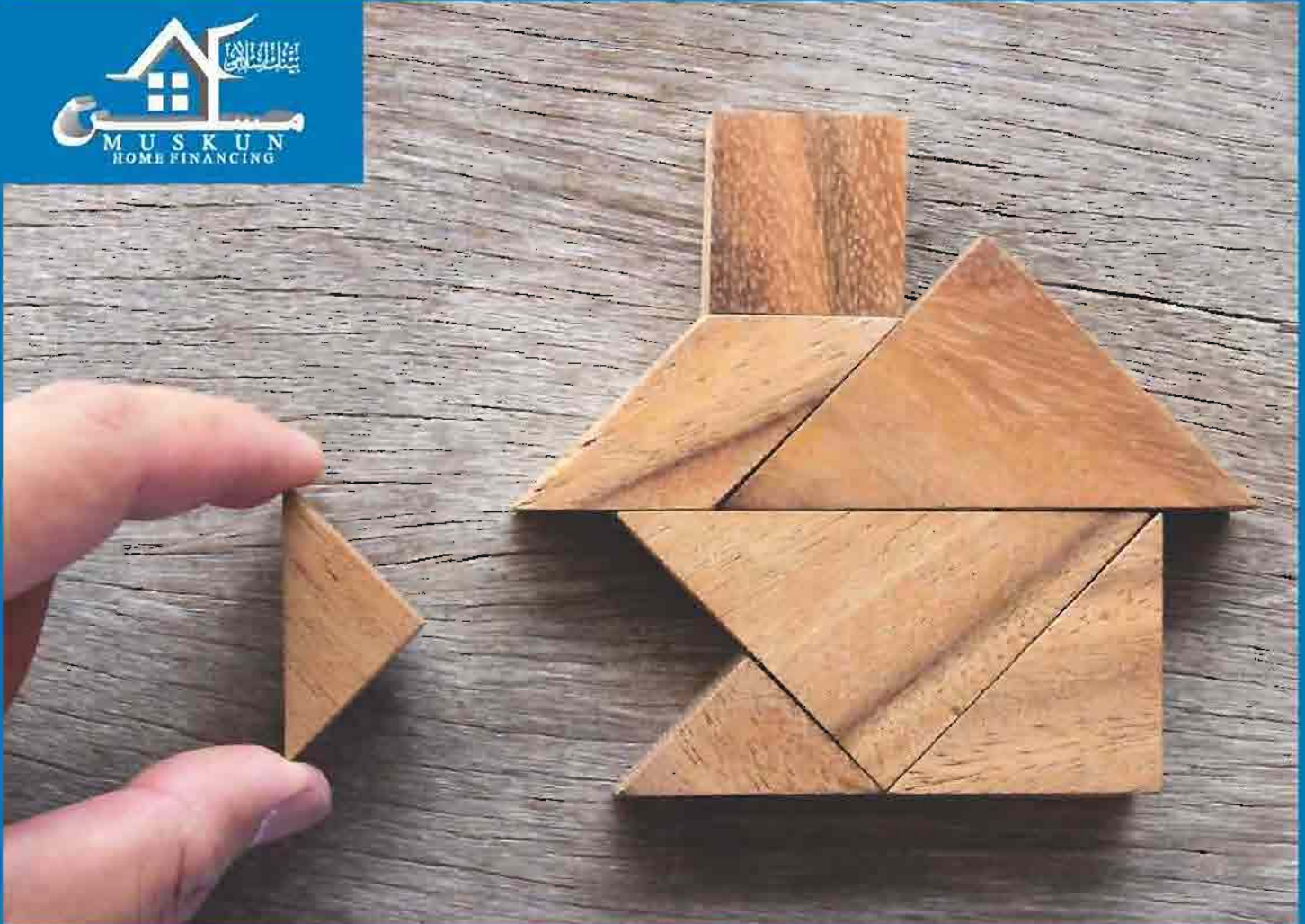
کھت

خط سیاقت

سلاجوق دور ۵۵۲-۴۲۹ء میں دفتر سے منشیوں نے ایک نیا طرز
تحریر ایجاد کیا جس کو سیاقت کہتے ہیں ایک طرح سے ایس دور
کا شارٹ ہینڈ تھا

Khat-e-Siyaqat

In the Saljoqi era from 429 to 552 Hijri, office accountants invented this script. It was a form of short-hand for them.



Home is where the Heart is...

Purchase

Construction

Renovation

Replacement-BTF

Key features of MUSKUN Home Financing are:

- Facility available across Pakistan
- No pre-payment charges after 1 year
- Financing available as per Customer Credit Capacity
- Tenure up to 25 years
- Minimal processing charges
- Facility is also available for Non-Resident Pakistanis (for Salaried individuals only)

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

This statement set out the material facts concerning the resolution contained in the Notice pertaining to the special business to be transacted at the Annual General Meeting of the Bank to be held on April 28, 2018.

Agenda Item No. 4

To approve remuneration of Chairman, Vice Chairman, Independent Directors and Non-Executive Directors of the Bank as required under Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

Election of Directors was held on April 11, 2017. After election of directors in the Board meeting held on June 20, 2017 Directors had fixed the remuneration for Chairman Rs. 300,000/- (Rupees: Three hundred thousand only) per Board Meeting, the remuneration for Vice Chairman Rs. 150,000/- (Rupees: One hundred fifty thousand only) per Board Meeting, the remuneration for non-Executive Director Rs. 100,000/- (Rupees: One hundred thousand only) per Board Meeting and the remuneration for Independent Director Rs. 200,000/- (Rupees: Two hundred thousand only) per Board Meeting. As per Prudential Regulations the scale of remunerations for the chairman and director(s) is subject to shareholders approval in the Annual General Meeting. The remuneration of the chairman, vice chairman / director(s) is being recommended to compensate them adequately for their greater time commitment and legal exposure with regard to participate in Bank's Board meetings. The following resolution is proposed to be passed by the shareholders with or without amendments:

"RESOLVED that the remuneration of the Chairman be fixed Rs. 300,000/- (Rupees: Three hundred thousand only) per Board Meeting, the remuneration for Vice Chairman be fixed at Rs. 150,000/- (Rupees: One hundred fifty thousand only) per Board Meeting, the remuneration for non-Executive Director be fixed Rs. 100,000/- (Rupees: One hundred thousand only) per Board Meeting, the remuneration for Independent Director be fixed at Rs. 200,000/- (Rupees: Two hundred thousand only) per Board Meeting."

The Chairman, Vice Chairman, Non-Executive Directors and Independent Directors are interested in the Special Business to the extent of the proposed remuneration of the Chairman, Vice Chairman, Non-Executive Directors and Independent Directors as stipulated above. Other than that the Directors have no interest in the Special Business.

Notes:

- 1 The Members' Register will remain closed from April 22, 2018 to April 28, 2018 (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 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 Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahr-e-Faisal, Karachi-74400 of any change in their address.

6. The Bank has allowed by SECP Notification No. SRO 470 (I)/2016 dated May 31, 2016, has circulated the Annual Audited Financial Statements for the year ended December 31, 2017 alongwith Auditor's report and Directors' reports etc., to the shareholders through electronic medium i.e. DVD/CD at their registered address instead of transmitting the said annual accounts in hard copies. However, a shareholder may request to the Company Secretary at the Registered Office of the Bank located at 11th Floor, Executive Towers, Dolmen City, Marine Drive, Block-4, Clifton, Karachi to provide hard copy of Annual Audited Accounts instead of DVD/CD and the same will be provided at his / her registered address, free of cost, within one week of the demand. In this regard, a 'Statement Request Form' has been placed on website of the Bank for shareholders to communicate the need of hard copies of the Annual Audited Accounts instead of sending the same through DVD/CD. A shareholder may also prefer to receive hard copies of all future Annual Audited Accounts.
7. 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.
8. 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 enclosed with the Notice of AGM and also 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).

9. In pursuance with the Securities and Exchange Commission of Pakistan ("SECP") Notification No SRO.831 (1)/2012 of July 5th, 2012 in suppression of earlier notification No. SRO 779 (1)/2011 of August 18, 2011, SECP directed all listed companies to mention Computerized National Identity Card (CNIC) / NTN numbers of the registered members on the dividend warrant. The Shareholders having physical shares are once again requested to immediately send a copy of their valid Computerised National Identity Card (C.N.I.C) to our Registrar Office, Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 for printing/insertion on dividend warrants. In case of non-receipts of copy of valid C.N.I.C (Unless it has been provided earlier) and non-compliance of the above requirement the company will be constrained to withhold dispatch of dividend warrants to such shareholders as per S.E.C.P SRO and directives. The corporate entities has also advised to submit the NTN number to the above given address.

10. Consent for Video Conference Facility

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

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. _____ hereby opt for video conference facility at _____.

Signature of Member

خط دیوانی

خط دیوانی

خط دیوانی عربی رسم الخط کی ایک قسم ہے جس کا ترقی غرغزلاش۔ عثمانیہ کے ابتدائی ادوار میں ترکوں نے یہ خط

کس کا بنی حسام رومی تھا جس کا آغاز ۱۵۶۶-۱۵۲۰ء میں ہوا اور یہ خط اس سلیمان میں اپنے عروج تک پہنچ چکا تھا

Khat-e-Diwani

Diwani is a calligraphic variety of Arabic script, a cursive style developed during the reign of the early Ottoman Turks. It was invented by Housam Roumi and reached its height of popularity under Sultan Suleyman I, the Magnificent, reign from year 1520 to 1566.

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Directors' Report

Dear Shareholders,

On behalf of the Board, I would like to present the fourteenth Annual Report of BankIslami Pakistan Limited ('the Bank' or 'BIPL' or 'BankIslami') for the year ended December 31, 2017. The following are the key financial highlights of the year:

	Dec-17	Dec-16	Growth (%)
	Rupees in millions.....		
Total Deposits	179,249	154,400	16.09%
Total Assets	216,165	180,846	19.53%
Total Financing and related assets-net	119,155	77,817	53.12%
Total Investments	42,092	46,317	-9.12%
Shareholder's Equity	13,676	12,445	9.90%
Profit After Tax	1,563	452	245.60%
Basic Earnings per share-rupees	1.551	0.449	245.60%
Branches network- Number	330	321	2.80%

The Board of Directors¹ during the year comprised of the following:

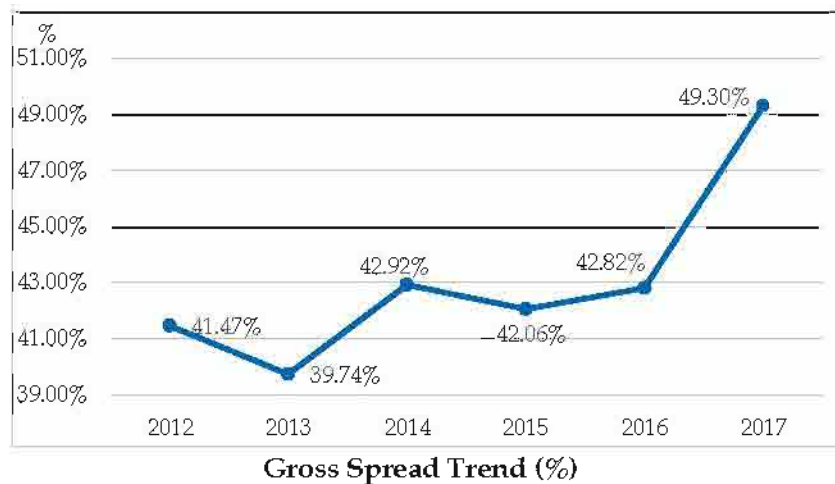
Mr. Ali Hussain	Chairman
Mr. Fawad Anwar	Vice Chairman
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	
Dr. Amjad Waheed	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Noman Yakoub	
Mr. Siraj Ahmed Dadabhoy	

By the Grace of Allah SWT, BankIslami completed another year with growth in key areas despite all the challenges.

Deposit and cost rationalization

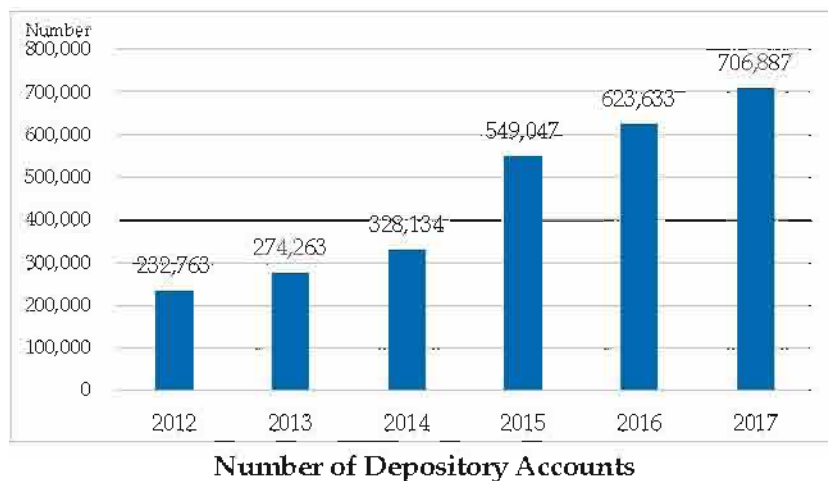
Deposit mobilization by the Bank improved by 16.09% over last year. In addition, its Current and Saving Accounts ('CASA') mix also improved from 71.58% to 75.69%, helping in reducing the average cost of deposits to 2.69% from 3.61% during last year, an improvement of 91bps. Resultantly, the gross spread or net spread before provisions improved to 49.30% from 42.82%, which is 648 bps better as compared to last year.

¹Mr. Ali Raza Siddiqui and Mr. Kamal Afsar retired from the Board on April 11, 2017. Mr. Suleman Lalani was elected as Director in Annual General Meeting and his appointment was subject to SBP's approval. Mr. Ruhail Mohammed appointment was made on October 25, 2017 and was subject to SBP's approval.

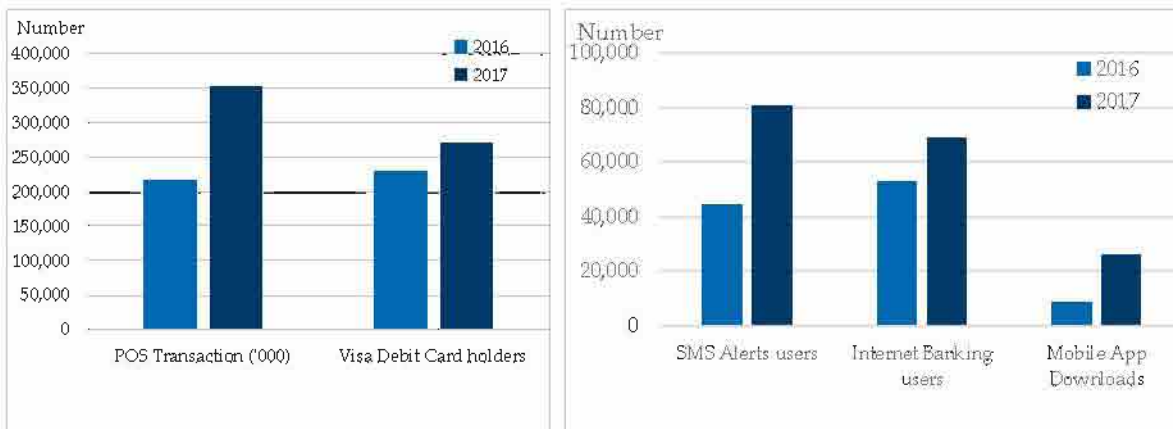


Outreach

The branch network of BankIslami has grown to 330 branches in 114 Cities of Pakistan, thereby increasing our presence in 9 more Cities of Pakistan this year. The number of bank accounts also grew by 83,254 in this year compared to 74,586 last year. The improved Customer base would provide additional cross-sell opportunities to the Bank going forward. The deposit per branch of the Bank improved to Rs. 543 million compared to Rs. 481 million last year, showing that the branches are expanding their penetration.



Since inception, the Bank has made focused efforts to enrich its digital banking offering which is supplemented by alternate delivery channels so as to enhance its service delivery that provides delightful customer experience. During the year, Bank added various features to its digital banking platform such as secured online shopping, enhanced transaction limits, and host of merchant discounts on Debit Card point of sale (POS) use. It upgraded its Mobile Application and Internet Banking services which has gained immense popularity and increased active users.



Alternate Delivery Channel penetration

Financing

Overall growth in the financing portfolio was 53.1% compared to 13.3% in the previous year. The Financing (Advances) to Deposit ('ADR') ratio improved to 66.5% in comparison to 50.4% last year. The share of consumer financing in total financing grew to 15.24% from 14.75% in line with the Bank's strategy to concentrate on retail business and cross selling. A total of 4,327 automobiles and 460 houses were financed by the Bank this year with housing portfolio crossing the Rs. 11bn mark. The growth in overall consumer portfolio was 50.32% during the year compared to 47.69% during last year, which was very forthcoming for the overall revenue growth of the Bank as it helped in improving the spreads. New products on retail financing front will soon be rolled out to give an impetus to the growth.

Operation & Cost rationalization

The administration expenses showed a marginal increase of 2.3% which should be one of the best in the industry. Process rationalization and increased use of automation were main drivers.

Improvement in revenue streams, measures to control expenses, better asset to deposit mix and tax management have resulted in the Bank reporting profit after tax of Rs. 1,563 million compared to Rs. 452 million reported last year. Alhamdulillah. The Bank plans to transfer the surplus due to Deferred Tax recognized in the current year's Profit & Loss Account to reserve for bad debts and contingencies. No part of it is proposed to be distributed to the shareholders.

Despite of this cost rationalization and complete integration of the Defunct KASB Bank, the Bank had been under stress for some time due to regulatory merger with Defunct KASB Bank. The amalgamation, which benefited the entire Banking system of the country, was funded largely by BankIslami. We would like to put on record that payments to the depositors of the Defunct KASB Bank were about Rs. 27 billion, most of which were from the resources of BankIslami, which is unprecedented.

A detailed discussion on financial performance is contained in the Management Discussion and Analysis Section of the Annual Report.

New Initiatives

During the year, the Bank initiated number of projects in the Digital Banking front such as upgrading its Mobile application, revamping its Internet Banking service, introducing voice guided ATMs etc. It has also launched Bio-Banking service whereby through biometric thumb impression, a BankIslami's account holder can perform number of banking transactions at BankIslami's branch counter without any cheque book or paper based form. This initiative, a first of its kind in Pakistan, is well received by the customers and we are delighted to share that by the end-December 2017, the share of Bio-Banking transactions crossed 11% of the total eligible counter transactions.

The Bank started offering China's Union Pay Debit cards besides Visa Debit Cards to its account holders. It is in process of launching Visa Supplementary cards, PayPak and MasterCard Titanium Debit cards as well. A biometric payment solution, Thumbpay, has been developed and it is in the process of implementation at various merchants.

The Bank introduced products for Tractor Finance, Equipment Finance and Warehouse Receipt Finance as part of its agriculture financing business. It enabled the Bank to surpass the SBP's agri-credit disbursement target given to BankIslami. Shariah advisory service was provided to Ghani Gases Limited and AGP Limited for their Sukuk structuring.

During 2017, Investment Banking made good stride in terms of innovation and market visibility. The Bank was the Lead Arranger & Advisor of Pakistan's First Shariah Compliant Islamic Commercial Paper of Rs. 1.5 billion by Hascol Petroleum Ltd. This unique transaction was applauded for its innovative structuring and was also covered by Islamic Finance News ('IFN') Malaysia in their publication.

Bank's initiative of reducing carbon footprint by shifting towards hybrid solar power has resulted in 140 branches having installed capacity of approximately 530 Kilowatts.

It has worked addressing the root causes of customer complaints which has led to reduction in complaints re-occurrence rate thereby enhancing the quality of customer experience at the Bank.

New Internal Service Measures (ISM) were introduced to broaden the internal scope of services and to focus on service excellence.

Total 297 training sessions were conducted for 5,955 participants. Around 82 training sessions were conducted on Islamic Banking Concepts and specialized Product Training whereby over 1,850 employees were trained. Twelve Certified Leadership Courses were conducted in Karachi, Lahore, Islamabad, Quetta, Multan and Hyderabad for Area Managers, Hub Managers, Branch Managers and Customer Services Managers. Other training sessions including soft Skills such as Customer Service, Business Communications, Sales and Orientation programs were held country wide.

Future Strategy

The Bank envisions itself to be a leading player in the Islamic Banking industry going forward. It is expected that the cost impact of amalgamation of the Defunct KASB Bank shall be fully absorbed in next couple of years, which has put strain on the profitability of the Bank. Moreover, Digital innovation is a key area where the Bank has always taken pioneering initiatives and would continue to do so in order to become the exclusive one-stop Shariah compliant financial solution provider for its customers. Moreover, the Bank has planned to launch new products in the area of consumer finance so as to leverage its large captive retail customer base.

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 and accounting estimates are based on reasonable and prudent judgment.
- 4 International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
- 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 and gratuity fund based on un-audited accounts at December 31, 2017 amounted to Rs.676.913 million and Rs.281.620 million respectively.
- 9 Following information enclosed as annexure to the Directors' Report.
 - The purchase and sale of shares by the Directors and the Chief Executive during the year.
 - Key operating and financial data of last six years.
 - Number of Board meetings, Audit and Human Resource & Compensation Committee Meetings held during the year and attendance of each director

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by Pakistan Stock Exchange in its listing regulations relevant for the year ended December 31, 2017 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

Risk Management

Committees related to the management of risks at BankIslami form the main layer of the risk management framework; the inflow and outflow of information is through the dedicated risk management unit. The Heads of Credit, Risk management, 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 Bank, along with the magnitude of their impact and likelihood of occurrence.

BankIslami perceives the management of risk not to be limited to a department or a function, but rather a part of daily business routine. Ideas and decisions are largely based on the risk and 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 weighed against the applicable risk weights and its impact reviewed on a periodic basis. This pro-active approach helps in outlining the Bank's risk tolerance level vis-à-vis its 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 risks.

The Bank is party to several litigations either initiated by it or initiated against it by various parties. The Bank is confident based on legal advice that there exists no material uncertainty due to litigations. Similarly, no adverse outcome is anticipated on inquiry/investigations against the Bank and/or its staff. There was no change in the nature of business of the Bank and any of its subsidiaries during the year.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) maintained the long-term entity rating of BankIslami at "A+" and short-term rating at "A1".

Pattern of Shareholding

The Pattern of shareholding as at December 31, 2017 is annexed with the report.

Auditors

The present Auditors EY Ford Rhodes 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 EY Ford Rhodes Chartered Accountants. , as Auditors for the year ending December 31, 2018.

Acknowledgments

The Board would like to place on record its deep appreciation to the State Bank of Pakistan for providing assistance and guidance. It would also like to thank the Securities and Exchange Commission of Pakistan and other regulatory authorities for their support to us. We would like to express our gratitude to our valued customers, business partners and shareholders for their continued patronage and trust. Moreover, we would also like to acknowledge the dedication, commitment and hard work put in by our management team and employees that has enabled BankIslami to achieve a prominent position in the Banking industry in general and Islamic Banking industry in particular, *Alhamdulillah*.

On behalf of the Board,



Hasan A Bilgrami
Chief Executive Officer

April 06, 2018

بینک بہت سے قانونی مقدمات میں فریق ہے جن میں سے کچھ وہ ہیں جنہیں بینک نے خود دائر کیے ہیں اور کچھ وہ ہیں جو بینک کے خلاف مختلف فریقوں کی جانب سے دائر کیے گئے ہیں۔ بینک قانونی مشاورت کی بنیاد پر یہ اعتماد ہے کہ ان مقدمات کی وجہ سے مستقبل میں کسی بڑی غیر یقینی صورتحال کا سامنا نہیں کرنا پڑے گا۔ اسی طرح بینک اور ایپا اس کے عملے پر کی جانے والی گفتیش کے نتیجے میں بھی کوئی خاص بُرا اثر پڑنے کی توقع نہیں ہے۔ بینک اور اس کے ذیلی اداروں کے کاروبار کی نوعیت میں دوران سال کوئی تبدیلی نہیں آئی۔

کریڈٹ ریٹنگ:

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ کی جانب سے بینک کے طویل مدت کے لیے ریٹنگ "A+" اور قلیل مدتی ریٹنگ "A1" مقرر کی گئی ہے۔
حصص کا پیرن:

31 دسمبر 2017 پر حصہ داران کی تفصیلات فیصد کے طور پر منسلک ہے۔

آڈیٹرز:

موجودہ آڈیٹرز EY فورڈر ہوڈرز چارٹرڈ اکاؤنٹنٹس کی مدت پوری ہوگئی اور وہ دوبارہ رکھے جانے کے اہل ہیں۔ کوڈ آف کارپوریٹ گورننس کے تحت آڈٹ کمیٹی نے EY فورڈر ہوڈرز کو 31 دسمبر 2018 کو اختتام پذیر ہونے والے سال کے لیے آڈیٹر مقرر کرنے کی سفارش کی ہے۔
اعمال و فنکار:

بورڈ اسٹیٹ بینک آف پاکستان کی مسلسل مدد اور رہنمائی پر اپنی اعجابی حسنین کو ریکارڈ کا حصہ بنانا چاہتا ہے۔ اس کے ساتھ ساتھ سیکورٹی ایپیکس کیپٹن آف پاکستان اور دیگر انتظامی حکمران اداروں کا بھی ان کی معاونت پر شکریہ ادا کرتا ہے۔ ہم اپنے قابل قدر صارفین، کاروباری شراکت دار، اور حصے داران کا ہماری مسلسل حمایت اور ہم پر بھروسے پر اعجابی شکر گزار ہیں۔ اس کے ساتھ ساتھ ہم اپنی انتظامی جماعت، عملے کے افراد کی لگن، وابستگی، اور محنت کو تسلیم کرتے ہیں جس کے نتیجے میں ہی بینک اسلامی بینکنگ انڈسٹری میں بالعموم اور اسلامی بینکنگ انڈسٹری میں بالخصوص امتیازی مقام حاصل کرنے کے قابل ہوا۔ الحمد للہ!

بورڈ کی جانب سے



حسن اے بلگرامی

افسر اعلیٰ

۶ اپریل ۲۰۱۸ء

کارپوریٹ اور مالیاتی کارکردگی کی رپورٹنگ کا طریقہ:

بورڈ آف ڈائریکٹرز سیکورٹی اینڈ انکیسٹجیشن کمیشن آف پاکستان کی جانب سے جاری کردہ اور اسٹیٹ بینک آف پاکستان کا اپنا ہوا، کوڈ آف کارپوریٹ گورننس کے تحت اپنی ذمہ داریوں سے بخوبی آگاہ ہیں۔ مندرجہ ذیل بیانات کارپوریٹ گورننس اور ادارے کی مسلسل بہتری کے لیے کوشاں رہنے کے عہد کی ایک مثال ہیں:

(۱) بینک کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، شفاف اعداد میں معاملات، کاموں کے نتائج، پیسے کے بہاؤ، سرمایے میں تبدیلی کی بالکل درست تصویر پیش کر رہے ہیں۔

(۲) بینک کے باقاعدہ اکاؤنٹ کی کتابیں بنائی گئی ہیں۔

(۳) مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیز پر تسلسل کے ساتھ عملدرآمد کیا گیا ہے اور اکاؤنٹنگ کے صحیح معنوں میں فیصلوں کی بنیاد پر ہیں۔

(۴) عالمی مالیاتی رپورٹنگ کے معیارات، جو کہ پاکستان میں قابل اطلاق ہیں، مالیاتی گوشواروں کی تیاری میں ان پر عمل کیا گیا ہے۔ جہاں ان سے انحراف کیا گیا تو اس کی مناسب وضاحت پیش بھی کی گئی ہے۔

(۵) اندرونی نگرانی کا نظام مضبوط انداز میں بنایا گیا ہے اور موثر انداز میں عملدرآمد اور نگرانی کی جاتی ہے۔

(۶) بینک کی اپنے امور جاری رکھنے کی صلاحیت پر کسی طرح کے بھی شکوک و شبہات نہیں ہیں۔

(۷) کارپوریٹ گورننس میں تفصیلی درج شدہ ہدایات سے کوئی بڑا انحراف نہیں ہے۔

(۸) بینک کی پروویڈنٹ فنڈ اور گریجویٹی میں سرمایہ کاری 31 دسمبر 2017 کے غیر آڈٹ شدہ اکاؤنٹس کے مطابق 676.913 ملین روپے اور 281.620 ملین روپے بالترتیب ہیں۔

(۹) درج ذیل معلومات ڈائریکٹرز کی رپورٹ کے حصے کے طور پر منسلک ہیں۔

☆ ڈائریکٹرز اور چیف ایگزیکٹو آفیسر کی جانب سے بینک کے حصص کی خرید و فروخت کی تفصیلات۔

☆ چھ سالہ اہم آپریشننگ اور مالیاتی اعداد و شمار۔

☆ سال کے دوران بورڈ میٹنگ، آڈٹ اور انسانی وسائل اور کیونیکشن کی میٹنگز کے اعداد و شمار اور ان میں ڈائریکٹرز کی شمولیت کی تفصیلات۔

کوڈ آف کارپوریٹ گورننس سے مطابقت:

پاکستان اسٹاک ایکسچینج کی جاری کردہ ہدایات کی فہرست میں طے کردہ کوڈ آف کارپوریٹ گورننس اختتام پذیر سال 31 دسمبر 2017 کے لیے اپنا پنا گیا اور اس سے مطابقت کی گئی۔ اس حوالے سے فیملی رپورٹ کے ساتھ منسلک ہے۔

ریسک مینجمنٹ:

بینک اسلامی میں ریسک مینجمنٹ سے متعلقہ کئی نئے ریسک مینجمنٹ کے طریقہ کار کی تہ بنائی ہے۔ معلومات کی آمد اور روایتی خصوصی ریسک مینجمنٹ یونٹ کے ذریعے ہوتی ہے کریڈٹ، ریسک مینجمنٹ، آپریشن، مالیات، ٹریڈری، اور دیگر متعلقہ شعبوں کے سربراہان، آپریشن، کریڈٹ اور مارکیٹ ریسک کا جائزہ لینے کے ساتھ ساتھ اس کے حجم اور اثرات اور اس کے ہونے کے امکان کا جائزہ لیتے ہیں۔

بینک اسلامی ریسک مینجمنٹ کسی ڈیپارٹمنٹ یا فنکشن کے ساتھ خاص نہیں سمجھتا بلکہ اسے روزمرہ کے کاروبار کا حصہ سمجھتا ہے۔ آئیڈیاز اور فیصلے ریسک اور فوائد کی بنیاد پر ہوتے ہیں۔ کچھ آئیڈیاز وہ ہوتے ہیں جو کبھی معرض وجود میں نہیں آتے ایسے آئیڈیاز اکثر وہ ہوتے ہیں جو ناقابل قبول ریسک کی وجہ سے ایک طرف رکھ دیے جاتے ہیں۔ ریسک کا جائزہ لینے کے بعد اس کو قابل قبول ریسک کی حیثیت سے پرکھا جائے تو اس کے اثرات مدتی بنیادوں پر دیکھے جاتے ہیں۔ ریسک کے حوالے سے اقدامی طریقہ بینک کے قابل برداشت ریسک کی سطح معلوم کرنے میں مدد کرتا ہے۔ اس کے ساتھ ساتھ اس کی مقدار، اس کا بینک کے موجودہ سطح سے تعلق، مارکیٹ اسٹینڈنگ سے تعلق، اور اس کے نتیجے میں پروسس، کنٹرول اور ہدایات کو بھرتیا جاتا ہے اس سے ناصرف ریسک کم ہو جاتا ہے بلکہ موثر انداز میں منبج بھی ہو جاتا ہے۔

نئے اقدامات:

سال کے دوران بینک نے ڈیجیٹل بینکنگ کے شعبے میں کئی پروجیکٹ شروع کیے ہیں جیسے موبائل ایپ کی بہتری، اپنی انٹرنیٹ بینکنگ کی خدمات میں جدت، آواز سے راہنمائی کرنے والی ایسے ٹی ایم مشینوں کا متعارف کروانا وغیرہ۔ بائو بینکنگ کی خدمات بھی شروع کی گئیں جس کے تحت اپنے انگوٹھے کے نشانات کے ذریعے بینک اسلامی کا صارف بینک اسلامی کی برانچ پر بغیر کسی چیک بک یا کاغذی کاروائی کے بہت سی بینکنگ ٹرانزیکشن کر سکتا ہے۔ یہ اپنی نوعیت کا پاکستان میں پہلا اقدام ہے جسے صارفین کی جانب سے غیر معمولی پذیرائی ملی اور ہم اس بات کو مانتے ہوئے فخر محسوس کر رہے ہیں کہ دسمبر 2017 کے اختتام پر کل برانچوں کی کاؤنٹر ٹرانزیکشن میں بائو بینکنگ کا حصہ 11% سے زیادہ ہو گیا ہے۔

بینک نے ویزا ڈیجیٹل کارڈ کے ساتھ ساتھ چائنا یونین کا ڈیجیٹل کارڈ بھی اپنے کھاتے داران کو پیش کرنا شروع کر دیا ہے۔ ویزا ایسیمنٹری کارڈ، بے پاک اور ماسٹر کارڈ کا ٹائیٹیم ڈیجیٹل کارڈ بھی ابھی متعارف ہونے کے مرحلے میں ہے۔ بائو میٹرک جیڈیٹ سولوشن، قلمب پے، بھی تیار کر لیا گیا ہے۔ اب یہ کئی فرد چیکاروں کے پاس نافذ العمل ہونے کے مرحلے میں ہیں۔

بینک نے ٹریکٹر فائینانس، ایکو پینٹ فائینانس، اور ویر ہاؤس رسید فائینانس کی پروڈکٹ زرعی قومی کی پروڈکٹس کے طور پر متعارف کروائیں ہیں۔ جس کی وجہ سے بینک اسٹیٹ بینک کی جانب سے زرعی قومی کے اہداف عبور کرنے کے قابل ہوا۔ غنی کیسز، اور اسے جی پی ایچ ڈی کو ان کے صکوک کے لیے شرعی راہنمائی کی خدمات دی گئیں۔ 2017 کے دوران سرمایہ کاری بینکاری کے شعبے نے بھی جدت اور مارکیٹ میں موجودگی کے حوالے سے اچھی کارکردگی دکھائی ہے۔ بینک پاکستان کے پہلے شرعی اصولوں کے مطابق اسکول کے 1.5 بلین روپے مالیت کے کمرشل ہیجہ کالیز اور بنجر اور شرعی مشین تھا۔ یہ اپنی نوعیت کی انوکھی ٹرانزیکشن اپنے تجدیدی نظریے کی وجہ سے نمایاں ہوئی اور اسلامی فائینانس نمونہ (IFN) لایبھیانے اسے اپنی اشاعت میں شامل کیا۔

بینک نے کاربن کے اثرات کو کم کرتے ہوئے سولر پمپ کے نظام کی جانب منتقل ہونے کے لیے قدم اٹھایا تھا جس کے نتیجے میں 140 برانچوں میں تقریباً 530 کلو واٹ کی بجلی کی پیداوار کی استعداد پیدا کر دی گئی ہے۔

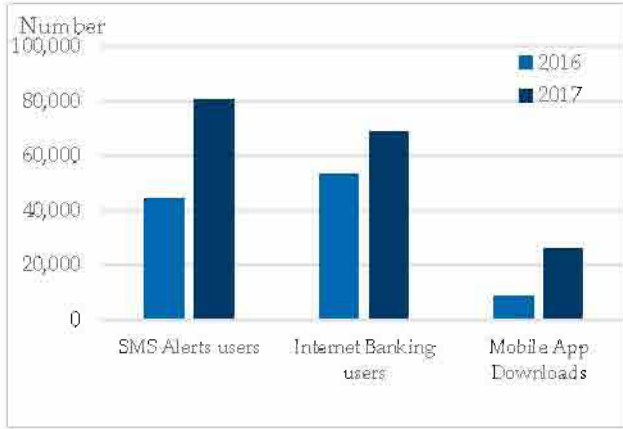
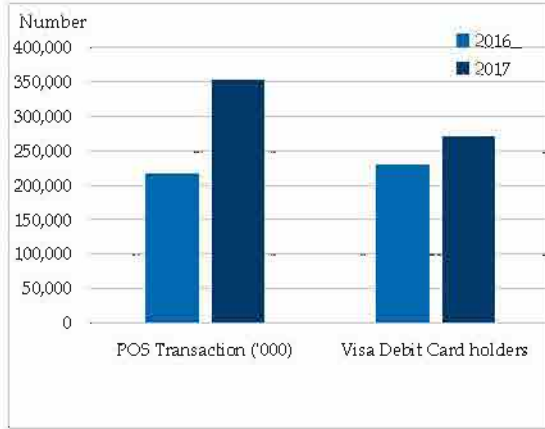
کسٹمر کی شکایات کی وجوہات کی بنیادوں کو معلوم کرنے پر بھی کام ہوا تاکہ شکایات کے دوبارہ وقوع کو روکا جاسکے اور کسٹمر کے بینک اسلامی کے ساتھ تجربے کے معیار کو بہتر بنایا جاسکے۔ نیا اندرونی خدمات کی پیمائش کا نظام متعارف کروایا گیا تاکہ خدمات کا دائرہ وسیع ہو اور خدمات کی بہتری پر توجہ مرکوز ہو۔

کل 297 تربیتی نشستیں کل 5,955 شرکاء کے لیے منعقد کی گئیں۔ تقریباً 182 اسلامی بینکاری کی بنیادی اور خصوصی پروڈکٹس کی شریعہ ٹریٹنگ منعقد کی گئیں جن میں 1,850 ملازمین کو تربیت فراہم کی گئی۔ 12 سرٹیفائیڈ لیڈرشپ کورسز کراچی، لاہور، اسلام آباد، کوئٹہ، ملتان اور حیدرآباد میں ایریا منیجرز، جب منیجرز، برانچ منیجرز اور کسٹمر سروس منیجرز کے لیے منعقد کیے گئے۔ اس کے علاوہ دیگر ٹریٹنگ سیشنز جس میں سوفٹ اسکول جیسے کسٹمر سروس، بزنس کیوینکیشن، سٹراٹجی اور پرفارمنس شامل ہیں پورے ملک میں منعقد کی گئیں۔

مستقبل کی حکمت عملی:

بینک اپنے آپ کو اسلامی بینکنگ انڈسٹری کی قیادت کے لیے تیار کر رہا ہے۔ امید ہے کہ آئندہ چند سالوں میں کاہنہ KASB بینک کے انضمام کے نتیجے میں آنے والے اخراجات کے اثرات جس کی وجہ سے بینک کے نفع پر ایک دباؤ تھا مکمل طور پر ختم ہو جائیں گے۔ انشا اللہ امرید ڈیجیٹل بینکاری وہ شعبہ ہے جس میں بینک نے تجدیدی اقدامات کرنے میں ہمیشہ پہل کی ہے اور بینک اس سلسلے کو جاری رکھے گا تاکہ بینک اپنے کسٹمر کو ایک جگہ تمام مالیاتی سہولیات فراہم کرنے والا ادارہ بن جائے۔ اس کے علاوہ بینک صارفین کی قومی کے حوالے سے مزید پروڈکٹس لانے کی منصوبہ بندی کر رہا ہے تاکہ اپنے وسیع صارفین کا فائدہ اٹھا سکے۔

اپنے آغاز سے ہی بینک اسلامی نے ڈیجیٹل بینکنگ بشمول متبادل ذرائع ترسیل کو اپنی محنت کا مرکز بنایا تاکہ بینک اپنی خدمات کو بہتر طریقے سے انجام دے کر کسٹمرز کو ایک خوش کن تجربہ فراہم کرے۔ سال کے دوران بینک نے اپنی ڈیجیٹل بینکنگ کے پلیٹ فارم میں کئی خصوصیات کا اضافہ کیا ہے جیسے محفوظ آن لائن خریداری کی سہولت، فرائز کمیشن کی حد میں اضافہ، خریداری کے مقام پر بینک کے ڈیپٹ کارڈ کے استعمال پر دکانداروں کی جانب سے رعایت کی فراہمی۔ بینک کی موبائل ایپ اور انٹرنیٹ بینکنگ کو بھی بہتر کیا گیا جسے بہت مقبولیت حاصل ہوئی اور استعمال کرنے والوں کی تعداد میں بھی اضافہ ہوا ہے۔



متبادل ذرائع ترسیل کے اعداد و شمار

حوصل:

بینک کے مجموعی طور پر حتمی مجموعے میں اضافے کی شرح گزشتہ سال 13.3% کے مقابلے میں 53.1% ہو گئی۔ حتمی (ایڈوانسز) سے ڈپازٹ کی شرح (ADP) گزشتہ سال 50.4% سے بہتر ہو کر 66.5% ہو چکی ہے۔ کل حتمی میں صارفین کی حتمی کا حصہ گزشتہ سال 14.75% کے مقابلے میں بڑھ کر 15.24% ہو گیا ہے جو بینک کی ریشیل اور کراس بینکنگ میں رسائی بڑھانے کی حکمت عملی کا حصہ ہے۔ سال کے دوران 4,327 گاڑیاں اور 480 گھروں کے لیے حتمی فراہم کی گئی جس کے نتیجے میں بینک کا گھروں کی حتمی کا مجموعہ 11 بلین کی حد کو عبور کر گیا ہے۔ صارفین کی حتمی مجموعے میں موبائی شرح گزشتہ سال 47.69% کے مقابلے میں زیر نظر سال میں 50.32% رہی جو بینک کی وصولیوں میں اضافے کا سبب بنی اور بینک کے پھیلاؤ میں بھی بہتری آئی۔ ریشیل فنانس میں آنے والی نئی مصنوعات اس ترقی کو مزید آگے بڑھائیں گی۔

کاموں کے طریقے اور اخراجات میں بہتری:

انتظامی اخراجات میں 2.3% کا معمولی اضافہ ہوا جو کہ انڈسٹری کے اندر سب سے مناسب ہے۔ طریقہ کار کو مناسب کرنا اور ٹیکنالوجی کے استعمال میں اضافہ اخراجات میں کمی کی بنیادی وجوہات ہیں۔

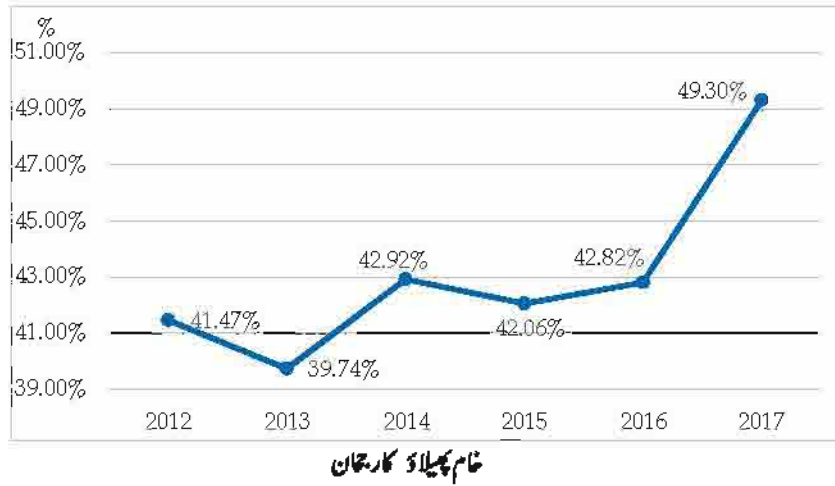
وصولیوں میں بہتری، اخراجات کو قابو میں رکھنے کے اقدامات، احتیاطی اخراجات کی وصولی، اجاڑوں اور ڈپازٹ کے مجموعے میں بہتری، اور ٹیکس منجمنٹ کے نتیجے میں گزشتہ سال 452 ملین روپے کے مقابلے میں بینک بعد از ٹیکس 1,563 ملین روپے کا نفع کا اعلان کرتا ہے۔ الحمد للہ بینک موجودہ سال کے نفع و نقصان کے گوشوارے میں مؤخر ٹیکس کی وجہ سے ملنے والے فائدے کو غیر فعال قرضوں اور ہنگامی اخراجات کے لیے محفوظ کرنے کی منصوبہ بندی کر رہا ہے۔ اس میں سے کچھ بھی حتمی حصص میں تقسیم نہیں کیا جائے گا۔

ان وسائل کے بہتر استعمال اور کاسم بینک کے مکمل انضمام کے باوجود بینک کا کاسم بینک KASB بینک کے انتظامی انضمام کی وجہ سے کچھ عرصے کے لیے دباؤ کا شکار رہا ہے۔ اس انضمام میں جو مجموعی طور پر ملک کے پورے بینکاری نظام کے لیے مفید تھا بینک اسلامی نے زیادہ تر اپنی سرمایہ لگایا۔ ہم اس بات کو یقیناً ڈاکا حصہ بنانا چاہتے ہیں کہ بینک اسلامی نے کاسم بینک کے ڈپازٹرز کو 27 ملین روپے کی ادائیگیاں کی تھیں جن کا بڑا حصہ بینک اسلامی کے اپنے وسائل سے تھا جو بے مثال ہے۔

مالیاتی کارکردگی کی تفصیلی رپورٹ کا سلسلہ سالانہ رپورٹ کے منجمنٹ ڈسکشن اینڈ اینڈ ایج لیسس سیکشن میں جاری رہے گا۔

ڈپازٹ اور اسکے اخراجات میں بہتری

بینک کے ڈپازٹ کے حجم میں گزشتہ سال کے مقابلے میں 16.09% بہتری آئی۔ مزید کرنٹ اور سٹیجنگ اکاؤنٹ کا مجموعہ ('CASA') 71.58% سے بہتر ہو کر 75.69% ہو گیا جس سے ڈپازٹ کی لاگت 3.61% سے 91 بیس پوائنٹس کم ہو کر 2.69% ہو گئی۔ نتیجتاً مجموعی طور پر پچھلے سال کے مقابلے میں خام پھیلاؤ 42.82% سے بڑھ کر 49.30% ہو گیا جو پچھلے سال کے مقابلے میں 648 بیس پوائنٹس کا اضافہ ہے۔



بینک کی بچتی:

دوران سال بینک اسلامی کا برانچ نیٹ ورک وسیع ہو کر 330 برانچوں اور 114 شہروں میں پہنچ گیا جس کے نتیجے میں بینک نے مزید 9 شہروں میں اپنی شاخوں کا جال بڑھایا ہے۔ بینک کے نئے اکاؤنٹوں کی تعداد میں بھی پچھلے سال 74,586 اضافے کے مقابلے میں 83,254 کا اضافہ ہوا۔ کسٹمرز کی تعداد کے بڑھنے سے مستقبل میں بینک کے لیے اپنی مختلف پراڈکٹوں کی فروخت میں اضافے کے مواقع فراہم ہوں گے۔ فی برانچ ڈپازٹ بھی پچھلے سال کے مقابلے میں 481 ملین سے بڑھ کر 543 ملین ہو گیا ہے جو یہ ظاہر کرتا ہے کہ برانچوں کی رسائی بڑھ رہی ہے۔



ڈائریکٹرز کی رپورٹ

معزز حاملین حصص:

میں بورڈ کی جانب سے بینک اسلامی پاکستان لمیٹڈ ("بینک" یا "بینک اسلامی") کے 31 دسمبر 2017 کو اختتام پذیر ہونے والے سال کی چودھویں سالانہ رپورٹ پیش کرتا ہوں۔ اس کے اہم نکات درج ذیل ہیں۔

نسبہ (فیصد)	دسمبر 16	دسمبر 17	
----- روپے بلین میں -----			
16.09%	154,400	179,249	کل ڈپازٹ
19.53%	180,846	216,165	کل اثاثے
53.12%	77,817	119,155	کل حویل اور متعلقہ اثاثے۔ صافی
-9.12%	46,317	42,092	کل سرمایہ کاری
9.90%	12,445	13,676	حصہ داران کی سرمایہ کاری
245.60%	452	1,563	بعد از ٹیکس نفع
245.60%	0.449	1.551	فی حصہ بنیادی آمدنی / نقصان۔ روپوں میں
2.80%	321	330	شاخیں۔ تعداد

دوران سال بورڈ آف ڈائریکٹرز¹ درج ذیل اراکین پر مشتمل تھا۔

جناب علی حسین	چیرمین
جناب فواد انور	وائس چیرمین
جناب علی محمد حسین علی محمد اسماعیلی	
ڈاکٹر امجد وحید	
جناب حسن اے بلگرامی	چیف ایگزیکٹو آفیسر
جناب محمد نعمان یعقوب	
جناب سراج احمد دادا بھائی	

اللہ سبحانہ و تعالیٰ کے فضل و کرم سے تمام تر رکاوٹوں کے باوجود بینک اسلامی نے کامیابی سے ایک اور سال مکمل کر لیا۔

¹ جناب علی رضا صدیقی اور جناب کمال احمد صاحب ۱۱ اپریل ۲۰۱۷ کو ریٹائر ہو گئے تھے۔ جناب سلیمان لالانی ڈائریکٹر کے طور پر سالانہ عمومی اجلاس میں منتخب ہوئے اور ان کی تقرری اسٹیٹ بینک کی منظوری سے مشروط ہے۔ جناب راجہ محمد کوثر ۱۲ دسمبر ۲۰۱۷ کو منتخب کیا گیا اور ان کی تقرری بھی اسٹیٹ بینک کی منظوری سے مشروط ہے۔

Annexure To Directors' Report

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, 2017	Shares held / subscribed during the Year	No. of Shares as at Dec. 31, 2017
Mr. Ali Hussain	Chairman	158,967,492	0	158,967,492
Mr. Fawad Anwar	Vice Chairman	1,750	0	1,750
Dr. Amjad Waheed	Director	0	500	500
Mr. Hasan A. Bilgrami	CEO	939,697	0	939,697
Mr. Noman Yakoob	Director	0	16,709,207	16,709,207
Mr. Siraj Ahmed Dadabhoy	Director	5,000	0	5,000

* Mr. Ali Raza Siddiqui and Mr. Kamal Afsar had 9,544 and 1,000 shares respectively as at January 1, 2017. Both the Directors retired on April 11, 2017. During that term no sale / purchase made by them in Bank's shares

Attendance of Board of Directors for the Year 2017:

Director Name	Total	Attended
Mr. Ali Hussain	5	5
Mr. Fawad Anwar	5	5
Mr. Ali Raza Siddiqui *	2	2
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	5	5
Dr. Amjad Waheed	3	3
Mr. Hasan A. Bilgrami	5	5
Mr. Kamal Afsar *	2	0
Mr. Noman Yakoob	3	3
Mr. Siraj Ahmed Dadabhoy	3	3

Annexure to Directors' Report

Attendance of members of Board Committees for the Year 2017:

Audit Committee

Name	Total	Attended
Mr. Fawad Anwar	1	1
Mr. Ali Raza Siddiqui	1	1
Dr. Amjad Waheed	3	3
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	4	3
Mr. Noman Yakoob	3	3

Risk Management Committee

Name	Total	Attended
Mr. Fawad Anwar	1	1
Dr. Amjad Waheed	1	1
Mr. Hasan A. Bilgrami	1	1

Human Resource Management Committee

Name	Total	Attended
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	3	3
Mr. Fawad Anwar	3	2
Mr. Hasan A. Bilgrami	3	3
Mr. Siraj Ahmed Dadabhoy	3	2

Board Remuneration Committee

Name	Total	Attended
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	2	2
Mr. Fawad Anwar	2	2
Mr. Siraj Ahmed Dadabhoy	2	1

Executive Committee

Name	Total	Attended
Mr. Ali Hussain	1	1
Mr. Fawad Anwar	1	1
Mr. Hasan A. Bilgrami	1	1
Mr. Siraj Ahmed Dadabhoy	1	1

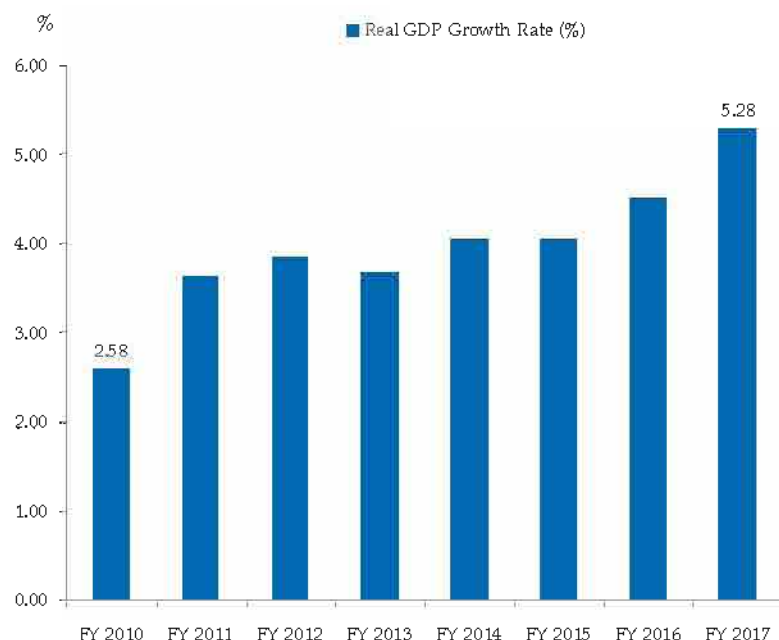
Management Discussion and Analysis

BUSINESS ENVIRONMENT¹:

The Pakistan economy strengthened during the year of 2017. The macroeconomic indicators showed positive signals despite the political situation being rather tumultuous during the year. The impetus to the growth momentum were improvement in security situation, better power supply, relatively low inflation and stable interest rates. Furthermore, economic activity is expected to continue to grow at a healthy pace on the back of robust domestic consumption and CPEC related projects after the upheavals of the election year are contained. A brief synopsis of the business environment for the year 2017 is as follows:

Gross Domestic Product (GDP):

For the period of FY07-17, Pakistan's GDP growth had averaged at 3.86%. In FY17, Pakistan's growth momentum continued to be favorable. The GDP growth rate reached 5.28%, the highest it had achieved in last 10 years. This was a 77 basis points rise on a year on year basis from 4.51% in FY16, although falling short of the target of 5.70% for the year.



The agricultural sector reached a record growth of 3.46% in FY17 compared to a nominal growth of 0.27% in FY16 which was an increase in growth by 319 basis points on a year on year basis. Not only did it achieve its target growth of 3.50% for FY17, this is the highest growth the sector has seen over the past 5 years as well.

Recovery in key crops was a main cause for this improvement followed by support from livestock which maintained its growth of 3.40% in FY17. The increased production of all crops was a result of rise in fertilizer use as well as government support. The government provided subsidies on fertilizers as well as timely fixed support prices of sugarcane and wheat along with reducing taxes on pesticides.

¹ All economic data, unless otherwise stated, are taken from various reports of the State Bank of Pakistan

The industrial sector witnessed a growth rate at 5.02% in FY17 as compared to 5.80% in FY16, thus maintaining its momentum. This was also significantly lower than the target of 7.70% for the year. The reason for not fulfilling its expected potential was due to a decline in growth in mining and quarrying, electricity generation and distribution and gas distribution sectors. The significance of these sectors may be judged by the fact that last year these sectors contributed almost one-third to industrial performance.

The services sector continued to accelerate forward and in FY17 grew by 5.98%, the highest in 11 years, compared to 5.55% last year. This sector contributed about 60% to the overall GDP growth. Service sector growth was supported by growth in the finance & insurance, wholesale & retail trade and telecommunication sub-sectors of the economy.

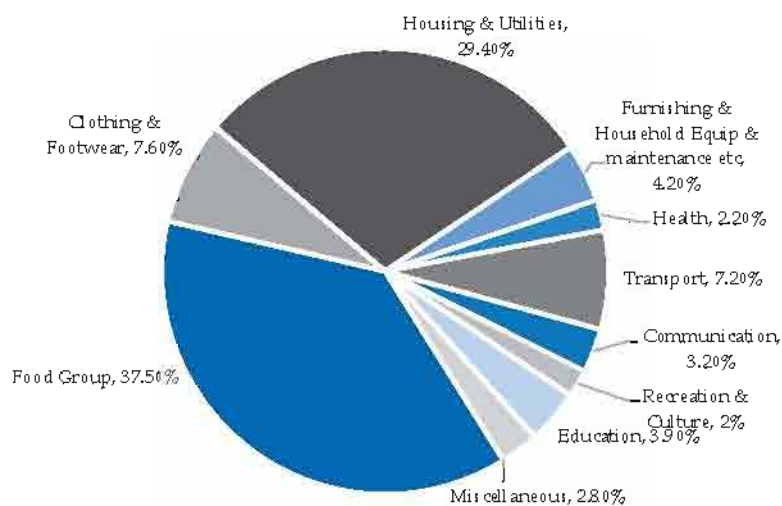
It is encouraging to see Pakistan's economy showing an upward trend during the first half of the current fiscal year. The State Bank has projected that the economy would achieve 6.0 percent GDP growth for FY18. Whereas, World Bank expects to see 5.50% GDP growth. Similarly, IMF expects it to grow at 5.60 percent for this fiscal year, supported by improved security conditions, energy supply, infrastructure investment and agriculture growth.

Large Scale Manufacturing Growth:

Large Scale Manufacturing (LSM) witnessed a growth of 4.93% in FY17 compared to 2.90% in FY16, which is an increase of 199 basis points on a year-on-year basis. This improved performance was broad based as a number of industries performance comparable better, namely steel, food and beverages, automobile, pharmaceuticals and electronics etc. However, the main contributor to the LSM sector growth is attributed to the sugar sector which showed a growth of 37.80% in FY17.

Inflation:

Consumer Price Index ('CPI'), that measures inflation, saw a significant rise in 2017 as compared to 2016. In FY17, CPI inflation averaged 4.20% significantly lower than the government target of 6.0%. The CPI inflation reached 5.0% in May 2017 and then went down to as low as 2.9% in July 2017. However, by December 2017, it crept upward to 4.6% compared to 3.7% in December 2016. The inflation was caused by both domestic demand and supply side factors mainly from food items. Also, recovery was witnessed in average prices of large number of items in CPI basket. Additionally, an uptick in global oil prices was also witnessed. There was also a gradual rise in core inflation, mainly on back of increase in house rent, education and health related expenses. For FY18, it is estimated by State Bank that overall inflation shall remain well below the target of 6.0% taking into account the increase in global oil prices as well as rupee depreciation against US dollar.



Consumer Price Index (CPI) Basket Weightages

Forex Reserves:

Positive trends in the real sector such as industrial expansion, energy supply improvements and rising consumer spending triggered demand for imports which rose to a record of US\$ 52.7 billion in CY17. Import bill was further burdened by CPEC related power and road construction machinery imports pressuring the Foreign Exchange ('FX') reserves which declined by approx. US\$ 3.0 billion in CY17 after rising for 3 consecutive years. The FX reserves closed the year 2017 at US\$ 20.1 billion as compared to US\$ 23.2 billion in Dec'16. The FX reserves have seen a lot of fluctuations in 2017 and by Nov'17, the SBP's official FX reserves had depleted to US\$12.6 billion from US\$18.2bn in end of Dec'16 due to rising trade deficit and debt related payments. The current account deficit during CY17 had widened to over US\$15.3 billion, which was 118% higher compared to US\$7.0 billion in CY16. This depletion in FX reserves was countered by a US\$2.5 billion float of dollar denominated bonds by the Government of Pakistan in the international markets. Trade imbalance and debt payments would keep the FX reserve under pressure in 2018 as well.



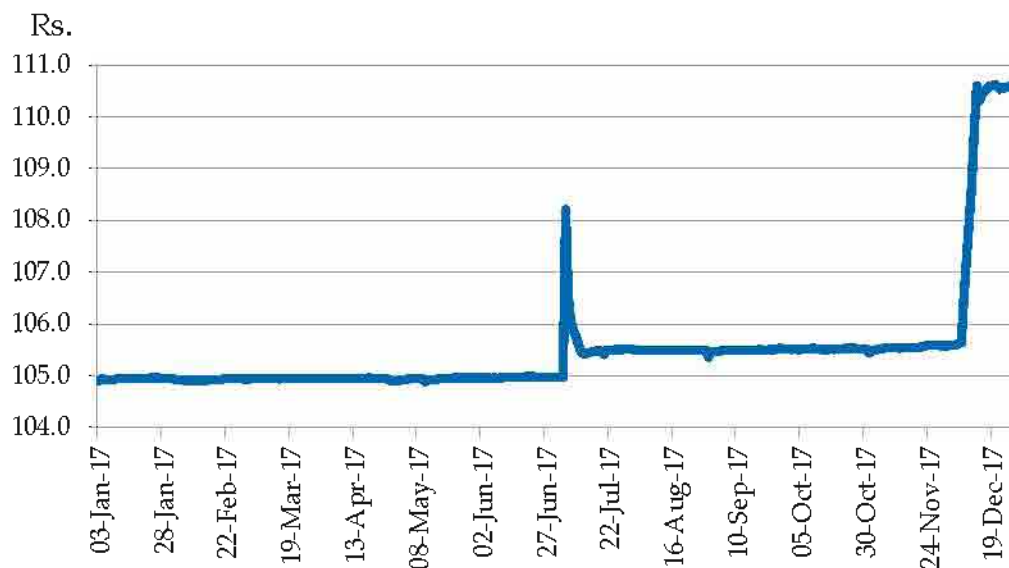
Forex Reserves Movement

Foreign Remittances:

The growth rate of remittances inflow has been declining for the past four years to the point that CY17 has witnessed a negative growth rate of -0.7% as opposed to a growth rate of 2.5% in CY16 and 11.8% in CY15. Despite a decline in the inflow of remittances from the GCC region, Saudi Arabia and the UAE still constitute 49.1% of the inflow in CY17. Inflows from the GCC region continued its decline by 5.0% in CY17, following the decrease of 0.4% in CY16; this was compared to a growth from the region of 17.51% in CY15. This is a result of the decline in the demand of migrant workers for construction work by the Gulf economies.

US\$ Pak Rupee parity:

The Rupee depreciated significantly by 5.29% against the US Dollar in the inter-bank market to Rs.110.46/US\$ on December 31, 2017 from Rs.104.91/US\$ on December 31, 2016. For the first half of CY17, the exchange rate remained relatively stable. However, on 05 July 2017 the rate witnessed a jump of 3.08% in a single day, followed by a reduction of -1.54% the next day to eventually stabilizing around the Rs. 105.4/US\$ mark and remained fairly stable for 5 months. It then saw another jump in December 2017 of 3.49% reaching to around Rs.110.7/US\$ mark, albeit showing volatility. Despite a volatile environment in the global currency market during CY17, the Rupee has remained relatively stable vis-à-vis the US Dollar.



US\$ Pak Rupee parity Movement

Foreign Direct Investment:

The net Foreign Direct Investment (‘FDI’) was US\$ 2,690.9 million in CY17 in comparison with US\$ 2,479.67 million in CY16, an increase of 8.52%. The sectors which attracted FDI were Power, Construction, Financials, Oil and Gas explorations and Petroleum Refining. Largest contributor to the FDI was China with 66.16% share followed by United Kingdom with 6.91% share and Malaysia with 4.76% share. China is the largest investor in Pakistan and the main beneficiary of the Chinese investments is the Power and Construction sectors linked to CPEC projects.

Debt Situation:

Gross public debt as a percentage of GDP stood at 63.5% at CY17 whereas the Fiscal Responsibility and Debt Limitation (‘FRDL’) Act, 2005 requires the federal government to maintain it at 60 percent. The domestic debts increased by Rs. 1,245 billion compared to last year. The profile of domestic debts during 2017 show that the share of PIBs in domestic debts have remained relatively stable, Market Treasury Bills (‘MTBs’) have an increased share and Market Related Treasury Bills (‘MRTBs’) have had a declining share in domestic debts. Domestic interest payments were approx. 68.8% of total debt servicing.

The table below highlights the public debt situation of Pakistan:

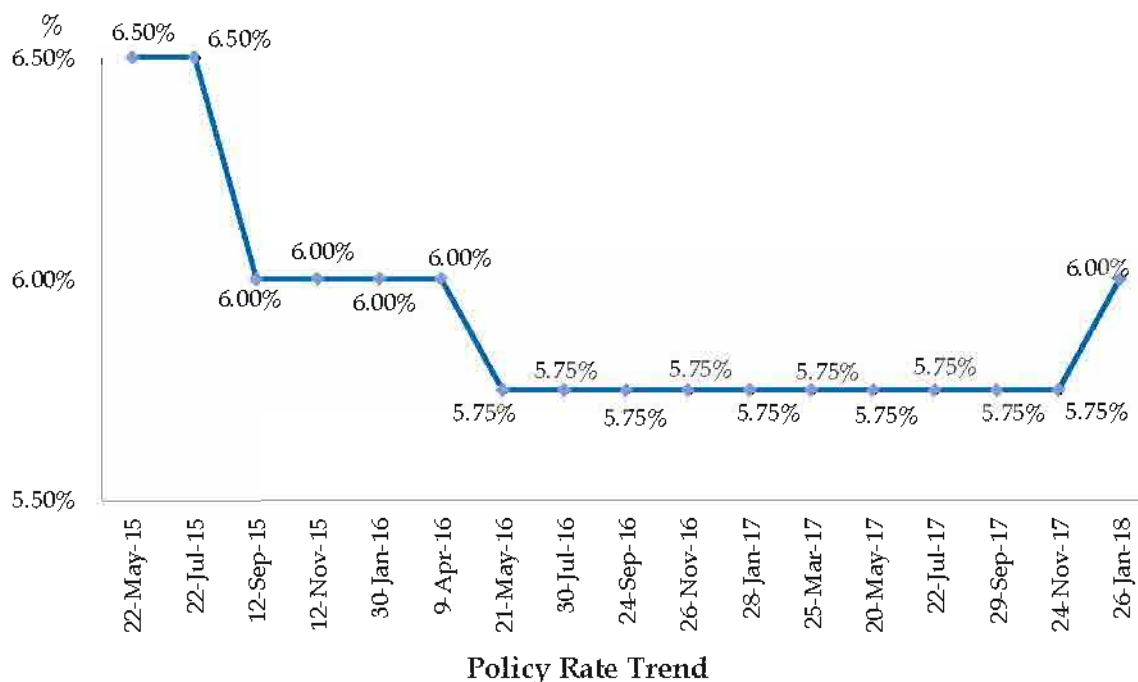
<i>Rs. Billions</i>	Jun-16	Dec-16	Jun-17	Dec-17
I. Public Domestic Debt	13,626	14,193	14,849	15,437
II. Public External Debt	5,418	5,461	5,919	6,693
III. Debt from IMF	633	619	641	691
<i>Sub-total (II+III)</i>	<i>6,051</i>	<i>6,080</i>	<i>6,560</i>	<i>7,383</i>
Gross Public Debt (Sum I to III)	19,677	20,272	21,409	22,821
Net Public Debt	17,823	18,386	19,635	20,879
As percent of GDP (%)	FY16	Dec-16	FY17	Dec-17
<i>Gross Public Debt</i>	<i>67.6</i>	<i>63.6</i>	<i>67.2</i>	<i>63.5</i>
<i>Net Public Debt</i>	<i>61.2</i>	<i>57.7</i>	<i>61.6</i>	<i>58.1</i>
<i>Public Domestic Debt</i>	<i>46.8</i>	<i>44.5</i>	<i>46.6</i>	<i>43.0</i>
<i>Public External Debt</i>	<i>18.6</i>	<i>17.1</i>	<i>18.6</i>	<i>18.6</i>

Pakistan's public external debt saw an increase mainly from loans by IFIs, bilateral loans from China, foreign commercial banks and Sukuk bond proceeds. The largest component of overall external debt is still multilateral debt. Debt servicing was mainly paid to multilateral donors, commercial lenders, maturity of US\$ 750 million Eurobond (issued in FY07), repaying China SAFE deposits worth US\$ 500 million and the gradual repayment of the Paris Club debt.

Monetary Policy:

In 2017, the aim of monetary policy was to consolidate the gains from the historically low level of interest rates set at 5.75%. For CY17, it was a balancing act between an economic growth being below target on the one hand and a broadening current account deficit on the other. Thus, the policy rate remained unchanged at 5.75%. Improvements from these monetary policy measures were seen at both the macro and micro levels such as the speedy expansion of private sector credit and improved energy in real sector activities.

However, certain developments in the end of 2017 have led the SBP to raise the policy rate by 25 bps to 6.00% in January 2018. These developments include the depreciation of the rupee against the US dollar, increased prices of crude oil, trend of increasing policy rates by international Central Banks and rising demand pressures indicated by a narrowing output gap. The decision for increasing the policy rate was to remedy an anticipated overheating of the economy and inflation rising beyond its target rate so as to achieve balanced growth and stability in the medium to long run.



Stock market:

Following a successful year in 2016, 2017 showed a dismal performance. The Pakistan Stock Exchange (PSX), benchmarked by the KSE-100, showed a negative return of 20% in dollar terms and an absolute negative return of 15.34% in 2017. This was the worst year for the PSX since 2008. On May 24th, the index reached its all-time high of 52,874.46 points; however, it ended at 40,471.48 points on December 29th, the last trading day of the year which was a fall of 23.45%. The lowest the index went to was 37,919.42 points on December 19th. The cause of such a downfall seems to be rooted in the political instability the country faced due to instances such as disqualification of the Prime Minister, uncertainty regarding economic policies due to exit of the finance minister as well as the tension between the civil and military leadership. Another reason for the bearish market was the failure, post MSCI classification, to attract foreign investments. In anticipation of an inflow of international investments post the upgrade of the PSX, the brokerage houses and mutual funds increased purchases. Although the inflow was more or less as anticipated, very large outflows were unanticipated. This was triggered by the negative political scene mentioned above as well as the worrisome economic conditions such as the widening current account deficit and the extensive discussions on the need to depreciate the rupee. Furthermore, while foreigners had 25% stake in the PSX at one time, they withdrew US\$ 488 million worth from the market. Majority of the stocks sold were in the banking, cement and power sectors, although the mutual funds bought a significant share of the stocks sold worth some US\$217 million. Volatility is expected to continue in 2018 due to it being an election year.

Future Outlook:

The Pakistani economy is expected to maintain its momentum with a goal to keep inflation and twin deficits within its targets. The IMF and World Bank expect Pakistan to see greater but subdued growth at 5.5%. Real economic activity is expected to continue on the back of improved energy supply and law and order situation. In particular, the agricultural sector is expected to see continued performance from the crop sector. CPEC LSM growth is also expected due to improved infrastructure. Private sector credit growth will continue to show positive trajectory.

The management of current account deficit would continue to be a challenge due to high import demand for machinery, raw materials and consumer goods. Export growth is expected to recover and workers' remittances are also expected to recover given the PRI initiatives taken by the SBP.

An expected rise in public spending by the provincial government to complete development projects in time before the elections this year, is likely to put pressure on the fiscal and external accounts. Thus, the fiscal deficit is expected to remain close to the level of last year.

Maintaining the growth momentum going forward will depend on prudent economic policies in particular for addressing the challenges of the external and fiscal accounts.

ISLAMIC BANKING:

The Islamic Banking Industry consists of 21 players, with 5 fully fledged Islamic Banks and 16 Window operations of Conventional Banks. The Islamic Banking industry has 11.9%² share in assets and 13.7%³ share in deposits of the overall Banking industry. The Islamic Banking network consist of 2,368 branches spread over 110 districts of Pakistan.

During 2017, the SBP updated Shariah Governance framework for Islamic Banking institutions (IBIs) regarding external Shariah audit. Moreover, on its recommendation, the Government of Pakistan provided tax neutrality to the Islamic Banking industry and its customers through the Finance Bill 2017. Furthermore, to facilitate the process of conversion of an existing conventional Bank into an Islamic Bank, SBP issued detailed guidelines this year. On the other hand, SECP also announced that it is making amendments to the Sukuk regulations of 2015 which would help reduce the cost of issue and ease regulatory burden.

This year, the SBP conducted first fixed rental rate GOP Ijara Sukuk auction to raise Rs. 71 billion for the Government. The impediments to potential of Islamic Banking sector need to be handled swiftly in order to reap gains better than provided through its organic growth. InShaAllah.

STANDALONE FINANCIAL ANALYSIS

A detailed analysis of the operating performance of the Bank is provided as follows:

Financial Condition:

The following table sets forth, for the year 2017, the Financial Position of the Bank and its comparison with the previous reporting periods:

² SBP's Islamic Banking Bulletin as of Sept 2017

³ SBP's Islamic Banking Bulletin as of Sept 2017

Table A
Financial Position

Rs in millions

Assets	2017	2016	% change	2015	% change
Cash and balances with treasury banks	11,784	8,921	32.1%	9,036	-1.3%
Balances with other banks	802	1,140	-29.7%	1,781	-36.0%
Due from financial institutions - net	21,372	27,218	-21.5%	39,824	-31.7%
Investments	42,092	46,317	-9.1%	35,886	29.1%
<i>Federal Govt Securities</i>	<i>34,256</i>	<i>38,853</i>	<i>-11.8%</i>	<i>32,291</i>	<i>20.3%</i>
<i>Unlisted Sukuks</i>	<i>5,549</i>	<i>4,523</i>	<i>22.7%</i>	<i>1,454</i>	<i>211.1%</i>
<i>Other Investments</i>	<i>7,388</i>	<i>7,831</i>	<i>-5.7%</i>	<i>7,268</i>	<i>7.7%</i>
<i>Provision for diminution in value investment</i>	<i>(5,101)</i>	<i>(4,890)</i>	<i>4.3%</i>	<i>(5,127)</i>	<i>-4.6%</i>
Financing	119,155	77,817	53.1%	68,709	13.3%
Operating Fixed Assets	9,072	9,348	-2.9%	8,829	5.9%
Deferred Tax Assets	7,702	5,918	30.1%	6,591	-10.2%
Other Assets	4,186	4,167	0.5%	3,575	16.6%
Total Assets	216,165	180,846	19.5%	174,231	3.8%
Equity & Liabilities					
Equity Share Capital	10,079	10,079	0.0%	10,079	0.0%
Discount on issue of shares	(79)	(79)	0.1%	(79)	-0.1%
Reserves	926	614	50.9%	523	17.4%
Unappropriated profit/(Accumulated losses) before transfers	1,474	213	-591.9%	(171)	224.2%
	12,400	10,827	14.5%	10,352	4.6%
Surplus on revaluation of Assets-net of Taxes	1,276	1,618	-21.1%	834	93.9%
Total Equity	13,676	12,445	9.9%	11,186	11.3%
Deposits	179,249	154,400	16.1%	153,058	0.9%
<i>Current</i>	<i>58,217</i>	<i>49,038</i>	<i>18.7%</i>	<i>45,065</i>	<i>8.8%</i>
<i>Saving</i>	<i>77,464</i>	<i>61,484</i>	<i>26.0%</i>	<i>57,035</i>	<i>7.8%</i>
<i>Term</i>	<i>42,977</i>	<i>43,362</i>	<i>-0.9%</i>	<i>50,567</i>	<i>-14.2%</i>
<i>Others</i>	<i>593</i>	<i>516</i>	<i>14.8%</i>	<i>391</i>	<i>31.9%</i>
Due to financial institutions	15,570	6,066	156.7%	3,198	89.7%
Bills payable	2,989	2,274	31.4%	1,524	49.2%
Subordinated loans	-	-	-	-	-
Preference share capital	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-
Deferred Tax Liabilities	-	-	-	-	-
Other Liabilities	4,680	5,661	-17.3%	5,265	7.5%
Total Liabilities	202,489	168,401	20.2%	163,044	3.3%
Total Equity and Liabilities	216,165	180,846	19.5%	174,231	3.8%

The Balance sheet size grew by Rs. 35.3bn i.e. 19.5% growth as compared to 2016. Increase in Assets was mainly driven by the growth in financing book i.e. 53.1% growth as compared to 13.3% in the previous year. Investments took a dip of 9.1% as compared to an increase of 29.1% last year due to maturity of Govt securities during the year. Deferred Tax Assets (net) on the balance sheet has increased mainly due to recognition of Deferred Tax Assets on prior year's losses. On the liabilities side, Deposits grew by 16.09% over last year mainly supported by growth in Current Accounts and Saving Accounts by 18.7 % and 26.0% respectively. The Bank's Equity grew by 9.9% due to accumulation of reserves and profit.

Operating Results Data:

The following table sets forth, for the periods indicated, the *Operating Results Data*:

Table B
Operating Results Data

	Rs in millions				
	2017	2016	% change	2015	% change
Profit Earned	10,354	10,127	2.2%	8,834	14.6%
Profit Expensed	5,249	5,791	-9.4%	5,119	13.1%
Net Spread Earned	5,105	4,336	17.7%	3,715	16.7%
Other Income	964	638	51.1%	570	11.9%
-Fee income	647	362	78.9%	408	-11.3%
-Dividend Income	32	24	33.3%	3	746.6%
-Income from foreign currencies dealing	84	43	95.8%	82	-47.8%
-Gain on sale of securities	122	98	24.6%	12	716.5%
-Un-realized gain on revaluation of investment classified as HFT	(0)	1	-	-	-
-Others	78	110	-28.7%	65	69.8%
Operating Income	6,069	4,974	22.0%	4,285	16.1%
Operating Expenses	6,303	6,160	2.3%	5,188	18.7%
Operating Profit/ (Loss)	(235)	(1,186)	-80.2%	(903)	31.3%
Total (Reversals of Provisions) / Provisions	(392)	(2,030)	-80.7%	(631)	221.9%
Profit Before Tax	157	844	81.4%	(272)	409.9%
Tax, including Deferred Tax	(1,406)	391	459.1%	(76)	-612.5%
Profit After Tax	1,563	452	245.6%	(196)	330.8%

Profit Earned increased by 2.2%, whereas Profit Expensed reduced by 9.4% resulting in improvement in Gross Spread ratio by 65bps i.e. from 42.8% to 49.3%. The increase in Other Income was 51.2% mainly driven by increase in Fee & Commission Income and Income for FX dealing. Overall, the Operating Income grew by 22% while Operating Expenses increased by 2.3% bringing the Operating loss down by 80.3% from the previous year. Profit after Provisions and Tax accelerated on the back of improvement in operating results, reversals of provisions for doubtful debts and deferred taxes.

Key Financial Ratios:

The following table sets forth, for the periods indicated, the *Key Financial Ratios*:

Table C
Key Financial Ratios

	2017	2016	% change	2015	% change
Return on Average Equity (%)	13.46%	4.27%	-215.3%	-2.37%	280.4%
Return on Average Assets (%)	0.79%	0.25%	-209.3%	-0.1%	279.4%
Earnings per share (Rs.)	1.55	0.45	-245.6%	-0.24	284.1%
Book value per share (Rs.)	13.57	12.35	9.9%	11.10	11.3%
Fee to Income (%)	10.7%	7.3%	46.6%	9.5%	-23.6%
Cost to Income (%)	102.1%	111.0%	-8.1%	109.6%	1.3%
Branch Network	330	321	2.8%	317	1.3%
Cities covered	113	105	7.6%	93	12.9%

* Average Equity and Average Assets are after revaluation of assets

The Bank reported an increase in Return on Average Equity, Return on Average Assets and EPS for the year ended. Book value per share increased by 9.9%. Fee to Income ratio improved due to focused growth in fee income from trade business and alternate delivery channels. Increase in operating income contributed to the improvement in Cost to Income ratio. The Branch network of the Bank expanded by 9 more branches resulting in the Bank's network to be the 12th largest in the Banking Industry.

Net Profit Earned and Spread Analysis:

The following table sets forth, for the periods indicated, the *Net Profit Earned and Spread Analysis*:

Table D
Net Profit Earned and Spread Analysis

	Rs in millions				
	2017	2016	% change	2015	% change
Profit Earned	10,354	10,127	2.2%	8,834	14.6%
Profit Expensed	5,249	5,791	-9.4%	5,119	13.1%
Net Spread Earned	5,105	4,336	17.7%	3,715	16.7%
Profit Earning Assets	182,619	151,352	20.7%	144,419	4.8%
Profit Bearing Liabilities	194,820	160,466	21.4%	156,256	2.7%
Net Spread Margin (%)	3.06%	2.93%	4.3%	3.17%	-7.5%
Yield on Profit Earning Assets (%)	6.20%	6.85%	-9.5%	7.54%	-9.2%
Cost of Profit Bearing Liabilities (%)	2.95%	3.66%	-19.2%	4.14%	-11.7%
Spread (%)	3.25%	3.19%	1.7%	3.40%	-6.1%

Increase in Profit Bearing Liabilities (21.4%) was in line with the increase in Profit Earning Assets (20.3%). Yield on Profit Earning Assets dropped to 6.20% due to underwriting quality assets in financings which comes at lower yield but has lesser impact on Capital Adequacy Ratio (CAR). Reduction in yield was offset by reduction in Cost of Profit Bearing Liabilities which resulted in improvement in Spreads by 1.7%.

Yields, Cost, Spreads and Margins:

The following table sets forth, for the period indicated, further analysis of *Yields, Costs, Spreads and Margins*:

Table E
Yields, Cost, Spreads and Margins

	2017	2016	% change	2015	% change
Yield on Profit Earning Assets (%)	6.20%	6.85%	-9.45%	7.54%	-9.18%
- on Financing	6.69%	7.24%	-7.60%	7.98%	-9.27%
-on Investments	6.21%	5.82%	6.70%	6.70%	-13.13%
-On SLR Investments	6.10%	5.73%	6.46%	6.23%	-8.03%
-On Other Investments	6.85%	6.11%	12.11%	7.10%	-13.94%
Cost of Profit Bearing Liabilities (%)	2.95%	3.66%	-19.20%	4.14%	-11.72%
-Cost of Deposits	2.88%	3.26%	-11.59%	3.53%	-7.65%
-Cost of Borrowings	5.67%	5.80%	-2.24%	5.95%	-2.52%
Spread (%)	3.25%	3.19%	1.71%	3.40%	-6.09%
Net Spread Margin (%)	3.06%	2.93%	4.26%	3.17%	-7.54%

The decrease in Yield on Profit Earning Asset was mainly because of drop in yield on financings which was due to underwriting quality assets, however, yield in investments has improved. Cost of Profit Bearing Liabilities declined supported by reduction in Cost of Deposits. As the Bank took concrete steps to improve the yield and reduce costs, the Spread and Net Spread Margin improved 1.71% and 4.26% respectively.

Other Income Components:

The following table sets forth, for the periods indicated, details of *Other Income Components*:

Table F
Other Income Components

	Rs in millions				
	2017	2016	% change	2015	% change
-Fee Income	647	362	78.9%	408	-11.3%
-Dividend Income	32	24	33.3%	3	746.6%
-Income from foreign currencies dealing	84	43	95.8%	82	-47.8%
-Gain on sale of securities	122	98	24.6%	12	716.5%
-Unrealised gain on revaluation of investment	(0)	1	-	-	-
-Other	78	110	-28.7%	65	69.8%
Total Other Income	964	638	51.1%	570	11.9%

Increase in Other Income was driven by healthy growth in income earned on value added services. The Bank's Investment Banking activities also took off during the year and contributed in other income of the Bank. The surge in Income from dealing in foreign currencies was on the back of improved trade volumes. The percentage of Other Income over Total Operating Income was 15.9% as against 12.8% during last year. Sustainable growth is expected in Other income going forward as the Bank is making focused efforts towards growing Alternate Delivery Channels so as to serve its customers with world class banking experience.

Operating Expenses:

The following table sets forth, for the period indicated, further analysis of *Operating Expenses*:

Table G
Operating Expenses

	Rs in millions				
	2017	2016	% change	2015	% change
Salaries and Benefits to Employees	2,784	2,702	3.0%	2,182	23.8%
Depreciation on own property (including non-banking assets)	715	641	11.5%	507	26.4%
Other Administrative Expenses	2,783	2,799	-0.6%	2,349	19.2%
Total	6,282	6,142	2.3%	5,038	21.9%
Other Operating Expenses - others	22	18	22.2%	2	800.0%
Total Operating Expenses	6,304	6,160	2.3%	5,040	22.2%

There has been a marginal increase in the overall Operating Expenses of the Bank which grew by 2.3% compared to last year. Remuneration to Employees was the major contributor to administration cost of the Bank. The Cost to Income ratio has improved significantly from 111.0% in 2016 to 102.1% in 2017. Cost austerity measure continue to sustain the expenses related to an infrastructure which consists of 12th largest branch network in the industry with a work force of 4,029 employees.

Provisions:

The following table sets forth, for the period indicated, further analysis of *Provisions*:

Table H
Provisions

	Rs in millions				
	2017	2016	% change	2015	% change
Reversal of Provisions for Non performing Financing	(478)	(1,724)	-72.3%	(640)	169.6%
Provision for Other Reversals	(125)	-	100.00%	-	0.0%
(Reversal of Provisions)/ Provisions for Investments	211	(338)	-162.4%	8,774	-3947.1%
Bad Debts written off directly	0	32	-	0	-
Total (Reversal of Provisions)/ Provisions (excluding Provisions for Tax)	(392)	(2,030)	-80.7%	(631)	221.8%
Coverage Ratio (%)	72.3%	82.1%	-12.0%	86.2%	-4.7%

The Bank's concerted efforts to recover from its doubtful portfolio continued during the year which resulted in reversal of provisioning (net) of Rs. 478mn whereas provision for diminution in the value of investments was Rs.211mn. The coverage ratio, a percentage of total provisions over non-performing financing portfolio, was 72.3% as compared to 82.1% in 2016.

Classification of Financing:

The following table sets forth, for the period indicated, further analysis of *Classification of Financing*:

Table I
Classification of Financing

Rs in millions					
	2017	2016	% change	2015	% change
OAEM	95	693	-86.2%	159	335.6%
Substandard	3,056	886	244.8%	1,312	-32.4%
Doubtful	939	868	8.2%	383	126.6%
Loss	11,746	12,087	-2.8%	13,830	-12.6%
Total Non-performing Financing	15,837	14,534	9.0%	15,684	-7.3%

The non-performing financing portfolio increased by 9.0% during the year; however, Infection ratio, classified portfolio as a percentage of Gross Financing, reduced to 12.1% from 16.2%. The assets in Loss category constitute around 72.8% of the total Classified Portfolio as against 83.2% last year. Increase in Substandard category was due to one Client which despite of repaying 10% of the principal was retained in the category due to prudence. As the Bank continues to book new financing and with the expectation of discount rate hike, prudence mechanism is in place to lower the non performing financing.

Composition of Financing Portfolio:

The following table sets forth, for the period indicated, further analysis of the *Financing Portfolio*:

Table J
Composition of Financing Portfolio

Rs in millions							
	2017	2016	% change	% of total financing	2015	% change	% of total financing
Consumer Banking	19,915	13,248	50.3%	15.2%	8,970	47.7%	14.8%
Muskun (Home financing)	11,154	7,735	44.2%	8.5%	5,601	38.1%	8.6%
Islami Auto Financing	8,761	5,513	58.9%	6.7%	3,369	63.6%	6.1%
Corporate & SME Financing	98,442	63,366	55.4%	75.4%	58,033	9.2%	70.6%
Corporate financing	94,926	60,232	57.6%	72.7%	53,821	11.9%	67.1%
SME financing	3,516	3,134	12.2%	2.7%	4,212	-25.6%	3.5%
Conventional portfolio	10,009	11,110	-9.9%	7.7%	13,596	-18.3%	12.4%
Staff Financing	2,271	2,062	10.1%	1.7%	1,847	11.7%	2.3%
Gross Financing	130,637	89,787	45.5%	100.0%	82,446	8.9%	100.0%

Increase in financing was across all segments with Auto Financing showing a growth of 58.9%, followed by Corporate Financing & Home Financing showing an increase of 57.6% and 44.2% respectively. The Financing (Advances) to Deposit ('ADR') ratio of the Bank improved to 66.5% in comparison to 50.4% last year. The improved GDP growth expectation has resulted in positive credit offtake numbers, however, regulatory requirements such as CAR might taper down the growth of financing portfolio or compromise yields.

Financing Concentration:

The following table sets forth, for the period indicated, further analysis of the *Financing Portfolio*:

Table K
Financing Concentration

Rs in millions

	2017	% of total financing	2016	% of total financing	% change
Agriculture, Forestry, Hunting and Fishing	1,262	1.0%	1,921	2.1%	-34.3%
Mining and Quarrying	1	0.0%	3	0.0%	-69.1%
Textile	10,149	7.8%	9,197	10.2%	10.3%
Chemical and Pharmaceuticals	3,010	2.3%	4,013	4.5%	-25.0%
Cement	1,777	1.4%	1,776	2.0%	0.0%
Sugar	4,624	3.5%	3,642	4.1%	27.0%
Footwear and Leather garments	31	0.0%	254	0.3%	-87.9%
Automobile and transportation equipment	1,212	0.9%	1,309	1.5%	-7.4%
Education	19	0.0%	15	0.0%	20.0%
Electronics and electrical appliances	2,704	2.1%	2,484	2.8%	8.8%
Production and transmission of energy	-	0.0%	-	0.0%	0.0%
Construction	7,788	6.0%	6,103	6.8%	27.6%
Power (Electricity), Gas, Water, Sanitary	12,808	9.8%	10,621	11.8%	20.6%
Wholesale and Retail Trade	38,832	29.7%	12,226	13.6%	-68.7%
Exports/Imports	858	0.7%	694	0.8%	23.6%
Transport, Storage and Communication	591	0.5%	627	0.7%	-5.7%
Financial	3,592	2.7%	2,736	3.0%	31.3%
Insurance	2	0.0%	5	0.0%	-53.5%
Services	4,795	3.7%	4,321	4.8%	820.9%
Individuals	25,850	19.8%	18,709	20.8%	38.2%
Food and beverages	4,767	3.6%	5,441	6.1%	-12.4%
Private Trust & NGO	4	0.0%	23	0.0%	-80.6%
Packing and Paper products	696	0.5%	767	0.9%	-9.2%
Others*	5,265	4.0%	2,898	3.2%	81.7%
Total	130,637	100.0%	89,787	100.0%	45.5%

*Others include Sole Proprietors, Fund accounts & Govt. deposits etc.

Around 57.6% of the Bank's financing portfolio concentrated on Power & Gas, Textile, Construction and Food & Beverages sectors of the economy. The credit offtake by these sectors is reflective of the economic growth in these sectors. The exposure to Individuals segment, by way of auto & home financing, was 19.8%, compared to 20.8% last year.

Regulatory Capital:

The following table sets forth, for the period indicated, further analysis of the *Regulatory Capital* and the efficiency with which it is used:

Table L
Regulatory Capital

	<i>Rs in millions</i>		
	2017	2016	2015
Tier 1 Capital	11,675	10,194	7,893
Tier 2 Capital	3,718	3,629	2,653
Total Capital	15,392	13,824	10,546
Credit risk- Risk Weighted Assets (RWA)	94,448	91,158	77,731
Market risk-RWA	984	3,588	718
Operational risk- RWA	9,435	8,189	6,983
Total RWA	104,868	102,935	85,432
Total Capital Adequacy Ratio	14.68%	13.43%	12.34%
Total eligible regulatory Capital held	15,392	13,824	10,546
Total RWA	104,868	102,935	85,432
Risk Capital per branch	46.6	43.1	33.3
Net Equity	13,676	12,445	11,186
Net Equity per branch	41.4	38.8	35.3

The Risk Weighted Assets ('RWA') of the Bank increased by 1.9%, while Operational risk RWA & Credit risk RWA increased by 15.2% and 3.6% respectively. In comparison to the regulatory requirement of 11.28%, the Capital Adequacy Ratio ('CAR') of the Bank was 14.68%, signifying that the Bank has room for absorbing risk and can expand its investment & financing portfolio to improve its yields going forward. Indicators that signify about efficient utilization of the Capital by the Bank are Risk Capital per branch and Net Equity per branch, which have shown improvement compared to last year as well.

Statement of Internal Control

Statement of Management 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 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 have 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 / risk management function, 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 ongoing process that includes identification, evaluation and management of significant risks faced by the Bank.

The Bank initiated process of implementation of Internal Control Guidelines as required by State Bank of Pakistan vide BSD Circular Number 07, of 2004 and had completed a detailed exercise through Consultants, documenting and benchmarking existing internal processes and controls relating to financial reporting. The Bank has a dedicated function responsible for reviewing and identifying new processes, control gaps and updating related control documentation.

The Management had prepared Road Map for the completion of all stages in accordance with the SBP OSED Circular Number 01, of 2014 dated February 07, 2014, "Instructions on Internal Controls over Financial Reporting (ICFR)" which was approved by the Audit Committee. Alhamdulillah, the Bank has completed all its stages of ICFR in accordance with the Road Map.

In view of the above accomplishment and substantial implementation of identified gaps, Management applied to the State Bank of Pakistan for exemption of statutory assessment in form of Long Form Report (LFR) on Bank's ICFR program, which has been granted to the Bank on September 11, 2017 via SBP letter OSED/SEU-10/008(01)/21002/2017.

After successful exemption of LFR requirement Bank is currently conducting the annual assessment on Internal Control Over Financial Reporting in accordance with the SBP OSED circular no.1 of 2014.

“Problem free and timely deliverance of core service drives customer satisfaction. Sometimes this path gets few of the patches which need to be revamped instantly. In order to address the grievances of our customers, the Bank has a Centralized Complaint Investigation and Management Unit in addition arrangements at branch level that welcomes complaints of our valuable customers, investigates them from all aspects; resolve them with sheer excellence and within the minimum possible time, which ultimately helps us out in retrieval of the lost confidence of our customers in our quality service delivery. During the year 2017, we received 28,466 formal complaints (2016: 15675 formal complaints) and those were resolved in a satisfactory manner, where our average complaints resolution time was 2.5 days (2016: 2.4 days).”

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
President & CEO

April 06, 2018

Statement of Compliance With The Code Of Corporate Governance

FOR THE YEAR ENDED DECEMBER 31, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Bank encourages representation of independent, non-executive directors and directors representing minority interests on its board of directors (The Board). At present the board includes:

Category	Names
Independent Directors	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali Dr. Amjad Waheed Mr. Ruhail Mohammed *
Executive Directors	Mr. Hasan A. Bilgrami
Non- Executive Directors	Mr. Ali Hussain Mr. Fawad Anwar Mr. Siraj Ahmed Dadabhoy Mr. Noman Yakoob

* appointed with effective from October 25, 2017 subject to SBP approval.

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven 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 an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on August 23, 2017 was filled up by the directors within 34 days.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies 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 transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board / shareholders.

8. All meetings of the Board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors training has already been performed by two directors. It is expected that remaining directors will attend the course by June 30, 2018 as per Rule # 5.19.7 of the Rule Book of Pakistan Stock Exchange Limited.
10. During the year there has been no new appointment of CFO, Company Secretary and Head of Internal Audit.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the Chairman of the Committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board had formed the following committees: (1) Human Resource Management Committee which comprises of four members, of whom three are non-executive directors and one is Chief Executive Officer; (2) Board Remuneration Committee which comprise of three members, of whom all are non-executive directors. Chairman of both the Committees is an independent director.
18. The board has set up an effective internal audit function comprising of professionals, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program at the ICAP, 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. 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.

21. The 'closed period', prior to the announcement of interim / final results and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchange.
23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.



Hasan A Bilgrami
Chief Executive Officer

April 6, 2018

معیار

خطِ نسخ

ایرانی خطاط ابن مقلہ شیرازی نے ۹۴۰ء میں پہلی بار اس کے اصول مقرر کئے عربی میں نسخ کا مطلب تحریر کرنا ہے اس خط میں نہایت آسانی اور تیزی سے لکھا جاسکتا ہے اس لئے اسے خطِ نسخ کہتے ہیں یہ خط قرآن مجید، احادیث اور شاعری کے لئے بکثرت استعمال کیا گیا ہے۔

Khat-e-Naskh

It was invented by Persian calligrapher, Ibn Muqlah Shirazi, in 940 AD. The root of Arabic word, *Naskh*, means "to copy", which refers to the fact that this style allows faster copying of text. It has been used in the copying the Holy Quran, Hadith and collections of poetry.

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2017 prepared by the Board of Directors of BankIslami Pakistan Limited (the Bank) to comply with the Rule Book of the Pakistan Stock Exchange, where the Bank is listed.

The responsibility for compliance with the Code 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 reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Bank's 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, effective for the year ended 31 December 2017.



Chartered Accountants
Audit Engagement Partner: Omer Chughtai
EY Ford Rhodes, Chartered Accountants

Date: April 6, 2018

Karachi

Report of Shariah Board



الحمد لله رب العالمين، والصلاة والسلام على أشرف الأنبياء والمرسلين،
وعلى آله وأصحابه أجمعين، وبعد

Shariah Supervisory Board hereby presents its opinion on the affairs of the Bank through this 14th annual report. During the year, four meetings of the Shariah Board were held in which different matters such as Shariah Compliance Review Reports, Internal Shariah Audit Reports, new products and Shariah aspects of the conversion of defunct KASB Bank were discussed in detail and guidelines were issued accordingly.

In the following sections, the Report discusses the state of affairs of the Bank and the developments that took place during the period:

Shariah Compliance:

To ensure Shariah compliance in its transactions, Shariah Compliance Review is carried out at two stages i.e. initially in the 'Pre transaction execution' stage and later at 'Post transaction execution' stage. In the Pre transaction execution stage, to ensure that all financing transactions are executed according to guidelines issued by Shariah Board / RSBM and SBP - Islamic Banking Department (IBD), the Bank prepares detailed Policies and Procedure Manuals for products and services. Since each Corporate/SME financing transaction (done under Murabahah, Istisna, Karobar Finance / Musawamah, Salam and Running Musharakah products) can differ, therefore, separate process flows are developed for each Client booked under each of the above mentioned products. It is also ensured that these process flows are also read and understood by the client. Depending upon the case, Shariah department personnel also visits Client's premises to have a better understanding of its procurement/sale processes. These Client-specific process flows provide guidance to the Relationship Managers in executing the transactions in a Shariah compliant manner. It has also helped the Bank to avoid potential mistakes in execution of the transactions.

In the Post transaction execution stage, the Shariah Compliance department, under guidance of RSBM, conducts Shariah Compliance Reviews of departments/branches to check the approved manual and process flows have been complied with. These Shariah Compliance Review Reports are then presented in Shariah Board meetings for determination of corrective actions by the Shariah Board. As a separate check, Internal Shariah Audit is conducted by the Internal Audit department. Accordingly the Internal Shariah Audit Reports are also presented in the Shariah Board meetings for determination of corrective actions by the Shariah Board.

The above mentioned multi-tier mechanisms help to minimize the material errors in execution of transactions.

It is also ensured that the profit and loss distribution and Pool Management practices are carried out as per the bank's policy and regulatory guidelines. For this purpose, a Shariah compliance review is conducted each month before distribution of profit and loss to the depositors.

Product Development:

It was encouraging to note that the Bank increased its efforts to enhance its product mix in the Agricultural Finance sector. In this regard, Bank launched "Islami Tractor & Equipment Financing" product on the basis of Diminishing Musharakah.

The Bank also innovatively used its existing Karobar Financing product in the Agricultural Finance sector to provide a Shariah compliant solution for financing against Warehousing Receipt. The Bank's role as a Trader was more prominent in this transaction as the Bank ensured that its owned goods (paddy) are not stored at the premises of Client/Agent (farmer) rather the goods were stored in a designated warehouse of a third party (Engro Eximp Corp.). Accordingly the storage, Takaful and other ownership related costs were also borne directly by the Bank.

The Bank has developed Scrips Equity Trading Product. This would be the Pakistan's first Shariah Compliant equity trading through banking platform which would facilitate the customers to invest in the stock market in a Shariah compliant way.

Shariah Advisory Services:

As a significant development, BankIslami provided Shariah Advisory services for the Shariah Compliant Commercial Paper of Hascol Petroleum Product. It was Pakistan's first ever Shariah compliant Commercial Paper. Shariah Advisory services were also provided for Sukuk/syndicate transactions. Additionally, the Bank also provided Shariah Advisory services to six Islamic Funds.

Conversion of defunct KASB Bank's portfolio:

BankIslami continued its efforts to convert the Portfolio of defunct KASB Bank. As of December 31, 2017, the Bank has converted/adjusted over 99% of the regular financing Portfolio (Corporate, Consumer & SME combined). It is worth mentioning that regular Treasury portfolio has already been fully converted/adjusted.

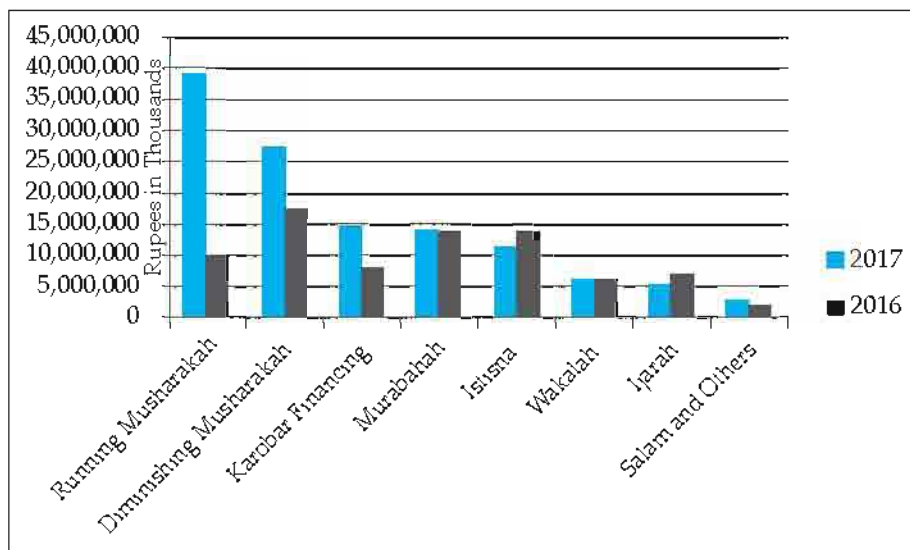
Islamic Banking Training:

Trained human resource is extremely important for success of Islamic Banking Industry. During the year under review, training sessions of "Basic Islamic Banking Concepts" and Product Trainings were conducted. The Bank also increased its focus on trainings of consumer and retail banking products.

The Bank also supports other institutions such as National Institute of Banking and Finance (NIBAF), Centre for Islamic Economics (CIE), IBA-Centre for Excellence in Islamic Finance (IBA-CEIF), The Institute of Bankers Pakistan (IBP), Institute of Cost & Management Accountant of Pakistan (ICMAP), Sheikh Zayed Islamic Centre and Iqra University for imparting training courses in Islamic Banking & Finance and other capacity building activities.

Composition of the Bank's Financing Portfolio:

The Bank used variety of Islamic modes of finance to provide financing to its customers. It is encouraging to note that the share of Shirkat-ul-Aqd based "Running Musharakah" product has increased during the year and has now around 32% share in the overall financing portfolio as compared to 13% share at year end of 2016. Following chart illustrates modes of finance wise status of financing as on 31 December 2017 along with comparison with last year.



Charity:

An amount of Rs. 8.86 mn was received from the Clients in respect of charity on delays in payments and credited to charity account. As the charity funds are kept under investment accounts at the Bank, Mudarabah profit of Rs. 81,000/- has been credited to the charity account.

During the year, an income of Rs. 239,356 was declared as Shariah non-compliant and accordingly credited to Charity Account.

Disbursements during the year from the charity fund amounted to Rs. 8.65 mn. Details of charity disbursed are available in notes of the accounts.

Recommendations:

Based on the observations made through Shariah reviews, reports and feedback from various stakeholders, we recommend the following:

- Rapid growth of Islamic Banking in the country has also brought challenges in hiring and retention of trained Human Resources. The Bank should focus on achieving right balance of commitment to Islamic Banking and competence while hiring of new staff.
- For further capacity building of Bank's personnel, the Bank should conduct more specialized product training sessions.
- To reinforce the standard of Shariah compliance quality, the Bank is expected to do more efforts for the conversion / disposal of remaining conventional portfolio relating to defunct KASB Bank considering the possible solutions to legal constraints involved in conversion process.

Conclusion:

Based on the Shariah Compliance Review Reports, Internal Shariah Audit Reports and different Shariah compliance checks carried out from time to time and according to best of our knowledge, we are of the view that:

- i. The Bank has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by the Shariah Board.
- ii. The Bank has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the ruling of SBP's Shariah Board.
- iii. The Bank has a comprehensive mechanism in place to ensure Shariah compliance in their overall operations.
- iv. The Bank has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized.
- v. The Bank has complied with the SBP's instructions on profit and loss distribution and pool management.
- vi. The level of awareness, capacity and sensitization of the staff, management and the BOD in appreciating the importance of Shariah compliance in the products and processes of the Bank is found to be satisfactory. However, the management should continue to take measures to further improve the level of awareness.
- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.

We end this report with best wishes to the Islamic finance industry.

وصلّى الله وسلّم على نبينا محمّد وبارك وسلّم



Mufti Javed Ahmad
Resident Shariah Board Member



Mufti Muhammad Hussain Khaleel Khail
Member, Shariah Supervisory Board



Mufti Irshad Ahmad Aijaz
Chairman, Shariah Supervisory Board

حاصل بحث:

ہم شریعہ جائزہ رپورٹوں، داخلی شریعہ آڈٹ رپورٹوں اور مختلف شرعی تجویزوں کی بنیاد اور اپنی بہترین معلومات کے مطابق یہ رائے دیتے ہیں کہ:

- (۱) بینک مجموعی طور پر شریعہ بورڈ کی جانب سے جاری کردہ فتاویٰ، ہدایات اور راہنمائی پر عمل پیرا رہا ہے۔
 - (۲) بینک اسٹیٹ بینک کی ہدایات، احکامات، راہنمائی جو شریعت کی پاسداری کے سلسلے میں اسٹیٹ بینک کے شعبہ اسلامی بینکاری کی جانب سے شریعہ بورڈ کی ہدایات کی روشنی میں جاری کی گئی ہیں ان پر عمل پیرا رہا ہے۔
 - (۳) مجموعی طور پر بینک میں شرعی ضوابط کے نفاذ اور قیام کے حوالے سے ایک جامع نظام موجود ہے۔
 - (۴) بینک کے پاس ایک واضح نظام موجود ہے جو اس بات کی یقین دہانی کرواتا ہے کہ شریعت میں ممنوع طریقہ سے حاصل شدہ آمدنی خیراتی کھاتے میں ڈال دی جائے اور اسے تحسین مصرف میں لگایا جائے۔
 - (۵) بینک نفع و نقصان کی تقسیم اور پول شیئرنٹ کے حوالے سے اسٹیٹ بینک کی جانب سے جاری کردہ ہدایات پر عمل پیرا رہا ہے۔
 - (۶) شرعی ضوابط کے نفاذ اور ان کی قیام کے حوالے سے آگاہی، قابلیت، اور جستجو، عملے، انتظامیہ اور بورڈ آف ڈائریکٹرز میں قابل اطمینان حد تک ہے تاہم ان میں اضافے کی کوششیں جاری رہنی چاہئیں۔
 - (۷) شریعہ بورڈ کو اپنا کام کرنے کے لئے مناسب وسائل فراہم کئے جاتے ہیں۔
- ہم اسلامی بینکاری کے لئے اپنی یک تہا اور بہترین خواہشات کے ساتھ اس رپورٹ کا اختتام کرتے ہیں۔

وصلی اللہ وسلم علی نبینا محمد وبارک وسلم



مفتی ارشاد احمد اعجاز
سربراہ، مجلس امور شریعہ



مفتی محمد حسین غلیل خیل
رکن، مجلس امور شریعہ



مفتی جاوید احمد
مقیم رکن مجلس امور شریعہ

اسلامی بینکاری کی تربیت:

تربیت یافتہ عملہ کسی بھی شعبہ کی طرح اسلامی بینکاری کے شعبے کی ترقی کے لئے بھی کلیدی حیثیت رکھتا ہے۔ زیر جائزہ سال کے دوران "اسلامی بینکاری کے بنیادی تصورات" اور پروڈکٹ کے لئے خصوصی تربیتی نشستیں منعقد کیں گئیں۔ اس سال بینک نے کنزیومر اینڈ رٹیل پروڈکٹ کی تربیت پر بھی توجہ بڑھا دی ہے۔

بینک نے دیگر اداروں کو بھی اسلامی بینکاری و مالیاتی نظام سے متعلق استعداد بڑھانے والے تربیتی پروگراموں میں معاونت فراہم کی جن میں میٹل انسٹی ٹیوٹ آف بینکنگ اینڈ فنانس (NIBAF)، سینٹر فار اسلامک اکنامکس (CIE)، سینٹر آف ایکسی لینس فار اسلامک فنانس۔ انسٹی ٹیوٹ آف بزنس اینڈ منسٹریشن (IBA-CEIF)، انسٹی ٹیوٹ آف بینکرز پاکستان (IBP)، انسٹی ٹیوٹ آف کوسٹ اینڈ منجمنٹ اکاؤنٹینٹ آف پاکستان (ICMAP) شیخ زید اسلامک سینٹر اور اقراء یونیورسٹی (IU) جیسے ادارے شامل ہیں۔

کالعدم KASB بینک کے معاملات کی شرعی اصولوں کے مطابق تبدیلی:

بینک اسلامی نے کالعدم KASB بینک کے معاملات کو شریعت کے مطابق تبدیل کرنے میں اپنی کوششوں کے سلسلے کو جاری رکھا۔ 31 دسمبر 2017 کی صورتحال کا جائزہ لیں تو بینک نے 99% ریگولر سرمایہ کاری (کارپوریٹ، کنزیومر اور ایس ایم ای کا مجموعہ) کو شرعی اصولوں کے مطابق تبدیل یا وصول کر لیا ہے۔ یہ بات قابل ذکر ہے کہ فریڈری کی ریگولر سرمایہ کاری پہلے ہی مکمل تبدیل یا وصول ہو چکا ہے۔

خیرات:

صارفین سے واجبات کی ادائیگی میں تاخیر کی مد میں مبلغ 8.86 ملین روپے وصول ہوئے اور خیراتی کھاتے میں ڈالے دیے گئے۔ چونکہ خیراتی فنڈ مضاربہ کی بنیاد پر چلنے والے کھاتے میں رکھا گیا تھا لہذا مبلغ 81,000 روپے مضاربہ کے نفع کے طور پر خیراتی کھاتے میں حریص جمع کئے گئے۔

سال کے دوران 239,356 روپے کی آمدنی غیر شرعی قرار دی گئی لہذا اسے خیراتی کھاتے میں ڈال دیا گیا۔

سال کے دوران مبلغ 8.65 ملین روپے خیراتی فنڈ میں سے خیراتی اداروں کو ادا کئے گئے۔ ان ادائیگیوں کی تفصیلات بینک کے نوٹس میں موجود ہیں۔

تجاویز:

شریعہ جائزہ رپورٹوں اور مختلف شعبوں و افراد کی جانب سے پیش کی گئی آراء کی روشنی میں ہم درج ذیل باتیں تجویز کرتے ہیں:

- (۱) ملک میں تجزی سے ترقی کرتی اسلامی بینکاری کے نتیجے میں تربیت یافتہ انسانی وسائل کا حصول اور بھرتی ایک اہم مسئلہ ہے۔ بینک کو نئے عملے کے حصول کے وقت اسلامی بینکاری سے مناسب وابستگی اور استعداد پر خصوصی توجہ دینی چاہئے۔
- (۲) بینک کے عملہ کی استعداد بڑھانے کے لئے بینکاری پروڈکٹ سے متعلقہ خصوصی تربیتی نشستوں میں اضافہ کرنا چاہئے۔
- (۳) بینک کے شرعی اصولوں کی تعمید کے معیار کو مزید بلند کرنے کے لیے توجہ کی جاتی ہے کہ بینک قانونی پیچیدگیوں کو حل کرتے ہوئے کالعدم KASB بینک سے متعلقہ روایتی اثاثوں کی تبدیلیاں فروخت کے لیے مزید محنت کرے گا۔

شرعی رہنمائی کی خدمات:

اس سال کی ایک اہم پیش رفت ہے کہ بینک اسلامی نے ہسکول پیٹرولیم لیٹنڈ کو شریعت سے ہم آہنگ کرشل پیپر کے لیے شرعی رہنمائی فراہم کی۔ یہ پاکستان کا پہلا شرعی اصولوں کے مطابق کرشل پیپر تھا۔ مختلف مسکوک اور اجتماعی سرمایہ کاری کے معاملات میں بھی شرعی رہنمائی فراہم کی گئی۔

اس کے علاوہ بینک نے چھ اسلامی فنڈز کو بھی شرعی رہنمائی کی خدمات فراہم کیں۔

نئی پروڈکٹ کی تیاری:

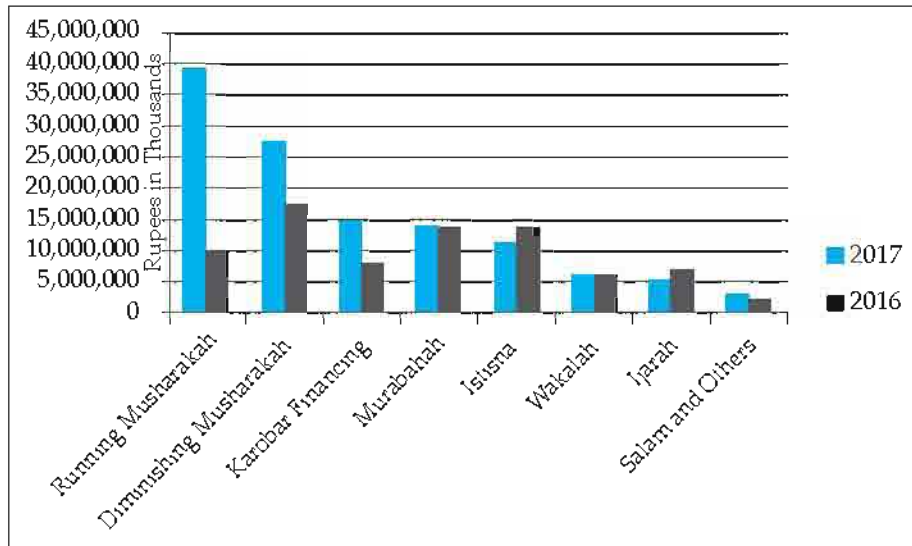
یہ ایک حوصلہ افزاء بات ہے کہ بینک نے اپنے زرعی شعبہ میں تمويل کے طریقوں میں اضافے کے لیے کوششیں بڑھائیں۔ اس حوالے سے بینک نے ”اسلامی ٹریڈر اینڈ ایکو پمنٹ فائینانس“ شرکت منافع کی بنیاد پر نئی پروڈکٹ متعارف کروائی۔

بینک نے اپنی موجودہ کاروبار فائینانس کی پروڈکٹ کو تجدیدی انداز میں استعمال کرتے ہوئے ویئر ہاؤس رسید پر زرعی شعبہ میں تمويلی سہولت فراہم کی۔ بینک کا ایک تجارتی کردار اس معاملے میں زیادہ نمایاں تھا کہ بینک کا سامان (خام چاول) اس کے صارف / وکیل (کسان) کے پاس محفوظ نہیں تھیں بلکہ وہ ایک تیسرے فریق (ایگریڈائیڈ میپ کارپوریشن) کے متعین گودام میں محفوظ تھیں۔ سامان کی حفاظت، حفاظت، اور دیگر ملکیت سے متعلق اخراجات بینک نے براہ راست برداشت کیے۔

بینک نے ”اسکرپ ایکوٹی ٹریڈنگ“ پروڈکٹ بھی متعارف کروائی۔ یہ پاکستان کا پہلا شریعت کے مطابق حصص کی تجارت کا بینکاری پلیٹ فارم تھا جو صارفین کو شریعت کے مطابق بازار حصص میں سرمایہ کاری کرنے کی سہولت فراہم کرتا ہے۔

بینک کی سرمایہ کاری کا تجزیہ:

بینک اسلامی اپنے صارفین کو مالیاتی خدمات مختلف اسلامی مالیاتی طریقوں کے تحت فراہم کرتا ہے۔ یہ ایک حوصلہ افزاء حقیقت ہے کہ شرکت العہد کی بنیاد پر ”ریٹنگ مشارکہ“ پروڈکٹ کا حصہ سال کے دوران خاطر خواہ بڑھا ہے اور وہ کل سرمایہ کاری کا 32% ہو گیا جو 2016 میں کل سرمایہ کاری کا 13% تھا۔ ان مالیاتی طریقوں کے تحت فراہم کی جانے والی سرمایہ کاری 31 دسمبر 2017ء کی تاریخ میں مندرجہ ذیل تفصیل کے مطابق تھی:



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

مجلس امور شرعیہ کی رپورٹ

الحمد لله رب العالمين، والصلاة والسلام على أشرف الأنبياء والمرسلين،
وعلى آله وأصحابه أجمعين، وبعد

بینک اسلامی کے معاملات کے بارے میں مجلس امور شرعیہ کی چودھویں سالانہ رپورٹ پیش خدمت ہے۔ اس سال مجلس امور شرعیہ کی چار مجالس کا انعقاد ہوا جن میں شرعی جائزہ رپورٹس اور آڈٹ رپورٹس، نئی مصنوعات اور کالعدم KASB بینک کے شرعی اصولوں کے مطابق تبدیلی کے حوالے سے غور و خوض کیا گیا اور ان سے متعلق ہدایات جاری کی گئیں۔

اس رپورٹ کے اگلے حصوں میں بینک کے معاملات اور مالیاتی سال کے دوران ہونے والی پیش رفت کے بارے میں معلومات پیش خدمت ہیں:

معاملات کی شریعت سے مطابقت:

روزمرہ کے معاملات کو شریعت کے مطابق رکھنے کے لئے دوماہ پر مشتمل شرعی جائزہ لیا جاتا ہے، ایک معاملہ انجام دینے سے پہلے اور دوسرا معاملہ انجام دینے کے بعد۔ معاملے کے منعقد ہونے سے پہلے کے مرحلے پر معاملات کی شریعت کے مطابق انجام دینے کو یقینی بنانے کے لئے بینک نے تفصیلی ضابطہ کار اور عملی ہدایات پر مشتمل دستاویزات تیار کر رکھی ہیں تاکہ بینکاری معاملات مجلس امور شرعیہ / معتمد رکن مجلس امور شرعیہ کی جاری کردہ ہدایات اور اسٹیٹ بینک کے اسلامی بینکاری کے شعبہ کی جاری کردہ قواعد و ضوابط کے مطابق انجام پاتے رہیں۔ البتہ مراہی، کاروبار فائنانس (مسادہ)، سلم، اصصناع اور رجگ مشارکہ کے تحت ہونے والے کاروباری معاملات کاروبار کی نوعیت کے حوالے سے چونکہ ایک دوسرے سے مختلف ہوتے ہیں لہذا ان مالیاتی طریقوں کے تحت صارف کو مالیات کی فراہمی کرنے کا طریقہ کار انفرادی طور پر طے کیا جاتا ہے اور اسے دستاویزی شکل دی جاتی ہے جسے ”ترتیب وار طریقہ کار“ (پروسس فلو) کہتے ہیں۔ ان دستاویزات (پروسس فلو) کو صارفین باقاعدہ سمجھ کر توثیق اور قبول کرتے ہیں۔ کیس کی نوعیت کو دیکھتے ہوئے شریعہ ڈپارٹمنٹ کا عملہ صارف کے کاروباری چمکہ کا دورہ بھی کرتا ہے تاکہ صارف کے کاروبار کی بہتر سمجھ بوجھ حاصل کر کے مناسب راہنمائی کی جاسکے۔ ہر صارف کے لئے الگ ”ترتیب وار طریقہ کار“ (پروسس فلو) متعلقہ برانچ اور مختتم تعلقات صارفین (ریلیشن شپ نیجر) کو معاملات کو درست انداز میں تکمیل تک پہنچانے میں مدد فراہم کرنے کے ساتھ ساتھ معاملات کی انجام دہی میں ہوجانے والی متوقع غلطیوں سے بچنے میں انتظامیہ کی بھی مدد کرتا ہے۔

معاملات کے انجام پانے کے بعد کے مرحلے میں منظور شدہ طریقہ کار اور ہدایات کے نفاذ کو یقینی بنانے کے لئے شعبہ قبیل امور شرعیہ / معتمد رکن مجلس امور شرعیہ کی ہدایات کو سامنے رکھتے ہوئے، بینک کی کاروباری اکائیوں، شعبہ جات اور شاخوں کا شرعی اصولوں کی تعمید کا جائزہ (شرعیہ کمپلائنس ریویو) کرتا ہے۔ یہ شرعیہ کمپلائنس جائزہ رپورٹس، درستی / بہتری کی تجاویز کے لئے شریعہ بورڈ کے اجلاسوں میں پیش کی جاتی ہیں۔ معاملات کی ایک الگ جانچ پرکھ کے لئے انٹرنل آڈٹ ڈپارٹمنٹ شریعہ آڈٹ کرتا ہے اور شریعہ آڈٹ رپورٹوں کو بھی درستی / بہتری کے اقدامات جو بہتر کرنے کے لئے مجلس امور شرعیہ کے اجلاسوں میں پیش کیا جاتا ہے۔

اوپر ذکر کردہ کثیر المرامل جانچ کا نظام معاملات کو کسی بڑی غلطی سے پاک رکھنے میں مدد فراہم کرتا ہے۔

نفع و نقصان کی تقسیم اور پول منجمنٹ کو بھی بینک کی پالیسی اور لازمی ہدایات کے مطابق انجام دہی کو بھی یقینی بنایا جاتا ہے۔ اس مقصد کے لئے ہر ماہ کھانے داران کو نفع و نقصان کی تقسیم سے پہلے شرعی اصولوں کی تعمید کا جائزہ لیا جاتا ہے۔

Charity Funds Utilization Report

Islamic Banks cannot charge late payment penalty to their customers since it falls under the ambit of *Riba*. However, to maintain financial discipline and to prevent deliberate delinquencies they use Charity imposition as a tool of deterrence. Amount given by the customers in Charity Account against their delays is utilized by Islamic Banks purely for charitable purpose. Islamic Banks receive this charity fund amount as Trustee. Accordingly, the Bank is entrusted the responsibility to distribute the Charity funds onwards. This Report provides a brief detail of the major institutions which have been beneficiaries of the Charity funds.

Utilization of Charity:

During the year 2017, BankIslami received a total of Rs. 8.864 Mn as Charity amount from its customers. Disbursements during the year from the Charity Fund amounted to Rs. 8.65 Mn. The amount was utilized to provide assistance to recognized and renowned charitable institutions working primarily in the areas of Health and Education. The profile of these institutions are given below:

Indus Hospital



Indus Hospital came as a joint venture of the Ruffaydah Foundation and the Islamic Mission Hospital Trust in 2005. Indus Hospital provides free of cost health care to the common man. The Hospital started its operations in July 2007. It is spread over 20 acres of land and located in the densely populated Korangi area.

The facilities at the Indus Hospital include Community Health Center, Consulting Clinics, In-patient Services, Day Care Services, Emergency Services, Critical Care, Invasive Cardiology, Physiotherapy Services, Endoscopy, Lithotripsy, Hemodialysis, Radiology, Clinical Laboratories, Pharmacy Services, Nutrition and Food Services, Continuing Medical Education (CME), etc.

Alamgir Welfare Trust International



Alamgir Welfare Trust International has been providing social welfare services in Pakistan since 1993. The Trust provides services to needy and deprived class of the society in a wide range of areas which include health, education, marriage assistance, funeral services, rescue centers, food and Ramadan services.

Shaukat Khanum Memorial Hospital



Shaukat Khanum Memorial Cancer Hospital and Research Centre is a state-of-the-art cancer centre located in Lahore, Pakistan. It is a project of the Shaukat Khanum Memorial Trust, which is a charitable organization established under the Societies Registration Act XXI of 1860 of Pakistan.

Over the past decade, Shaukat Khanum Memorial Cancer Hospital and Research Centre has established itself as a Centre of Excellence, providing free of cost comprehensive care to thousands of indigent cancer patients. It has also opened a new facility centre in Peshawar and construction of another facility in Karachi has also started.

خاتمالہ

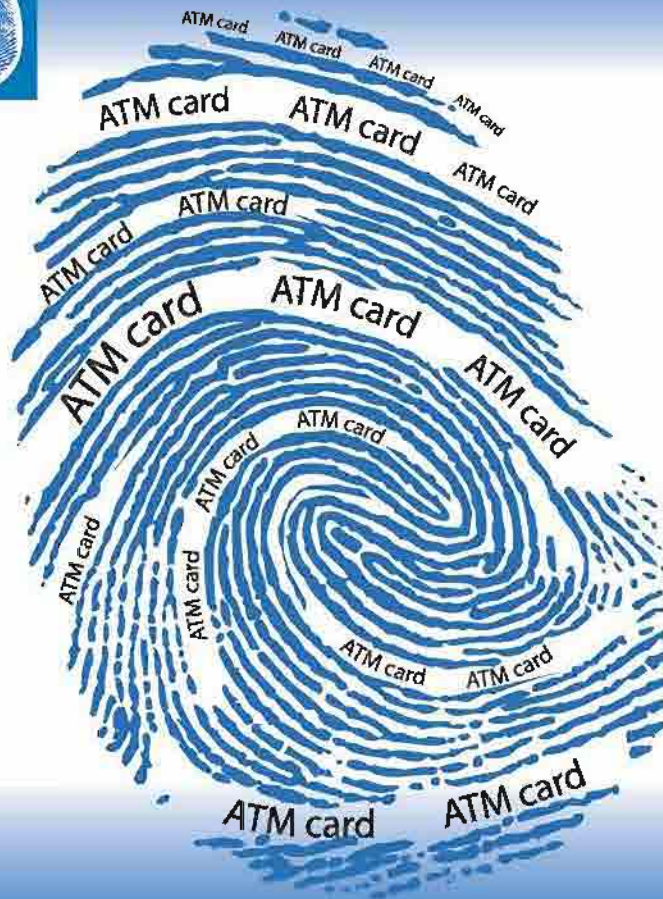
خاتمالہ

خاتمالہ کی ۱۹۹۵ء میں ایران کے خاتمالہ حامد اجامی نے تخلیق کیا
جس کے سب سے پہلے ۱۹۹۹ء میں نمائش ہوئی

Khat-e-Mo'alla"

Mo'alla" meaning the Exalted, is a script created by Iranian calligrapher Hamid Ajami in year 1995 and was first exhibited by him in year 1999.

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The Citizens Foundation (TCF)



The Citizens Foundation (TCF) is one of the largest non-profit organization in the field of education. It was established in 1995. The vision of this non profit organization is to bring a positive change in Pakistan by providing quality education to the less privileged youth. The organization provides primary and secondary level education at a nominal fee. TCF has established over 1,400 school units with an enrollment of over 200,000 students.

TCF is registered in Pakistan as a Company limited by guarantee under Section 42 of the Companies Ordinance, 1984. It is ranked amongst the top scoring organizations certified by the Pakistan Centre for Philanthropy (PCP) and has received high non-profit organization (NPO) governance rating of GR8+ by JCR-VIS Credit Rating Co. Ltd.

Diya Pakistan



Diya Pakistan is a registered, non-Profit tax exempt organization which is led by a team of prominent Pakistanis from Middle East and Pakistan. Since 1988, Diya Pakistan has reached out to more than 280,000 students with more than Rs. 570 million in financial assistance. Its primary focus is to reach out to financially distressed students across rural and urban Pakistan, enabling them to continue their education.

Centre for Development of Social Service (A project of INFAQ Foundation)



The Centre for Development of Social services (CDSS) was established in 2001 for creating a township of social services for families belonging to low income groups. CDSS is registered under the Societies Act of 1980 as a recognized organization by the Pakistan Centre for Philanthropy, Islamabad.

Korangi Academy, INFAQ Education & Training Centre, INFAQ Community Healthcare Centre, Craft Training & Adult Literacy Centre, SOS Technical Institute are the components of CDSS.

Koohi Goth Hospital



Koohi Goth Hospital is a 200 bed Not-for-profit General Hospital situated in Deh Landi, Karachi. Most of their patients are under-privileged who are provided free treatment, medicine and food. The Hospital is run from donations by philanthropic people and organizations.

Kharadar General Hospital



Kharadar General Hospital is a not for profit 210 bedded tertiary care hospital with post graduate teaching and training facilities. It is rendering services since 1936 and offering quality health services at highly subsidized rates to under-privileged socio-economically and educationally deprived population of over 3 million people of low lying areas of Karachi.

Akhuwat



Akhuwat was established with the objective of providing interest free micro credit to the poor so as to enhance their standard of living. Akhuwat started its operations in Lahore and to date has over 45 branches in this city. It has also expanded to Rawalpindi and Faisalabad in collaboration with the Chambers of Commerce and Industry and philanthropists of these two cities. Besides these big cities, it has opened branches in other cities across Pakistan with network of over 675 branches in 200+ cities.

Bait us Salam Welfare Trust



Bait us Salam being, a welfare organization, is providing different humanitarian services within Pakistan and internationally. Their recent projects includes the relief arrangements made for the Syrian refugees in Turkey in collaboration with the Turkish government.

The trust has now initiated its new venture "Bait us Salam Education Foundation" for building state of the art schools with highly qualified and experienced team of educators to provide high quality education on nationwide basis specially for under-privileged areas.

Pakistan Navy Educational Trust



Pakistan Navy Educational Trust, a charitable, non-profit organization, is active in the betterment of the naval community as well as other countrymen in educational field. The Trust is currently operating seven campuses in different areas of Karachi, wherein, almost 17,000 students are receiving quality education at affordable fee.

Sahara Public Rights Welfare



Sahara Public Rights Welfare Organization, established in 1988, has been striving to serve the sick, the old, the disabled and also children. It has three care centres: Sahara Village Old Peoples Care Centre, Sahara Village Shelter Home and Wazeeran Bibi Centre for Severe Mentally Challenged Peoples. It is providing different facilities including food, clothes, other personal needs, day to day medication as per their doctor's prescription and provides ambulance services including emergencies and inter-city travel.

National University of Science and Technology



National University of Science and Technology (NUST) was established in March 1991 for promotion of higher Scientific education in the country, by providing an enabling environment for the students. Nust Need Based Scholarships (NNBS) program was initiated in 2010 to award scholarship grant to students from financially challenged backgrounds. It is run through a three-tiered selection process carried on the NNBS annual intake to ensure the transparency and credibility of the process.

Ahmed E.H. Jaffer Foundation



The Foundation has initiated a non-for-profit School of Excellence "The Hub School", a boarding school for 800 boys, who will be guided to excel in all fields of education in Pakistan. The Hub School is a quality educational institution that has been established by the Ahmed E.H. Jaffer Foundation to prepare boys for a life of leadership, service and personal fulfillment. The School provides full scholarship to needy students.

Tasha Trust



Saiya Homes Jhelum has been established as the first project of Tasha Trust. Saiya Homes has been established as an orphanage for male children of the mothers who cannot afford an opportunity for their child to blossom into a good honorable and healthy citizen of Pakistan. All children are admitted in a local good school in various classes. Arrangements are in place for medical treatment and emergency and day to day care for children with a local philanthropic hospital.

Auditors' Report To The Members

We have audited the annexed statement of financial position of BankIslami Pakistan Limited (the Bank) as at 31 December 2017, and the related profit and loss account, statement of comprehensive income, 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 unaudited certified returns from the branches except for twenty five branches which have been audited by us and we state that we have obtained all the information and explanations 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 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 the 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 covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of accounts 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 statement of financial position 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 accounting policies consistently;
 - (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 statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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 31 December 2017 and its true balance of the income, comprehensive income, 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.



Chartered Accountants
Audit Engagement Partner: Omer Chughtai
EY Ford Rhodes, Chartered Accountants

Date: April 6, 2018

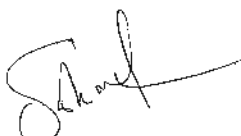
Karachi

Unconsolidated Statement of Financial Position

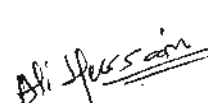
AS AT DECEMBER 31, 2017

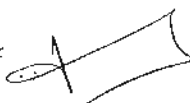
	Note	2017	2016
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	11,784,180	8,921,433
Balances with other banks	8	801,807	1,140,150
Due from financial institutions - net	9	21,371,787	27,218,665
Investments - net	10	42,092,166	46,316,927
Islamic financing, related assets and Advances - net	11	119,155,039	77,816,802
Operating fixed assets	12	9,072,487	9,347,525
Deferred tax assets	13	7,701,906	5,918,460
Other assets - net	14	4,185,773	4,166,208
		216,165,145	180,846,170
LIABILITIES			
Bills payable	15	2,988,996	2,273,934
Due to financial institutions	16	15,570,390	6,066,307
Deposits and other accounts	17	179,249,290	154,399,657
Sub-ordinated loans		-	-
Deferred tax liabilities		-	-
Other liabilities	18	4,680,000	5,661,606
		202,488,676	168,401,504
NET ASSETS		13,676,469	12,444,666
REPRESENTED BY			
Share capital	19	10,079,121	10,079,121
Discount on issue of shares		(79,042)	(79,042)
Reserves	20	926,266	613,636
Unappropriated profit		1,473,784	212,553
		12,400,129	10,826,268
Surplus on revaluation of assets - net of tax	21	1,276,340	1,618,398
		13,676,469	12,444,666
CONTINGENCIES AND COMMITMENTS			
	22		

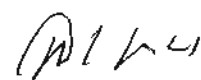
The annexed notes 1 to 44 and Annexure-I & II form an integral part of these unconsolidated financial statements.


CHIEF FINANCIAL
OFFICER


PRESIDENT /
CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR

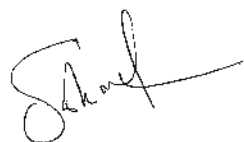

DIRECTOR

Unconsolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
Profit / return earned	23	10,353,849	10,127,616
Profit / return expensed	24	5,249,079	5,791,252
Net spread earned		5,104,770	4,336,364
Reversal of provision against non-performing Islamic financing and related assets and advances - net	11.16.2	(477,688)	(1,724,387)
Provision / (reversal of provision) for diminution in the value of investments and placements - net	9 & 10.5	210,600	(337,547)
Bad debts written off directly	11.18	-	32,008
		(267,088)	(2,029,926)
Net spread after provisions		5,371,858	6,366,290
OTHER INCOME			
Fee, commission and brokerage income		647,468	361,536
Dividend Income		31,985	23,777
Income from dealing in foreign currencies		84,214	42,808
Gain on sale of securities	25	122,100	97,772
Unrealised (loss) / gain on revaluation of investments classified as held for trading		(327)	678
Other income	26	78,452	111,041
Total other income		963,892	637,612
		6,335,750	7,003,902
OTHER EXPENSES			
Administrative expenses	27	6,281,537	6,142,395
Other reversals - net		(124,882)	-
Other charges	28	21,733	17,750
Total other expenses		6,178,388	6,160,145
		157,362	843,757
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		157,362	843,757
Taxation			
- Current	29	141,459	107,661
- Prior year	29	-	-
- Deferred	29	(1,547,246)	283,796
		(1,405,787)	391,457
PROFIT AFTER TAXATION		1,563,149	452,300
		----- Rupees -----	
Basic earnings per share	30	1.5509	0.4487
Diluted earnings per share	30	1.5509	0.4487

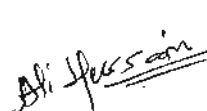
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OFFICER



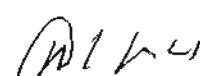
PRESIDENT /
CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



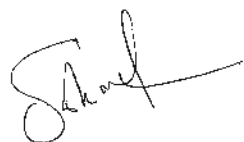
DIRECTOR

Unconsolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	Rupees in '000	
Profit after taxation for the year	1,563,149	452,300
Other Comprehensive Income		
Items that may not be reclassified to profit and loss account in subsequent periods		
Remeasurement gain on defined benefit plan	68	17,870
Tax on remeasurement of defined benefit plan	(24)	(6,253)
	44	11,617
Comprehensive income transferred to statement of changes in equity	1,563,193	463,917
Components of comprehensive (loss) / income not reflected in equity		
(Deficit) / surplus on revaluation of available for sale investments	(676,725)	1,117,448
Related deferred tax asset / (liability)	236,855	(391,105)
	(439,870)	726,343
Total comprehensive income for the year	1,123,323	1,190,260

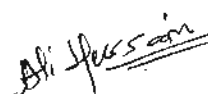
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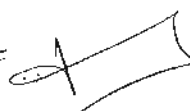
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CHAIRMAN



DIRECTOR



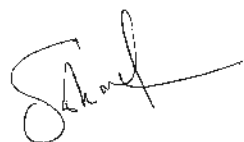
DIRECTOR

Unconsolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		157,362	843,757
Less: Dividend Income		(31,985)	(23,777)
		<u>125,377</u>	<u>819,980</u>
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets	27	708,234	634,929
Depreciation on non banking assets	27	6,634	6,533
Amortisation	27	63,181	60,927
Depreciation on operating Ijarah assets	11.14	1,383,699	1,239,614
Reversal of provision against non-performing Islamic financing and related assets - net	11.16.2	(477,688)	(1,724,387)
Provision / (reversal of provision) for diminution in the value of investments and placements - net	9 & 10.5	210,600	(337,547)
Bad debts written off directly		-	32,008
Other reversals - net		(124,882)	-
Unrealised loss / (gain) on revaluation of investments classified as held for trading		327	(678)
Charge for defined benefit plan	27	81,236	72,753
Gain on sale of property and equipment	25	(13,577)	(29,855)
		<u>1,837,764</u>	<u>(45,703)</u>
		<u>1,963,141</u>	<u>774,277</u>
(Increase) / decrease in operating assets			
Due from financial institutions		5,846,878	12,610,905
Islamic financing and related assets and advances		(42,244,248)	(8,654,989)
Others assets (excluding defined benefit assets)		38,467	(516,278)
		<u>(36,358,903)</u>	<u>3,439,638</u>
Increase / (decrease) in operating liabilities			
Bills payable		715,062	750,001
Due to financial institutions		9,504,083	2,868,537
Deposits and other accounts		24,849,633	1,341,555
Other liabilities (excluding current taxation and unrealised loss on forward sale promises)		(868,603)	364,269
		<u>34,200,175</u>	<u>5,324,362</u>
		<u>(195,587)</u>	<u>9,538,277</u>
Payments against defined benefit plan	33	-	(63,545)
Income tax paid		(133,966)	(120,579)
Net cash (used in) / generated from operating activities		<u>(329,553)</u>	<u>9,354,153</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		3,304,771	(8,950,665)
Dividend received		31,985	23,777
Investments in operating fixed assets		(500,339)	(1,213,635)
Proceeds from disposal of operating fixed assets		17,539	31,357
Net cash generated from / (used in) investing activities		<u>2,853,957</u>	<u>(10,109,166)</u>
Increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	31	2,524,404	(755,013)
		<u>10,061,583</u>	<u>10,816,596</u>
Cash and cash equivalents at the end of the year	31	<u>12,586,987</u>	<u>10,061,583</u>

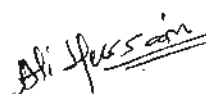
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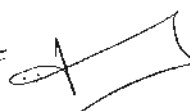
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OFFICER



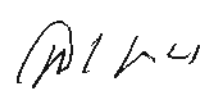
PRESIDENT /
CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



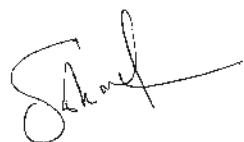
DIRECTOR

Unconsolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2017

	Share capital	Discount on issue of shares	Statutory reserve	Reserve for bad debts & contingencies	(Accumulated losses) / Unappropriated profit	Total
	Rupees in '000					
Balance as at January 01, 2016	10,079,121	(79,042)	273,176	250,000	(171,453)	10,351,802
Profit after taxation for the year	-	-	-	-	452,300	452,300
Other comprehensive income for the year	-	-	-	-	11,617	11,617
Total comprehensive income for the year	-	-	-	-	463,917	463,917
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	10,381	10,381
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	168	168
Transfer to statutory reserve	-	-	90,460	-	(90,460)	-
Balance as at December 31, 2016	10,079,121	(79,042)	363,636	250,000	212,553	10,826,268
Profit after taxation for the year	-	-	-	-	1,563,149	1,563,149
Other comprehensive income for the year	-	-	-	-	44	44
Total comprehensive income for the year	-	-	-	-	1,563,193	1,563,193
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	10,398	10,398
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	270	270
Transfer to statutory reserve	-	-	312,630	-	(312,630)	-
Balance as at December 31, 2017	10,079,121	(79,042)	676,266	250,000	1,473,784	12,400,129

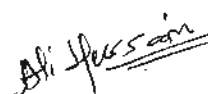
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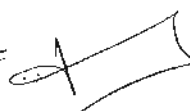
CHIEF FINANCIAL
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CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR

Notes to and forming part of the unconsolidated financial statements

FOR THE YEAR ENDED DECEMBER 31, 2017

1 STATUS AND NATURE OF BUSINESS

- 1.1 BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan (SBP) granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking and investment activities.

The Bank is operating through 330 branches including 112 sub branches as at December 31, 2017 (December 31, 2016: 321 branches including 118 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has maintained the Bank's long-term rating as 'A+' and the short-term rating as 'A1'.

2 BASIS OF PRESENTATION

- 2.1 The Bank provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes as briefly explained in note 11.1.1 to these financial statements.

The purchases and sales 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 profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable as directed by the Shariah Board of the Bank.

- 2.2 These financial statements are the separate financial statements of the Bank in which investments in subsidiaries and associates are carried at cost less accumulated impairment losses, if any, and are not consolidated. The consolidated financial statements of the Group are being issued separately.
- 2.3 Effective May 07, 2015, the defunct KASB Bank Limited (amalgamated entity) was amalgamated within and into the bank. As the amalgamated entity operated as a conventional bank, any assets or liabilities which are not Shariah compliant are shown separately within the financial statement line items.

3 STATEMENT OF COMPLIANCE

- 3.1 These 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 (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the repealed Companies Ordinance, 1984, the provisions and directives issued under the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP. In case the requirements differ, the provisions of and directives issued under the repealed Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by the SECP and SBP shall prevail.
- 3.2 The Companies Ordinance, 1984 was replaced by enactment of the Companies Act, 2017 on May 30, 2017. The Circular No. 23/2017, dated October 04, 2017 of the SECP has clarified that all those companies whose financial year closes on or before December 31, 2017 can prepare financial statements in accordance with the repealed Companies Ordinance, 1984. Hence, these unconsolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 3.3 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.4 IFRS 8 "Operating Segments" was effective for the Bank's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.
- 3.5 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these financial statements.

The SBP vide its letter no. BPRD(R&P-02)/625-112/2017/4089 dated February 24, 2017 has allowed the Bank exemption from "Goodwill impairment" under the applicable accounting standards till December 30, 2018 and thereafter the Bank will be required to start goodwill impairment testing as per applicable accounting rules.

3.6 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New Standards, Interpretations and Amendments

The Bank has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

Standard or Interpretation

- IAS 7 Statement of Cash flows-Disclosure Initiative-(Amendment)
- IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

The adoption of the above amendments and improvements to accounting standards did not have any effect on these financial statements.

3.7 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

3.7.1 The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretations:

Standard, interpretation or amendment

- | | |
|--|-------------------|
| - IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments) | January 1, 2018 |
| - IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| - IFRS 9 – Financial Instruments: Classification and Measurement | July 1, 2018 |
| - IFRS 9 Prepayment Features with Negative Compensation – (Amendments) | January 1, 2019 |
| - IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments) | January 1, 2018 |
| - IFRS 15 – Revenue from Contracts with Customers | July 1, 2018 |
| - IFRIC 22 Foreign Currency Transactions and Advance Consideration | January 1, 2018 |
| - IFRIC 23 Uncertainty over Income Tax Treatments | January 1, 2019 |

The above standards and amendments are not expected to have any material impact on the Bank's financial statements in the period of initial application except IFRS 9. With regards to IFRS 9, the Bank considers that as the Prudential regulation and other SBP directives currently provide the accounting framework for the measurement and valuation of investment and provision against non-performing islamic financing and related assets, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instructions to the application of IFRS-9 for Banking sector of Pakistan.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 16 – Leases	January 1, 2019
IFRS 17 – Insurance Contracts	January 1, 2021

3.7.2 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2017.

- 3.8 The SBP has also notified a new format of financial statements which would be effective from the accounting year ending December 31, 2018. The Companies Act, 2017 and the revised format would result in additional disclosures and certain changes in the financial statements presentation.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan 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. The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of the accounting policies are as follows:

- Classification and valuation of investments in accordance with the Bank's policy (notes 6.3 and 10).
- Provision for non-performing Islamic financing and related assets and Advances (notes 6.4 and 11.16).
- Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 11.16.3.2).
- Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 6.3.5 and 10).
- Staff retirement benefits (notes 6.7 and 33).
- Revaluation and depreciation / amortization of operating fixed assets (notes 6.5 and 12).
- Valuation of non-banking assets acquired in satisfaction of claims (note 6.19)
- Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.6, 13 and 29).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5 BASIS OF MEASUREMENT

5.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain fixed assets, certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. Further, staff retirement benefits as discussed in notes 6.7 and 33 to the financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

5.2 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5.3 Rounding off

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented, unless otherwise specified.

6.1 Cash and cash equivalents

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

6.2 Due to / from financial and other institutions

6.2.1 Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on deferred payment basis to financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the credit period.

Musharakah / Mudaraba

In Musharaka / Mudaraba, the Bank invests in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

Musharaka from State Bank of Pakistan under IERS

Under IERS, the Bank accepts funds from the SBP under shirkat-ul-aqd to constitute a pool for investment in export refinance portfolio of the Bank under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between the partners.

Acceptances from State Bank of Pakistan for financial assistance

The Bank has recorded Acceptances from State Bank of Pakistan for financial assistance at its fair value which is amortised over the period of the financing.

6.3 Investments

6.3.1 Classification

Investments of the Bank, other than investments in associates and subsidiaries are classified as follows:

(a) Held-for-trading

These are investments which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

(b) Held- to-maturity

These are investments with fixed or determinable payments and fixed maturity and the Bank has the positive intent and ability to hold them till maturity.

(c) Available-for-sale

These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' or 'held to maturity' categories.

6.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date on which the Bank commits to purchase or sell the investments.

6.3.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

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

6.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the net profit and loss for the year.

(b) Held-to-maturity

These are measured at amortised cost using the effective profit rate method, less any impairment loss recognized to reflect irrecoverable amount.

(c) Available for sale

Quoted / Government securities are measured at fair value. Surplus / (deficit) arising on remeasurement is included in the statement of comprehensive income but is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities are valued at the lower of cost (which in the case of business acquisition would be the fair value at the acquisition date) and break-up value. Break up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

(d) Investments in associates

Associates are all entities over which the Bank has significant influence but not control. Investments in associate is carried at cost less accumulated impairment losses, if any.

(e) Investments in subsidiaries

Subsidiaries are all entities over which the Bank has significant control. Investments in subsidiary is carried at cost less accumulated impairment losses, if any.

6.3.5 Impairment**Available for sale and Held to maturity investments**

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk certificates is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus on revaluation of assets on the Statement of Financial Position below equity is removed there from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Investment in associates and subsidiaries

In respect of investment in associates and subsidiaries, the Bank reviews their carrying values at each reporting date to assess whether there is an indication of impairment. Such indication may include significant and prolonged decline in the market value, significant changes with an adverse impact on the entity, carrying amount of net assets in excess of market capitalisation etc. Any basis applied in this respect should be justifiable in view of other factors present for the entity. The amount of impairment is determined based on the higher of value in use and fair value less cost to sell. Impairment loss is recognised in the profit and loss account.

6.3.6 Gains or losses on sale of investments are included in profit and loss for the year.

6.4 Islamic financing and related assets

6.4.1 Islamic financing and related assets are financial products originated by the Bank and principally comprise of Murabahah, Istisna, Ijarah, Salam, Muswammah, Diminishing Musharakah and other Islamic modes of financing and the related assets.

As a general rule, funds disbursed, under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financing are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

- 6.4.2** Islamic financing and related assets are stated net of general provisions and specific provisions against non-performing Islamic financing and related assets which are charged to the profit and loss account.

Specific provision

The Bank maintains specific provision for doubtful debts based on the requirements specified in the Prudential Regulations issued by the SBP.

General provision

Consumer Financing

The Bank maintains general provision against consumer financing at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages range from 1% to 2.5% for secured and 4% to 7% for unsecured portfolio.

Small Enterprise Financing

The Bank maintains general provision in respect of small enterprise financing at the rate of 1% for secured portfolio and 2% for unsecured portfolio.

The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

6.4.3 Ijarah Financing

Ijarah financing executed on or before December 31, 2008 have been accounted for under finance method, thereafter all Ijarah financing are accounted for under IFAS-2.

- (a) Under finance method, the present value of minimum Ijarah payments have been recognised and shown under Islamic financing and related assets. 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 (lessee).
- (b) Under IFAS-2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charge are taken to the profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir up to the date of maturity / termination of Ijarah agreement.

6.5 Operating fixed assets and depreciation

6.5.1 Property and equipment

Fixed assets other than freehold land and building on leasehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and building on leasehold land are carried at revalued amount less any accumulated depreciation and subsequent impairment losses. The revaluation exercise is carried out on periodic basis.

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 12.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

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. Maintenance and normal repairs are charged to the profit and loss account as and when incurred.

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 reporting date.

Gains and losses on disposal of property and equipment, if any, are taken to the profit and loss account.

6.5.2 Capital work in progress

These are stated at cost less accumulated impairment losses, if any.

6.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over the estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment losses, if any.

Amortisation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

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

6.5.4 Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the financial statements except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized as income immediately except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

6.6 Taxation

6.6.1 Current

The provision for current taxation is based on taxable income for the year at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as allowed under the seventh schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year. Currently, the Bank provides for minimum tax in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001.

6.6.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and operating fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standard 12 - Income Taxes.

6.7 Staff retirement benefits

6.7.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2017.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the statement of financial position immediately, with a charge or credit to "Other Comprehensive Income" in the periods in which they occur.

6.7.2 Defined contribution plan

The Bank operates a recognised contributory provident fund for all the permanent employees. Equal monthly contributions are made both by the Bank and the employees at the rate of 10 % of the basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions made by the Bank are recognised as employee benefit expense when they are due.

6.8 Revenue recognition

6.8.1 Profit on Murabahah and Commodity Murabahah is recognised over the life of Murabahah on an accrual basis. Profit on Murabahah transactions for the period from the date of disbursement to the date of culmination of Murabahah is recognised immediately on the culmination date.

6.8.2 Profit from Istisna, Salam and Muswammah (KF) are recorded on an accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Bank. Profit from Diminishing Musharakah are recognised on a time proportionate basis.

6.8.3 The Bank follows the finance method in recognising income on Ijarah contracts written up to December 31, 2008. Under this method the unearned income i.e. 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 (lessee).

Rental from Ijarah contracts entered on or after January 01, 2009 is recognized in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

6.8.4 Provisional profit of Musharakah / Mudarabah financing is recognised on an accrual basis. Actual profit / loss on Musharakah and Mudarabah financing is adjusted after declaration of profit by Musharakah partner / mudarib or on liquidation of Musharakah / Mudarabah.

6.8.5 Profit on Wakalah-tul-Istismar financings is booked on an accrual basis.

6.8.6 Profit on Running Musharakah financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.

6.8.7 Profit on classified financing is recognised on a receipt basis.

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

6.8.9 Gains and losses on sale of investments are recognised in the profit and loss account.

6.8.10 Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transactions consummate within an accounting period. Commission on guarantees, if considered material, is recognised over the period of guarantee. Fee, commission and brokerage income are recognized on receipt basis.

6.8.11 Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, the premiums / discounts are amortised through the profit and loss account over the remaining life of Sukuk, using the effective yield method.

- 6.8.12 Income earned from revenues that are not Shariah compliant are not recognised in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Board of the Bank.

6.9 Revenue from Conventional products

On May 07, 2015, the bank acquired operation of the defunct KASB Bank Limited (the amalgamated entity) which was operating as a conventional bank in Pakistan. Keeping in view the shariah compliance, the Shariah Board of the Bank has approved that any income accruing on conventional products is not to be transferred to profit and loss statement and is classified as liability under the head "Receipt Appropriation Account" in other liabilities. Further, expenses incurred in respect of legal & professional charges or other expenses as approved by the Shariah Board that pertain to the aforesaid acquisition are to be set off against such income.

6.10 Financial Instruments

6.10.1 Financial assets and financial liabilities

All 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 derecognised when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, due from financial institutions, investments, Islamic financing and related assets and certain receivables and financial liabilities include bills payable, due to financial institutions, deposits and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.10.2 Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also reported on a net basis in the financial statements, only when permitted by the approved accounting standards as applicable in Pakistan.

6.10.3 Derivatives

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

6.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupee, which is the Bank's functional and presentation currency.

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 statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates prevailing on the reporting date.

6.12 Acceptances

Acceptances comprise promises by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities.

6.13 Fiduciary assets

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

6.14 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba.

Deposits taken on Qard basis are classified as 'Current non-remunerative accounts' and Deposits generated on Mudaraba basis are classified as 'Current remunerative accounts', 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current non-remunerative account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Bank. No profit or loss is passed on to current account depositors. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Profits are distributed from the pool such that the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

Asset pools are created at the Bank's discretion and the Bank can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

6.15 Pool Management

The Bank operates general and specific pools for deposits and inter-bank funds accepted / acquired under Mudaraba, Musharakah and Wakalah modes.

Under the general deposits pools, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings, investments and placements. When utilising investing funds, the Bank prioritizes the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to Bank's customers and liquidity management respectively under the Musharakah / Mudaraba modes. The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool alongwith related fee income, if any. The directly related costs comprise of depreciation on ijarah assets, takaful premium, documentation charges etc. No expense of general or administrative nature of expense is charged to the pools. No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. The profit of the pool is shared between equity and other members of the pool on the basis of Musharakah at gross level (before charging of mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of mudarib share.

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool. As per Bank's policy, relatively low risk / secured financing transactions and assets are allocated to general depositors pool of PKR, USD, GBP and Euro. The Bank maintains General Pools, FI Pools, IERS pool and Equity pool. The general pools are exposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved.

General Pool

For General Pools, the Bank allocates PKR financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business as mentioned in the note 40.1.1.1. Investments in Sovereign Guarantee Sukuk, Bai Muajjal with State Bank of Pakistan, Bai Muajjal with Government of Pakistan are also done through General Pools. All remunerative deposits are tagged to these general pools and their funds generated from the depositors are invested on priority basis. Due to limited investment options in USD, GBP and EURO pool, funds from FCY pools are invested in available International Sukuk, Shariah Complaint Nostro accounts and remaining funds are taken out and invested in PKR general pool as part of equity. In such cases return from PKR General pool is given back to FCY pools, so that returns can be passed on to FCY pool customers accordingly.

Special Mudarabah Pool

Special Mudarabah Pools are created to attract and retain clients expecting specific returns. The funds received against these deposits are invested in various Shariah compliant assets.

Islamic export refinance scheme Pool

The IERS pool assets comprise of Sovereign Guarantee Sukuks, and financings to / sukuks of blue chip companies and exporters as allowed under the applicable laws and regulations, and as such are exposed to lower credit risk. The Musharakah with SBP under IERS is tagged to the IERS pool.

Financial Institution (FI) Pool

The FI pool assets generally comprise of Sovereign Guarantee Sukuks only and the related liability of the FI pool comprise of Musharakah / Mudarabah / Wakalah Acceptance from other banks and financial institutions. These pools are created to meet the liquidity requirements of the Bank.

6.16 Provisions and contingent assets and liabilities

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

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefit is remote.

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

6.17 Business Combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Bank's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. However, the SBP vide its letter no. BPRD(R&P-02)/625-112/2017/4089 dated February 24, 2017 has allowed the Bank exemption from "Goodwill impairment" under the applicable accounting standards till December 30, 2018 and thereafter the Bank will be required to start goodwill impairment testing as per applicable accounting rules.

Acquisition of non-controlling interests (NCI) is measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Bank. The excess of fair value of consideration transferred over the proportionate share of the NCI in the fair value of the net assets acquired is recognised in equity.

6.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products 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 Bank's primary format of reporting is based on business segments.

6.18.1 Business segments

Trading and sales

It includes equity, foreign exchanges, commodities, credit, funding, own position securities, placements and Islamic financing and related assets.

Retail banking

It includes retail Islamic financing and related assets, deposits and banking services offered to its retail customers and small and medium enterprises.

Commercial banking

It includes project finance, export finance, trade finance, Ijarah, guarantees and bills of exchange relating to its corporate customers.

Support Centre

It includes the assets and liabilities relating to support functions at Head Office and their related income and expenses.

6.18.2 Geographical segment

The Bank operates only in Pakistan.

6.19 Non-banking assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims are initially recorded at cost and revalued at each year-end date of the statement of financial position. An increase in market value over the acquisition cost is recorded as a surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the profit and loss account up to the extent of the original impairment. All direct costs of acquiring title to the asset are charged immediately to the profit and loss account.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with depreciation charged on operating fixed assets.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of operating fixed assets in the notes to these financial statements. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to operating fixed assets.

6.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

	Note	2017	2016
		----- Rupees in '000 -----	
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		3,648,276	3,154,686
- foreign currency		525,763	410,919
		<u>4,174,039</u>	<u>3,565,605</u>
With the State Bank of Pakistan in			
- local currency current account	7.1	5,516,757	3,646,460
- foreign currency deposit accounts		-	-
Cash Reserve Account	7.2	188,575	241,958
Special Cash Reserve Account	7.3	227,477	78,950
US Dollar Clearing Account		12,120	11,421
		<u>428,172</u>	<u>332,329</u>
With National Bank of Pakistan in			
- local currency current account		1,665,212	1,377,039
		<u>11,784,180</u>	<u>8,921,433</u>

7.1 This represents Rs. 5,516.857 million (2016: 3,646.460 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement.

7.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

7.3 Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. Balance held under this account is non-remunerative.

	Note	2017	2016
		----- Rupees in '000 -----	
8 BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		2,407	2,407
- on deposit accounts	8.1	97	95
		<u>2,504</u>	<u>2,502</u>
Outside Pakistan			
- on current accounts		799,303	1,137,648
		<u>801,807</u>	<u>1,140,150</u>

8.1 These represent deposits with various Islamic commercial banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 2.8% (2016: 3.5%) per annum.

9	DUE FROM FINANCIAL INSTITUTIONS	Note	2017 ----- Rupees in '000 -----	2016
	Wakalah Placement	9.1	1,716,767	993,686
	Commodity Murabahah - local currency	9.2	19,655,020	26,224,979
			<u>21,371,787</u>	<u>27,218,665</u>
	Other placements		32,400	32,400
			<u>21,404,187</u>	<u>27,251,065</u>
	Provision against placements		(32,400)	(32,400)
			<u>21,371,787</u>	<u>27,218,665</u>

9.1 This represents foreign currency placements and the profit rates on these agreements range between 0.15% to 2.85% (2016: 0.95% to 1.20%) per annum. The agreements have maturities ranging from 92 days to 365 days (2016: 18 days to 184 days).

9.2 The Bank has entered into Commodity Murabahah agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreements range between 5.80% to 6.50% (2016: 5.80% to 6.40%) per annum and the agreements have maturities ranging from 4 days to 90 days (2016: 3 days to 160 days).

9.3 Particulars of amounts due from financial institutions with respect to currencies:

	Note	2017 ----- Rupees in '000 -----	2016
- In local currency		19,687,420	26,257,379
- In foreign currency		1,716,767	993,686
		<u>21,404,187</u>	<u>27,251,065</u>
10	INVESTMENTS		
Investments - Islamic	10.1	40,223,033	44,239,990
Investments - Conventional (relating to amalgamated entity)	10.2	1,869,133	2,076,937
		<u>42,092,166</u>	<u>46,316,927</u>

10.1 Islamic Investments by type

Note	2017			2016		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
(Rupees in '000)						
Available for sale securities						
Sukuk / Certificates	10.6 29,398,188	10,000,000	39,398,188	37,281,922	5,000,000	42,281,922
Units of Open-end mutual funds	10.6 21	-	21	21	-	21
Ordinary Shares of listed companies	10.6 242,645	-	242,645	242,645	-	242,645
	29,635,854	10,000,000	39,635,854	37,524,588	5,000,000	42,524,588
Held for trading securities						
Ordinary Shares of listed companies	10.8 32,156	-	32,156	447,908	-	447,908
Subsidiary	10.9 191,015	-	191,015	191,015	-	191,015
Total Islamic investments at cost	29,859,025	10,000,000	39,859,025	38,163,511	5,000,000	43,163,511
Provision for diminution in value of investments	10.5.1 (49,206)	-	(49,206)	(46,125)	-	(46,125)
Total Islamic investments (net of Provisions)	29,809,819	10,000,000	39,809,819	38,117,386	5,000,000	43,117,386
(Deficit) / surplus on revaluation of held for trading securities	10.8 (2,007)	-	(2,007)	30,658	-	30,658
Surplus on revaluation of available-for-sale securities	21.3 415,221	-	415,221	1,091,946	-	1,091,946
Total Islamic investments at market value	30,223,033	10,000,000	40,223,033	39,239,990	5,000,000	44,239,990

10.2 Conventional Investments by type *

Note	2017			2016		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
(Rupees in '000)						
Available for sale securities						
Ordinary Shares of listed companies	10.6 967,706	-	967,706	967,706	-	967,706
Ordinary Shares of unlisted companies	10.6 1,189,030	-	1,189,030	1,189,030	-	1,189,030
Listed Term Finance Certificates	10.6 104,807	-	104,807	105,092	-	105,092
Unlisted Term Finance Certificates	10.6 177,822	-	177,822	177,822	-	177,822
	2,439,365	-	2,439,365	2,439,650	-	2,439,650
Held to maturity securities						
Unlisted Term Finance Certificates	10.7 321,601	-	321,601	321,601	-	321,601
Associates	10.10 1,660,111	-	1,660,111	1,660,111	-	1,660,111
Subsidiaries	10.9 2,499,708	-	2,499,708	2,499,708	-	2,499,708
Total conventional investments at cost	6,920,785	-	6,920,785	6,921,070	-	6,921,070
Provision for diminution in the value of investments	10.5.1 (5,051,652)	-	(5,051,652)	(4,844,133)	-	(4,844,133)
Total conventional investments at market value	1,869,133	-	1,869,133	2,076,937	-	2,076,937

* As mentioned in note 23, these assets are related to an associated entity. These investments are under process of conversion / liquidation / disposal.

	Note	2017	2016
		----- Rupees in '000 -----	
10.3 Islamic Investments by segments			
Federal Government Securities			
GOP Ijarah Sukuks	10.6	33,840,536	37,756,627
Sukuk certificates			
Sukuks - unlisted	10.6	5,552,652	4,525,295
Fully paid up ordinary shares / Units			
Ordinary shares of listed companies	10.6 & 10.8	274,801	690,553
Units of open-end mutual funds	10.6	21	21
Subsidiaries			
BankIslami Modaraba Investments Limited	10.9	191,015	191,015
Total Islamic investments at cost		<u>39,859,025</u>	<u>43,163,511</u>
Less: Provision for diminution in value of investments	10.5.1	(49,206)	(46,125)
Total Islamic investments - net of provisions		<u>39,809,819</u>	<u>43,117,386</u>
(Deficit)/ surplus on revaluation of held for trading securities	10.8	(2,007)	30,658
Surplus on revaluation of available-for-sale securities	21.3	415,221	1,091,946
Total Islamic investments at market value		<u><u>40,223,033</u></u>	<u><u>44,239,990</u></u>
10.4 Conventional Investments by segments			
Fully paid up ordinary shares			
Listed Companies	10.6	967,706	967,706
Unlisted Companies	10.6	1,189,030	1,189,030
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
Listed Companies	10.6	104,807	105,092
Unlisted Companies	10.6 & 10.7	499,423	499,423
Subsidiaries			
BIPL Securities Limited	10.9	2,394,937	2,394,937
My Solutions Corporation Limited	10.9	104,771	104,771
Associates - Unlisted			
KASB Capital Limited	10.10	41,867	41,867
KASB Funds Limited	10.10	432,302	432,302
New Horizon Exploration & Production Limited	10.10	558,000	558,000
Shakarganj Food Products Limited	10.10	627,942	627,942
Total conventional investments at cost		<u>6,920,785</u>	<u>6,921,070</u>
Less: Provision for diminution in value of investments	10.5.1	(5,051,652)	(4,844,133)
Total conventional investments at market value		<u><u>1,869,133</u></u>	<u><u>2,076,937</u></u>

	Note	2017	2016
		----- Rupees in '000 -----	
10.5 Provision for diminution in value of investments			
Opening balance		4,890,258	5,127,088
Charge / (reversals)			
Charge for the year		210,885	-
Reversals for the year		(285)	(332,198)
		210,600	(332,198)
Transfers from other liability		-	95,368
Closing Balance	10.5.1	<u>5,100,858</u>	<u>4,890,258</u>
10.5.1 Break up of provision for diminution in the value of investments is as follows:			
Investments - Islamic		49,206	46,125
Investments - Conventional		5,051,652	4,844,133
		<u>5,100,858</u>	<u>4,890,258</u>
10.5.2 Particulars of provision in respect of type and segment			
Available for sale investments			
Sukuk / Certificates		3,080	-
Listed Term Finance Certificates		104,807	105,092
Unlisted Term Finance Certificates		177,822	177,822
Ordinary shares of listed companies		754,120	558,644
Ordinary shares of KASB Modaraba		72,871	60,543
Ordinary shares of unlisted companies		611,355	611,355
		1,724,055	1,513,456
Held to maturity securities			
Unlisted Term Finance Certificates		321,601	321,601
Associates			
New Horizon Exploration & Production Limited		558,000	558,000
KASB Funds Limited		432,302	432,302
KASB Capital Limited		41,867	41,867
		1,032,169	1,032,169
Subsidiaries			
BankIslami Modaraba Investments Limited		46,125	46,125
BIPL Securities Limited		1,872,136	1,872,136
My Solutions Corporation Limited		104,771	104,771
		2,023,032	2,023,032
		<u>5,100,858</u>	<u>4,890,258</u>

10.6 Quality of Available for Sale Securities

Name of the investee company	Note	2017	2016	2017	2016	Face Value	2017	2016	2017	2016
		Number of Certificates / Shares / Units		Long / Medium Term Rating (where applicable)*			Cost		Carrying Value	
Rupees in '000										
Sukuk Certificates										
Federal Government										
Ijarah GOP Sukuk - IS**	10.6.1	-	14,246	-	-	Rs. 100,000	-	1,425,911	-	1,425,911
Ijarah GOP Sukuk - Fixed Rental Rate 02**	10.6.2	-	3,000	-	-	Rs. 100,000	-	304,090	-	304,090
Ijarah GOP Sukuk - Fixed Rental Rate 01**	10.6.3	338,000	359,500	-	-	Rs. 100,000	33,840,536	36,026,626	34,256,300	37,123,909
							33,840,536	37,756,627	34,256,300	38,853,454
Others										
WAPDA Second Sukuk Certificate**	10.6.4	-	134,000	-	-	Rs. 5,000	-	111,646	-	111,646
WAPDA Third Sukuk Certificate**	10.6.5	32,600	32,600	-	-	Rs. 5,000	101,468	126,068	100,452	123,636
Amlex Sukuk	10.6.6	59,000	59,000	Unrated	Unrated	Rs. 5,000	221,250	221,250	221,250	221,250
Security Leasing Sukuk	10.6.7	2,000	2,000	Unrated	Unrated	Rs. 5,000	3,080	3,080	-	3,080
New Allied Electronics (LG) - Sukuk	10.6.8	11,000	11,000	Unrated	Unrated	Rs. 5,000	55,000	55,000	55,000	55,000
Sui Southern Gas Company Sukuk	10.6.9	-	120,000	-	Unrated	Rs. 5,000	-	150,000	-	150,000
Edeco Housing Sukuk	10.6.10	50,000	50,000	Unrated	Unrated	Rs. 5,000	32,800	32,800	32,800	32,800
Neeham Khelum Hydropower Company 1	10.6.11	26,500	16,500	AAA	AAA	Rs. 100,000	2,672,484	1,650,000	2,672,484	1,650,000
Neeham Khelum Hydropower Company 2	10.6.11	19,250	19,250	AAA	AAA	Rs. 100,000	1,925,000	1,925,000	1,925,000	1,925,000
Dubai Islamic Bank Pakistan Limited Tier II Sukuk	10.6.12	322	-	A+	-	Rs. 1,000,000	322,000	-	322,000	-
AlBamra Bank (Pakistan) Limited Sukuk	10.6.13	220	-	A	-	Rs. 1,000,000	220,000	-	220,000	-
K-Electric Azam Sukuk 2	10.6.14	-	50,000	-	AA	Rs. 5,000	-	250,451	-	250,451
							5,552,652	4,525,295	5,546,986	4,523,253
Units of Open-end mutual funds										
Meezan Cash Fund		185	176	AA(f)	AA(f)	26.75***	5	5	9	9
Meezan Islamic Fund		369	347	Unrated	Unrated	13.54***	5	5	25	29
Meezan Islamic Income Fund		185	177	A(f)	A(f)	26.97***	5	5	10	9
Meezan Balanced Fund		1,375	1,281	Unrated	Unrated	4.45***	6	6	21	23
							21	21	65	70
Ordinary shares - Listed										
Dolmen City REIT		22,058,602	22,058,602	RR1	RR1	Rs. 10	242,645	242,645	242,645	239,777
KASB Modarba Limited ****		10,446,767	10,446,767	BBB+	Unrated	Rs. 10	91,675	91,675	18,804	31,132
AgriLink Limited ****		25,028,879	25,028,879	Unrated	D	Rs. 10	876,011	876,011	121,891	317,367
K-Electric ****		2,928	2,928	AA	AA-	Rs. 10	20	20	20	20
							1,210,351	1,210,351	383,360	588,296
Ordinary shares - Unlisted ****										
Evolvee Capital Limited - Incorporated in British Virgin Islands		5,400,000	5,400,000	Unrated	Unrated	USD 0.0045	1,155,350	1,155,350	577,675	577,675
Pakistan Export Finance Guarantee Agency Limited		568,044	568,044	Unrated	Unrated	Rs. 10	5,680	5,680	-	-
KASB Invest (Private) Limited****		3,985,000	3,985,000	Unrated	Unrated	Rs. 10	28,000	28,000	-	-
							1,189,030	1,189,030	577,675	577,675
Term Finance Certificates - Listed ****										
Tekrand Limited	10.6.15	3,000	3,000	Unrated	Unrated	Rs. 5,000	3,176	3,461	-	-
Trust Investment Bank Limited	10.6.16	9,000	9,000	Unrated	Unrated	Rs. 5,000	22,491	22,491	-	-
World Call Telecom Limited	10.6.17	39,348	39,348	Unrated	Unrated	Rs. 5,000	79,140	79,140	-	-
							104,807	105,092	-	-
Term Finance Certificates - Unlisted ****										
AgriLink Limited	10.6.18	30,000	30,000	Unrated	Unrated	Rs. 5,000	149,861	149,861	-	-
Azgaal Nitel Limited (3rd Issue)	10.6.19	5,600	5,600	Unrated	Unrated	Rs. 5,000	27,961	27,961	-	-
							177,822	177,822	-	-
							42,075,219	44,964,238	40,766,386	44,542,728

* Entity's rating was used where sukuk and shares rating were not available.

** Their ratings are not mentioned, being Government guaranteed securities.

*** These represent average price of units held.

**** These represent investments acquired from the amalgamated entity.

***** The Chief Executive of KASB Invest (Private) Limited is Mr. Aftab Afroz Malik M. A. O.

- 10.6.1** The profit rate on these Sukuks comprises of six months weighted average yield of six month market treasury bills minus 200 basis points. The principal has been redeemed on maturity in June 2017. These were backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.2** The profit rate on these Sukuks comprised of Fixed Rental Rate (FRR) basis i.e. 5.59%. The principal has been redeemed. These were backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.3** The profit rate on these Sukuks comprised of Fixed Rental Rate (FRR) basis i.e. 6.10%. The principal is redeemable on maturity in February 2019. These are backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.4** The sukuku have been matured in July 2017. The profit rate on these sukuku was six months KIBOR minus 25 basis points receivable on semi-annual basis. The issue amount and rentals were backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.5** These carry profit at the rate of six months KIBOR plus 100 basis points (2016: six months KIBOR plus 100 basis points) receivable on semi-annual basis with maturity in October 2021. The principal is repayable in 14 equal semi-annual installments with first installment falling due in the 18th month from the first drawdown date. The issue amount and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.6** The Sukuku have been matured in October 2012. As per the terms, principal was due to be redeemed in 12 consecutive quarterly installments with the first such installment falling due not later than the end of 27 months from the last draw down. These Sukuku are backed by guarantee of Rs. 740 million from the Bank of Punjab (BoP). During 2010, Amtex defaulted in its principal repayment. Consequently, the Bank suspended the accrual of profit on the Sukuku. In 2011, the Bank called the guarantee given by the BoP which was stayed by Lahore High Court in a case filed by Amtex. In 2014, the Court has ordered BoP to deposit the amount of guarantee with the Court till the disposal of the case. The Bank has also filed recovery case against Amtex and BoP, however, in view of BoP guarantee no provision has been made against the sukuku.
- 10.6.7** Since last restructuring, these Sukuku carry profit at the rate of 0%, (2016: 0%). The accrued profit amount will be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010. As per the restructured plan, principal will be repaid in 36 monthly installments and the accrued portion of profit up to March 2011 has been waived.

However, the issuer was unable to comply with the above restructuring plan and has executed a revised restructuring plan which has been approved by the minority sukuku holders. Currently, the customer is not making any payment as per the restructuring plan approved by the minority sukuku holders. The Bank has made provision amounting to Rs. 3.081 million (2016: Nil) against this investment.

- 10.6.8** These carry profit at the rate of three months KIBOR plus 220 basis points (2016: three months KIBOR plus 220 basis points) receivable semi-annually with the maturity in December 2012. The principal was to be repaid in 6 consecutive semi-annual installments, the first such installment falling not later than the end of 30th month from the date of issue. As a security first pari passu charge over all present and future fixed assets amounting to Rs. 300 million of the company, first pari passu charge over all present and future current assets amounting to Rs. 800 million of the company, irrevocable guarantee of a Financial Institution and Personal Guarantee of sponsoring directors has been provided. The customer has defaulted in its payments towards the Bank. An amount of Rs. 55 million has been deposited with the Bank over which lien in favour of the Bank has been marked. Hence, no provision has been recognised by the Bank.

- 10.6.9** The sukuks have been matured on May 2017. The profit rate on these sukuks was three months KIBOR plus 75 basis points receivable on quarterly basis. The purchase price and rentals were backed by Government of Pakistan's Sovereign Guarantee. As a security first pari passu charge over fixed assets of the company and equitable mortgage on selected land and building with 25% margin had been provided.
- 10.6.10** These Sukuks carry profit at the rate of three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014 (2016: three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014) receivable quarterly based on Diminishing Musharakah mechanism with maturity in June 2014. The customer had defaulted in its payment towards the Bank. As a security, charge over hypothecated assets amounting to Rs. 2,433 million (inclusive of approximately 33.5% margin) and a charge over the mortgaged property of the company amounting to Rs. 1,820 million (inclusive of 10% margin) has been created by the issuer in favour of the trustee. Hence no provision has been recognised by the Bank.
- 10.6.11** These carry profit at the rate of six months KIBOR plus 113 basis points (2016: 113 basis points) receivable half yearly with maturity in June 2026. The sukuk will be redeemed in 16 equal semi-annual installments starting from the end of 30th month from the first disbursement. As a security, unconditional and irrevocable first Demand Guarantee(s) of the President of Islamic Republic of Pakistan covering issue amount of respective facilities along with profit payments and all unencumbered present and future assets of NJHP under Sukuk arrangement for Shariah compliance has been provided. Further exclusive lien over Debt payment Account for the benefit of the investors has also been provided as security.
- 10.6.12** These carry profit at the rate of six months KIBOR plus 50 basis points (2016: Nil) receivable half yearly with maturity in July 2027. The principal is redeemable on maturity.
- 10.6.13** These carry profit at the rate of six months KIBOR plus 75 basis points (2016: Nil) receivable half yearly with maturity in August 2024. The principal is redeemable on maturity.
- 10.6.14** The sukuks have been matured in March 2017. The profit rate on these sukuks was three months KIBOR plus 225 basis points receivable quarterly. As a security exclusive hypothecation charge was provided on the assets of the company.
- 10.6.15** These carry profit at the rate of six months KIBOR plus 375 basis points receivable on semi-annual basis with maturity in May 2015. The principal was repayable in 13 unequal semi-annual installments. The customer had defaulted in its payment and the amount had been fully provided. However, during the current year an amount of Rs 0.285 million has been received which has resulted in a decrease of provision by the same amount.
- 10.6.16** These carry profit at the rate of six months KIBOR plus 185 basis points receivable on semi-annual basis with maturity in July 2013. The principal was repayable in 13 unequal semi-annual installments. The customer had defaulted in its payment and the amount had been fully provided.
- 10.6.17** These carry profit at a fixed rate of 1.6% receivable on semi-annual basis with maturity in October 2021. The principal is repayable in 14 equal semi-annual installments. The customer had defaulted in its payment and the amount had been fully provided.

10.6.18 These carry profit at the rate of six months KIBOR plus 175 basis points receivable on semi-annual basis with maturity in November 2014. The principal was repayable in 13 unequal semi-annual installments. The customer had defaulted in its payment and the amount had been fully provided.

10.6.19 These carry profit at the rate of six months KIBOR plus 225 basis points receivable on semi-annual basis with maturity in November 2014. The instrument was structured to redeem 0.08% of principal in the first 24 months and the remaining principal in 10 equal semi annual installments of 9.992% each of the issue amount respectively. The customer had defaulted in its payment and the amount had been fully provided.

10.7 Held to maturity securities

Name of the investee company	Note	Face Value	2017	2016	2017	2016
			Number of	Number of	Cost	Cost
			Certificates	Certificates	Rupees in '000	Rupees in '000
Term finance certificates*						
Azgard Nine Limited (3rd Issue)	10.7.1	Rs 5,000	35,000	35,000	60,041	60,041
Agritech Limited (4th Issue)	10.7.2	Rs 5,000	18,429	18,429	92,145	92,145
Azgard Nine Limited (5th Issue)	10.7.3	Rs 5,000	33,883	33,883	169,415	169,415
					<u>321,601</u>	<u>321,601</u>

*These represent investments acquired from defunct KASB Bank Limited upon amalgamation of KASB Bank undertaking with and into BankIslami Pakistan Limited.

10.7.1 These carry profit at the rate of six months KIBOR plus 225 basis point receivable on semi annual basis with maturity in December 2014. The principal is repayable in fourteen installments with first four installments of Re. 1 per certificate and subsequent ten installments of Rs. 499.6 per certificate. The customer had defaulted in its payment and the amount had been fully provided.

10.7.2 These carry profit at the rate of six months KIBOR plus 225 basis point receivable on semi-annual basis with maturity in December 2014. The principal is repayable in 14 installments with first 4 installments of Re. 1 per certificate and subsequent ten installments of Rs. 499.6 per certificate. The customer had defaulted in its payment and the amount had been fully provided.

10.7.3 These carry profit at the rate of zero percent coupon with maturity in December 2016. The principal is repayable in 7 semi unequal installments in 5 years inclusive of 1.5 years grace period. The customer had defaulted in its payment and the amount had been fully provided.

10.8 Held for trading securities

The Bank holds investments in ordinary shares (nominal value of Rs 10 each, unless stated otherwise) in the following investees:

Name of the investee company	Entity Rating Long term / Short term	2017			Entity Rating Long term / Short term	2016		
		Number of shares	Cost	Carrying Value		Number of shares	Cost	Carrying Value
Ordinary shares of listed company		Rupees in '000			Rupees in '000			
CEMENT								
Cherat Cement Company Limited	-	-	-	-	A / A1	58,000	9,797	10,094
D.G. Khan Cement Company Limited	Unrated	2,500	316	334	Unrated	262,500	50,327	58,204
Rauji Cement Company Limited	Unrated	2,500	68	62	Unrated	126,000	5,216	5,680
Maple Leaf Cement Factory Limited	A+ / A1	2,500	172	171	A+ / A1	462,500	51,340	59,006
REFINERY								
Attock Refinery Limited	AA / A1+	22,000	6,029	5,151	AA / A1+	84,000	31,816	35,725
FERTILIZER								
Engro Corporation Limited	-	-	-	-	AA / A1+	13,500	4,282	4,267
Engro Fertilizers Limited	-	-	-	-	AA- / A1+	18,000	1,228	1,224
Rauji Fertilizer Company Limited	AA / A1+	23,000	1,772	1,820	-	-	-	-
ENGINEERING								
Amreli Steels Limited	-	-	-	-	A / A1	338,500	23,125	22,541
International Steels Limited	-	-	-	-	A+ / A-1	623,500	56,266	60,935
OIL & GAS MARKETING COMPANIES								
Hascol Petroleum Limited	-	-	-	-	A+ / A-1	4,500	1,479	1,519
Pakistan State Oil Company Limited	AA / A1+	9,000	2,812	2,638	AA / A1+	161,500	64,929	70,125
POWER GENERATION & DISTRIBUTION								
K-Electric Limited	AA / A1+	88,000	526	555	AA / A-1	669,500	6,250	6,273
Kot Addu Power Company Limited	-	-	-	-	AA+ / A-1+	3,000	237	236
CABLE & ELECTRICAL GOODS								
Pak Elektron Limited	A+ / A1	341,500	17,313	16,218	A+ / A1	1,060,000	75,406	75,557
OIL & GAS EXPLORATION COMPANIES								
Oil & Gas Development Company Limited	-	-	-	-	Unrated	32,500	5,376	5,374
Pakistan Oilfields Limited	-	-	-	-	Unrated	91,500	48,080	48,918
Pakistan Petroleum Limited	-	-	-	-	Unrated	18,500	3,297	3,481
TEXTILE COMPOSITE								
Nishat Mills Limited	AA / A1+	4,500	631	673	-	-	-	-
FOOD & PERSONAL CARE PRODUCTS								
Engro Foods Limited	-	-	-	-	Unrated	32,000	6,004	6,142
Treet Corporation	AA- / A1	67,500	2,492	2,501	-	-	-	-
TECHNOLOGY & COMMUNICATION								
Pakistan Telecommunication Company Limited	Unrated	2,000	25	26	Unrated	190,000	3,453	3,265
			<u>32,156</u>	<u>30,149</u>			<u>447,908</u>	<u>478,566</u>

10.9 Details of investment in subsidiaries

Listed

BIPL Securities Limited	77.12	9.25	2,394,937	2,394,937
Chief Executive (A): Mr. Abdul Aziz Anis				
77,121,500 Ordinary shares of Rs. 10/- each				
Break up value per share is based on the audited financial statements for the year ended December 31, 2017.				

Chief Executive (A): Mr. Abdul Aziz Anis

77,121,500 Ordinary shares of Rs. 10/- each

Break up value per share is based on the audited financial statements for the year ended December 31, 2017.

Unlisted

BankIslami Modaraba Investments Limited	100	16.97	191,015	191,015
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Chief Executive: Mr. Aziz Adil

8,000,000 Ordinary shares of Rs.10/- each

Break up value per share is based on the unaudited financial statements for the half year ended December 31, 2017.

My Solutions Corporation Limited	100	-	104,771	104,771
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Chief Executive: Information not available

25,000,000 Ordinary shares of Rs. 10/- each

Break up value per share is based on the unaudited financial statements for the year ended December 31, 2016.

2,690,723 2,690,723

Holding %	Number of Shares	Cost	
		2017	2016
———— Rupees in '000 ————			

10.10 Details of investment in associates

Unlisted

KASB Capital Limited - incorporated in Mauritius	21.78	283,000	41,867	41,867
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Face value per share: USD 1 /-

Break-up value per share: Rs. 41.65 /- [based on unaudited financial statements for the year ended 31 December 2016]

Chief Executive: Information not available

KASB Funds Limited	43.89	14,123,622	432,302	432,302
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Face value per share: Rs. 10 /-

Break-up value per share: Rs. 0.44/- [based on unaudited financial statements for the year ended 31 December 2015]

Chief Executive: Information not available

New Horizon Exploration and Production Limited	20	61,600,000	558,000	558,000
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Face value per share: Re. 1 /- and Rs. 10 /-

Break-up value per share: Rs. 1.08/- [based on unaudited financial statements for the year ended 30 June 2015]

Chief Executive: Information not available

Shakarganj Food Products Limited	40.2	60,950,000	627,942	627,942
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Face value per share: Rs. 10 /-

Break-up value per share: Rs. 13.89/- [based on unaudited financial statements for the period ended 31 December 2017]

Chief Executive: Mr. Ahsan M. Saleem

1,660,111 1,660,111

	Note	2017	2016
		----- Rupees in '000 -----	
11 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES			
Islamic financing and related assets - net	11.1	118,469,536	76,826,353
Advances (relating to amalgamated entity) - net	11.2	685,503	990,449
		<u>119,155,039</u>	<u>77,816,802</u>
11.1 ISLAMIC FINANCING AND RELATED ASSETS			
In Pakistan			
- Murabahah financing and related assets	11.3, 11.9 & 11.11	13,896,557	13,798,029
- Istisna financing and related assets	11.4 & 11.10	11,285,833	13,973,015
- Diminishing Musharakah - Housing		11,107,742	7,661,273
- Diminishing Musharakah financing and related assets - Auto		5,231,475	877,758
- Diminishing Musharakah financing and related assets - Others	11.6	10,789,548	8,792,359
- Against Bills - Murabahah		79,732	12,310
- Post Due Acceptance		37,241	25,073
- Salam	11.5	166,987	75,000
- Muswammah financing and related assets / Karobar financing	11.7	14,546,579	7,918,202
- Financing to employees	11.19	2,270,601	2,061,846
- Foreign Bills Purchased against Financing		-	50,577
- Qardh e Hasana		561,956	158,000
- Running Musharakah		38,689,311	10,000,000
- Investment Agency Wakalah		6,250,000	6,250,000
- Housing finance portfolio - others		45,788	73,761
- Net investment in Ijarah financing in Pakistan	11.13.1	38,481	39,829
- Ijarah financing under IFAS 2 and related assets	11.8	5,629,664	6,910,162
Gross financing and related assets		<u>120,627,495</u>	<u>78,677,194</u>
Less: Provision against non-performing Islamic financing and related assets			
- Specific	11.15 & 11.16	(1,934,769)	(1,658,774)
- General	11.15 & 11.16	(223,190)	(192,067)
Islamic financing and related assets – net of provisions		<u>118,469,536</u>	<u>76,826,353</u>

11.1.1 Brief description of Islamic Financing arrangements

Murabahah

Murabahah to the purchase orderer is a sale transaction wherein the first party (the Bank) sells to the client / customer Shariah compliant assets / goods for cost plus a pre-agreed profit after getting title and possession of the same. 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 Murabahah from a third party and takes the possession thereof. However, the Bank can appoint the client as its agent to purchase and take possession of the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Istisna

Istisna is a contract where the buyer (the Bank) orders the client (seller / manufacturer) to manufacture and deliver specified goods at an agreed contract price upon completion. Istisna is used with Wakalah agreement to provide financing mainly to manufacturers. Thus the transaction consists of two stages: (i) Bai Istisna whereby the Bank purchases goods from the client and (ii) Wakalah whereby the Bank after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

Diminishing Musharakah

Diminishing Musharakah 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).

Import Murabahah

Import Murabahah 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 client after getting the title to and possession of the goods. Murabahah financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Salam

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. In Salam financing, the transaction consists of two stages: (i) Bai Salam whereby the Bank purchases goods from the client and (ii) Wakalah whereby the Bank after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

Muswammah / Karobar Financing

Muswammah is a contract where the Bank purchases tangible identified goods from client at an agreed purchase price. The Bank then sells the goods in the market through agent (Client) at a higher price to earn its desired profit.

Musharakah / Mudarabah

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

Wakalah-tul-Istismar (Investment Agency Wakalah)

Wakalah-tul-Istismar means appointing another person to invest and grow one's wealth, with or without a fee. It covers contract for acquisition of services of a person or institution (Wakeel) for making investments of Wakalah Funds, and accomplishment of certain task on behalf of another person or institution (Muwakkil).

Running Musharakah

In Running Musharakah financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to its Running Musharakah Financing limit during the Musharakah Period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half yearly / annual accounts of the customer.

Ijarah

Ijarah is a contract where the owner of an asset transfers its usufruct (i.e. the usage right) to another person for an agreed period, at an agreed consideration. The rentals received / receivable on Ijarah are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the accounting policy consistent with the policy for depreciation of operating fixed assets.

11.2	ADVANCES	Note	2017 ----- Rupees in '000 -----	2016
	Loans, cash credits, running finances, etc. - In Pakistan		8,709,122	9,780,050
	Net investment in finance lease - In Pakistan	11.13.1	585,391	608,712
	Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan		714,646	720,973
	Advances - gross		10,009,159	11,109,735
	Provision against advances			
	- Specific	11.15 & 11.16	(9,515,300)	(10,280,583)
	- General	11.15 & 11.16	(688)	(860)
			(9,515,988)	(10,281,443)
	Advances - net of provision		493,171	828,292
	Fair Value adjustment	11.17	192,332	162,157
	Advances - net of provision and fair value adjustment		685,503	990,449
11.3	Murabahah financing and related assets			
	Murabahah financing		11,442,916	11,568,440
	Advance against Murabahah financing		2,453,641	644,052
	Murabahah inventories		-	1,585,537
			13,896,557	13,798,029
11.4	Istisna financing and related assets			
	Istisna financing		5,949,944	8,207,253
	Advance against Istisna financing		5,269,236	759,934
	Istisna inventories		66,653	5,005,828
			11,285,833	13,973,015
11.5	Salam			
	Salam financing		67,001	12,002
	Advance against Salam		99,986	-
	Salam inventories		-	62,998
			166,987	75,000
11.6	Diminishing Musharakah financing and related assets - Others			
	Diminishing Musharakah financing		10,584,893	8,723,608
	Advance against Diminishing Musharakah financing		204,655	68,751
			10,789,548	8,792,359
11.7	Muswammah financing and related assets / Karobar financing			
	Muswammah financing		9,622,350	6,884,913
	Muswammah inventories		4,924,229	1,033,289
			14,546,579	7,918,202
11.8	Ijarah financing under IFAS 2 and related assets			
	Net book value of assets under IFAS 2	11.14	5,427,911	6,382,270
	Advance against Ijarah financing		201,753	527,892
			5,629,664	6,910,162

11.9 Murabahah financing and related assets includes financing amounting to Rs. 827.897 million (2016: Rs. 700 million) and advance amounting to Rs. 797.250 million (2016: Rs. 611.550 million) under Islamic Export Refinance Scheme.

11.10 Istisna financing and related assets includes financing amounting to Rs. 444.654 million (2016: Rs. 223.5 million) and advance amounting to Rs. 1,094.541 million (2016: Rs. 763.2 million) under Islamic Export Refinance Scheme.

	2017	2016
	----- Rupees in '000 -----	
11.11 Murabahah sale price (for transactions during the year)	66,360,039	90,044,556
Purchase price (for transactions during the year)	(65,104,250)	(88,461,554)
	<u>1,255,789</u>	<u>1,583,002</u>
11.11.1 Deferred Murabahah income		
Opening balance	134,490	249,323
Arising during the year	1,255,789	1,583,002
Recognised during the year	(1,243,451)	(1,697,835)
	<u>146,828</u>	<u>134,490</u>
11.11.2 Murabahah receivable		
Opening balance	10,816,499	19,658,149
Sales during the year	66,360,039	90,044,556
Received during the year	(66,563,627)	(98,886,206)
	<u>10,612,911</u>	<u>10,816,499</u>
11.12 Particulars of Islamic financing and related assets and advances - gross		
11.12.1 In local currency	130,636,654	89,786,929
In foreign currency	-	-
	<u>130,636,654</u>	<u>89,786,929</u>
11.12.2 Short-term (for upto one year)	84,723,730	46,771,304
Long-term (for over one year)	45,912,924	43,015,625
	<u>130,636,654</u>	<u>89,786,929</u>

11.13 Net investment in Ijarah financing in Pakistan and finance lease

	2017				2016			
	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	576,718	-	-	576,718	619,480	-	-	619,480
Residual value	91,452	-	-	91,452	33,841	-	-	33,841
Minimum Ijarah payments	668,170	-	-	668,170	653,321	-	-	653,321
Profit for future periods	(44,298)	-	-	(44,298)	(4,780)	-	-	(4,780)
Present value of minimum Ijarah payments	623,872	-	-	623,872	648,541	-	-	648,541

11.13.1 Break up of net investment in Ijarah financing and Finance lease

	2017	2016
Rupees in '000		
Islamic financing and related assets - net	38,481	39,829
Advances - net	585,391	608,712
	623,872	648,541

11.14 Ijarah Assets

	2017							Rate of Depreciation %
	Cost			Accumulated depreciation			Book value as at December 31, 2017	
	As at January 01, 2017	Addition/ (deletions)	As at December 31, 2017	As at January 01, 2017	Charge/ (deletions)	As at December 31, 2017		
	Rupees in '000							
Plant and Machinery	1,817,106	51,729 (12,757)	1,856,078	823,532	195,810 (11,481)	1,007,861	848,217	20-33.33
Vehicles	7,321,676	915,258 (946,533)	7,290,401	1,932,980	1,187,889 (410,162)	2,710,707	4,579,694	20-33.33
	9,138,782	966,987 (959,290)	9,146,479	2,756,512	1,383,699 (421,643)	3,718,568	5,427,911	
	2016							Rate of Depreciation %
	Cost			Accumulated depreciation			Book value as at December 31, 2016	
	As at January 01, 2016	Addition/ (deletions)	As at December 31, 2016	As at January 01, 2016	Charge/ (deletions)	As at December 31, 2016		
	Rupees in '000							
Plant and Machinery	958,417	868,527 (9,838)	1,817,106	565,626	264,571 (6,665)	823,532	993,574	20-33.33
Vehicles	4,774,960	3,182,103 (635,387)	7,321,676	1,262,649	975,043 (304,712)	1,932,980	5,388,696	20-33.33
	5,733,377	4,050,630 (645,225)	9,138,782	1,828,275	1,239,614 (311,377)	2,756,512	6,382,270	

11.14.1 Net investment in Ijarah financing- IFAS 2

	2017				2016			
	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	1,805,798	2,640,112	-	4,445,910	2,113,168	3,271,090	1,336	5,385,594

- 11.15 Islamic financing and related assets and advances include Rs. 15,837.045 million (2016: Rs 14,533.967 million) which have been placed under non-performing status as detailed below:

Category of Classification	2017								
	Classified Islamic financing and related assets and advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total

Rupees in '000

Other Assets especially mentioned (OAE)	95,345	-	95,345	-	-	-	-	-	-
Substandard	3,056,420	-	3,056,420	108,551	-	108,551	108,551	-	108,551
Doubtful	939,044	-	939,044	375,817	-	375,817	375,817	-	375,817
Loss	11,746,236	-	11,746,236	10,965,701	-	10,965,701	10,965,701	-	10,965,701
	15,837,045	-	15,837,045	11,450,069	-	11,450,069	11,450,069	-	11,450,069

Category of Classification	2016								
	Classified Islamic financing and related assets and advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total

Rupees in '000

Other Assets especially mentioned (OAE)	692,569	-	692,569	-	-	-	-	-	-
Substandard	886,389	-	886,389	188,467	-	188,467	188,467	-	188,467
Doubtful	867,928	-	867,928	296,471	-	296,471	296,471	-	296,471
Loss	12,087,081	-	12,087,081	11,454,419	-	11,454,419	11,454,419	-	11,454,419
	14,533,967	-	14,533,967	11,939,357	-	11,939,357	11,939,357	-	11,939,357

- 11.15.1 In case of one of the non-performing Islamic financing and related assets amounting to Rs. 2,562 million, SBP has granted relaxation vide letter no. BPRD/BRD/PRs/7388/2018 dated April 4, 2018 on creating a provision till December 31, 2018. The outstanding amount of relaxation e.g. provisioning will not be available for distribution of cash & stock dividend and performance bonus to employees. Had the provision been made as per the requirements of applicable Prudential Regulations, the 'provision against Islamic financing and related assets and advances' would have been higher by Rs. 474.822 million and profit before taxation would have been lower by Rs. 474.822 million.

- 11.16 Particulars of provision against non-performing Islamic financing and related assets and advances:

Note	2017			2016		
	Specific	General	Total	Specific	General	Total

(Rupees in '000)

Opening balance	11,939,357	192,927	12,132,284	13,516,506	135,593	13,652,099
Charge for the year	519,502	30,951	550,453	790,178	57,334	847,512
Reversals	(997,966)	-	(997,966)	(2,309,561)	-	(2,309,561)
	(478,464)	30,951	(447,513)	(1,519,383)	57,334	(1,462,049)
Amount written off	(10,824)	-	(10,824)	(57,766)	-	(57,766)
Closing balance	11,450,069	223,878	11,673,947	11,939,357	192,927	12,132,284

- 11.16.1

	2017			2016		
	Specific	General	Total	Specific	General	Total

(Rupees in '000)

Islamic	1,934,769	223,190	2,157,959	1,658,774	192,067	1,850,841
Conventional	9,515,300	688	9,515,988	10,280,583	860	10,281,443
	11,450,069	223,878	11,673,947	11,939,357	192,927	12,132,284

- 11.16.2 Reversals net of fair value adjustment taken to the profit and loss account

	2017	2016
	Rupees in '000	

Gross reversals	997,966	2,309,561
Charge for the year	(550,453)	(847,512)
	447,513	1,462,049
Fair value adjusted - net	30,175	262,338
Net reversals taken to the profit and loss account	477,688	1,724,387

- 11.16.3 Particulars of provision against non-performing Islamic financing and related assets and advances:

	2017			2016		
	Specific	General	Total	Specific	General	Total

(Rupees in '000)

In local currency	11,450,069	223,878	11,673,947	11,939,357	192,927	12,132,284
In foreign currency	-	-	-	-	-	-
	11,450,069	223,878	11,673,947	11,939,357	192,927	12,132,284

11.16.3.1 The Bank maintains general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

11.16.3.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2017 amounts to Rs. 432.630 million (2016: Rs. 468.585 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 281.209 million (2016: Rs.304.580 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

11.17 Provision in respect of acquired loans related to amalgamated entity have been determined after taking into considerations of the fair values of such loans on the basis of valuation exercise performed by the Independent consultant.

	2017	2016
	---- (Rupees in '000) ----	
11.18 Particulars of write offs		
Against provisions	10,824	57,766
Directly charged to the profit and loss account	-	32,008
	<u>10,824</u>	<u>89,774</u>
Write offs Rs. 500,000 and above	10,339	89,220
Write offs below Rs. 500,000	485	554
	<u>10,824</u>	<u>89,774</u>

11.18.1 Details of Financings Write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off financings or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-II.

11.19 Particulars of financing to directors, executives or officers of the Bank

Financing due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons.

	Note	2017	2016
		---- (Rupees in '000) ----	
Balance at the beginning of the year		2,061,846	1,847,139
Financing granted during the year		1,020,826	846,751
Repayments made during the year		(812,071)	(632,044)
Balance at the end of the year	11.19.1	<u>2,270,601</u>	<u>2,061,846</u>

11.19.1 This includes Rs. 5.609 million (2016: Rs. 4.653 million) mark up free financing to employees given under the Bank's Human Resource Policy.

	Note	2017	2016
		----Rupees in '000----	
12 OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	54,437	38,362
Property and equipment	12.2	5,889,921	6,147,897
Intangible assets	12.3	3,128,129	3,161,266
		<u>9,072,487</u>	<u>9,347,525</u>

12.1 Capital work-in-progress

Advances to suppliers and contractors	54,437	38,362
Advance for acquiring properties:		
- Office premises	721,903	721,903
	776,340	760,265
Provision for impairment against advance for acquiring floor / office premises	(721,903)	(721,903)
	<u>54,437</u>	<u>38,362</u>

12.2 Property and equipment

2017									
COST/ REVALUATIONS				DEPRECIATION			Net book value as at December 31, 2017	Rate of Depreciation %	
As at January 01, 2017	Additions	(Disposals / adjustments*)	As at December 31, 2017	As at January 01, 2017	Charge for the year / (disposals) / adjustments	As at December 31, 2017			
Rupees in '000									
At revalued amounts									
Freehold / Leasehold Land	1,016,199	-	-	1,003,803	-	-	-	1,003,803	-
			(123,96)			-			
Building on leasehold land	2,904,636	-	-	2,921,861	80,980	102,968	197,062	2,724,799	2
			17,225			-			
						13,114			
At cost									
Furniture and fixture	2,904,209	182,496	(3,814)	2,743,870	1,328,191	278,857	1,262,762	1,481,108	10
			(339,022)			(2,045)			
						(342,242)			
Electrical, office and computer equipment	2,930,016	281,352	(32,523)	2,531,733	2,206,343	323,236	1,856,731	675,033	15-25
			(647,082)			(30,330)			
		-				(642,519)			
Vehicles	38,151	-	(516)	17,337	29,800	3,173	12,159	5,178	20
			(20,298)			(516)			
						(20,298)			
	9,793,211	423,848	(36,853)	9,213,634	3,645,514	708,234	3,328,713	5,889,921	
		-	(1,001,573)			(32,891)			
						(991,945)			

* During the year, the Bank reviewed the fixed assets acquired as a result of the amalgamation in 2015 and adjusted the cost with the accumulated depreciation of the respect assets to reflect their value as at the acquisition date.

2016									
COST/ REVALUATIONS				DEPRECIATION			Net book value as at December 31, 2016	Rate of Depreciation %	
As at January 01, 2016	Additions / transfers / adjustments	(Disposals / write offs)	As at December 31, 2016	As at January 01, 2016	Charge for the year / (disposals) / adjustments	As at December 31, 2016			
Rupees in '000									
At revalued amounts									
Freehold / Leasehold Land	831,847	-	1,016,199	-	-	-	1,016,199	-	
		171,956			-				
		12,396			-				
Building on leasehold land	3,076,592	-	2,904,636	-	85,826	80,980	2,823,656	2	
		(171,956)			(4,865)				
					19				
At cost									
Furniture and fixture	2,162,519	744,147	2,904,209	1,069,647	242,794	1,328,191	1,576,018	10	
		-			(1,788)				
		-			17,538				
Electrical, office and computer equipment	2,603,565	404,000	2,930,016	1,990,161	302,047	2,206,343	723,673	15-25	
		-			(71,896)				
		-			(13,969)				
Vehicles	34,806	7,566	38,151	29,714	4,262	29,800	8,351	20	
		-			(4,176)				
		-							
	8,709,329	1,155,713	9,793,211	3,089,522	634,929	3,645,514	6,147,897		
		-			(82,725)				
		12,396			3,588				

12.2.1 Details of property and equipment disposed-off

The details of property and equipment disposed-off during the year are disclosed in 'Annexure I'.

12.3 Intangible asset

Intangible asset	2017							Net book value as at December 31, 2017	Rate of amortization %
	COST			AMORTISATION					
	As at January 01, 2017	Additions / adjustment*	As at December 31, 2017	As at January 01, 2017	Charge for the year / adjustment	As at December 31, 2017			
	Rupees in '000								
Computer software	666,466	27,399 (234,077)	459,788	488,938	58,076 (236,722)	310,292	149,496	20	
Core deposits	40,600	- -	40,600	3,925	2,393 -	6,318	34,282	5.5% - 20%	
Customer list	30,735	- (22,936)	7,799	27,969	2,712 (22,936)	7,745	54	10	
Goodwill (Note 124)	2,944,297	- -	2,944,297	-	- -	-	2,944,297	-	
	3,682,098	27,399 (237,013)	3,452,484	520,832	63,181 (259,658)	324,355	3,128,129		

* During the year, the Bank reviewed the fixed assets acquired as a result of the amalgamation in 2015 and adjusted the cost with the accumulated depreciation of the respect assets to reflect their value as at the acquisition date.

	2016							Rate of amortization %
	COST			AMORTISATION			Net book value as at December 31, 2016	
	As at January 01, 2016	Additions / adjustment	As at December 31, 2016	As at January 01, 2016	Charge for the year / adjustment	As at December 31, 2016		
Rupees in '000								
Computer software	545,443	121,023	666,466	427,316	55,522 6,100	488,938	177,528	20
Core deposits	40,600	-	40,600	1,554	2,371	3,925	36,675	5.5% - 20%
Customer list	30,735	-	30,735	24,935	3,034	27,969	2,766	10
Goodwill (Note 124)	2,944,297	-	2,944,297	-	-	-	2,944,297	-
	3,561,075	121,023	3,682,098	453,805	60,927 6,100	520,832	3,161,266	

12.4 Goodwill

This represents goodwill recognised upon acquisition of KASB Bank Undertakings based on fair values of assets and liabilities as more fully explained in note 4 to these financial statements. The SBP vide its letter no. BPRD(R&P-02)/625-112/2017/4089 dated February 24, 2017 has allowed the Bank exemption from "Goodwill impairment" under the applicable accounting standards till December 30, 2018 and thereafter the Bank will be required to start goodwill impairment testing as per applicable accounting rules. The amount of goodwill that will be deductible for taxable purposes is Rs. 5,896.832 million. The difference represents the fair value benefit of the financial assistance granted by the State Bank of Pakistan as disclosed in note 16.1 to the financial statements.

12.5 Cost of fully depreciated properties and equipment that are still in the Bank's use, as at December 31, 2017, amounted to Rs. 1,490.711 million (2016: Rs. 1,051.133 million). The cost of fully amortised intangible assets that are still in the Bank's use, as at December 31, 2017 amounted to Rs. 181.765 million (2016: Rs. 156.176 million).

12.6 During the year 2015, the Bank's freehold land and buildings on leasehold land were revalued by M/s. Akbani & Javed, Harvesters Services and Ghandhara Consultants on the basis of their professional assessment of the present market value. As a result of revaluation the market value of freehold land and buildings on leasehold land were determined at Rs. 3,796.573 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2017 would have been as follows:

	COST			DEPRECIATION			Net book value as at December 31, 2017
	As at January 01, 2017	Additions	(Disposals)	As at December 31, 2017	As at January 01, 2017	Charge for the year	As at December 31, 2017
Rupees in '000							
Freehold / Leasehold	434,928	-	-	434,928	-	-	434,928
Building on leasehold	2,524,622	-	-	2,524,622	236,875	51,341	2,236,406
	2,959,550	-	-	2,959,550	236,875	51,341	2,671,334

	Note	2017	2016
		-----Rupees in '000-----	
13 DEFERRED TAX ASSET			
Deferred tax debits arising in respect of:			
Accumulated tax losses	13.1	3,548,284	1,869,423
Tax credit against minimum tax		-	354,905
Provision for diminution in the value of investments		580,183	507,551
Provision against non-performing Islamic financing and related assets and advances		4,034,741	3,834,711
Provision for gratuity		21,253	21,253
Impairment of goodwill		37,001	74,118
Ijarah financing and related assets		108,229	1,018
Others		533,770	606,561
		8,863,461	7,269,540
Deferred tax credits arising due to:			
Fair value adjustments relating to net assets acquired upon amalgamation		(163,641)	(38,157)
Accelerated tax depreciation		(120,636)	(193,708)
Surplus on revaluation of fixed assets		(645,201)	(650,800)
Surplus on revaluation of non-banking assets	21.2	(5,149)	(4,632)
Surplus on revaluation of available for sale securities	21.3	(145,325)	(382,180)
Net investment in finance lease		(81,603)	(81,603)
		(1,161,555)	(1,351,080)
		7,701,906	5,918,460
13.1	The Bank has aggregate tax losses of Rs. 10,137.953 million as at December 31, 2017 which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Bank). The management has carried out an assessment for estimating the benefit of these losses, the Bank would be able to set off from the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 3,548,284 million. The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.		
14 OTHER ASSETS			
		2017	2016
		----- Rupees in '000 -----	
Profit / return accrued in local currency		2,441,242	2,204,926
Profit / return accrued in foreign currency		4,972	1,093
Advances, deposits, advance rent and other prepayments		384,965	418,451
Non-banking assets acquired in satisfaction of claims	14.1	1,768,418	1,665,910
Branch Adjustment Account		-	53,761
Defined Benefit Plan assets		-	35,175
Insurance claim receivable		28,704	18,058
Car Ijarah repossession		-	-
Receivable against First WAPDA Sukuk	14.2	50,000	50,000
Lease rental receivable		-	44,641
Receivable against Mutual Funds		-	16,041
Unrealized gain on forward foreign exchange contracts		-	1,541
Unrealized gain on forward sale contracts		2,359	-
Other receivables		174,010	317,901
		4,854,670	4,827,498
Less: Provision held against other assets	14.3	(668,897)	(661,290)
Other assets (net of provisions)		4,185,773	4,166,208
14.1	The market value of Non-Banking assets acquired in satisfaction of claims is Rs. 1,258,478 million (2016: Rs. 1,149,336 million). The impairment amounting to Rs. 523,106 million (2016: Rs. 523,106 million) is included in provision held against other assets.		
14.2	The Bank had purchased 10,000 certificates on June 25, 2009 of first WAPDA sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Bank's CDC account. However, the periodic Ijarah Rental dues were not paid to the Bank on the plea that there exists certain discrepancy with respect to ownership of the asset. The amount has been shown under "other assets" as the certificates were matured in 2012 as per the terms of the sukuk issue. The Bank has not recognised any provision in respect of the above amount as it is fully secured through a lien over a deposit account.		
14.3 Provision held against other assets			
Opening balance		661,290	666,432
Charge for the year		7,607	-
Reversals during the year		-	(5,142)
		7,607	-
Closing balance		668,897	661,290

	Note	2017	2016
		Rupees in '000	
15	BILLS PAYABLE		
In Pakistan		2,988,996	2,273,934
Outside Pakistan		-	-
		<u>2,988,996</u>	<u>2,273,934</u>
16	DUE TO FINANCIAL INSTITUTIONS		
In Pakistan		15,570,390	6,066,307
Outside Pakistan		-	-
		<u>15,570,390</u>	<u>6,066,307</u>
16.1	Details of due to financial institutions secured / unsecured		
Secured			
Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	16.1.1	3,103,902	2,205,550
Acceptances from State Bank of Pakistan for financial assistance	16.1.2	2,581,488	2,360,757
Musharakah acceptance	16.1.3	5,000,000	-
Unsecured			
Wakalah Acceptance	16.1.4	585,000	-
Musharakah Acceptance	16.1.5	4,300,000	1,500,000
		<u>15,570,390</u>	<u>6,066,307</u>
16.1.1	The acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favour of the State Bank of Pakistan (SBP). A limit of Rs. 5,000 million (2016: Rs. 5,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2017.		
16.1.2	This represents amortised cost of a 10 year financing facility of Rs.5,000 million extended by the State Bank of Pakistan (SBP). The facility is secured against Government of Pakistan Ijarah Sukuk. The 10 year facility was provided on the basis of Mudarabah to be remunerated at profit sharing ratio declared by the Bank on its remunerative current accounts on monthly basis (the last declared rate in this respect is 0.01% per annum).		
16.1.3	The profit rate on this agreement is 5.83% (2016: Nil) per annum and has maturity in 309 days (2016: Nil).		
16.1.4	The profit rate on this agreement is 5.75% (2016: Nil) per annum and the agreement has maturity in 5 days (2016: Nil).		
16.1.5	The profit rates on this agreements is 5.65% to 5.70% (2016: 5% to 5.25%) per annum and has maturity in 2 to 18 days (2016: 30 days to 51 days).		
16.2	Particulars of due to financial institutions with respect to currencies	2017	2016
		Rupees in '000	
In local currency		15,570,390	6,066,307
In foreign currencies		-	-
		<u>15,570,390</u>	<u>6,066,307</u>
17	DEPOSITS AND OTHER ACCOUNTS		
Customers			
Fixed deposits		42,404,505	41,134,961
Savings deposits		56,855,719	47,774,326
Current accounts - non-remunerative		58,026,421	48,557,422
Margin accounts - non-remunerative		592,600	516,032
		<u>157,879,245</u>	<u>137,982,741</u>
Financial Institutions			
Remunerative deposits		21,179,802	15,935,998
Non-remunerative deposits		190,243	480,918
		<u>179,249,290</u>	<u>154,399,657</u>
17.1	Particulars of deposits		
In			
- local currency		175,512,235	151,622,917
- foreign currencies		3,737,055	2,776,740
		<u>179,249,290</u>	<u>154,399,657</u>

18	OTHER LIABILITIES	Note	2017	2016
			----- Rupees in '000 -----	
	Profit / return payable in local currency		776,022	663,840
	Profit / return payable in foreign currencies		4,676	2,037
	Accrued expenses		384,350	400,374
	Deferred Murabahah Income - Financing and IERS		153,187	138,308
	Deferred Murabahah Income - Commodity Murabahah		94,091	396,149
	Payable to defined benefit plan		5,023	6,036
	Payable to defined contribution plan		2,210	1,899
	Defined Benefit Plan liabilities		45,993	-
	Security deposits against Ijarah		2,403,012	2,608,397
	Provision against off-balance sheet obligations	18.1	129,093	299,093
	Surplus income of quarantined entity held for future admissible expenses		95,860	133,693
	Receipt appropriation account		159,543	87,538
	Current taxation (provisions less payments)		225,574	223,900
	Provision against other tax liabilities		27,251	176,069
	Sundry creditors		74,459	59,106
	Payable to brokers against purchase of shares - net		31	184,568
	Unrealized loss on forward foreign exchange contracts		898	-
	Unrealized loss on forward sale contracts		-	29,980
	Charity payable	18.2	2,679	2,145
	Retention money payable		17,474	27,611
	Workers' Welfare Fund payable		23,723	23,723
	Branch adjustment account		38,247	-
	Others		16,604	197,140
			<u>4,680,000</u>	<u>5,661,606</u>
18.1	Provision against off-balance sheet obligations			
	Opening balance		299,093	394,456
	Transferred to provision against Investment		(170,000)	(95,363)
	Closing balance		<u>129,093</u>	<u>299,093</u>
18.2	Charity payable			
	Opening balance		2,145	3,956
	Additions during the period			
	- Received from customers on delayed payment		8,864	6,988
	- Shariah non-compliant income		239	170
			<u>9,103</u>	<u>7,158</u>
	Distribution of Charity			
	- Education		(3,400)	(960)
	- Health		(2,300)	(5,047)
	- Islamic Microfinance		(700)	(500)
	- Community Development		(2,250)	(2,700)
			<u>(8,650)</u>	<u>(9,207)</u>
	Accrual of profit on charity account	18.2.1	81	238
	Closing balance		<u>2,679</u>	<u>2,145</u>

	2017	2016
	----- Rupees in '000 -----	
18.2.1 Charity was paid to the following:		
Ahmed E. H. Jaffer Foundation	350	-
Akhuwat Foundation	700	500
Alangir Welfare Trust International	950	500
Bait us Salam Education Foundation	200	-
Bait us Salam Welfare Trust	500	-
Centre for Development of Social Services	300	-
Diya Pakistan	200	200
Dr. M. Nasir Jamal Pasha	-	200
Ghousia Free Dispensary	200	-
Indus Hospital	700	500
Infaq Memorial Trust	-	700
Karachi Relief Trust	150	-
Kharadar General Hospital	700	200
Koochi Goth Hospital	200	200
Markaz-e-Umeed	200	-
Mr. Sajid Inayat	-	322
Mrs. Ishrat Afzal Butt	-	1,900
Mrs. Shahnaz Khan	150	975
Ms. Mehak Ruba	-	60
National University of Sciences & Technology	500	-
Pakistan Navy Education Trust (PNET)	200	-
Pakistan Navy Educational Trust - Bahria Model School	250	-
Qindeel Academy	-	200
Sahara Public Rights Welfare	200	-
Saylani Welfare International Trust	-	500
Shoukat Khanum Memorial	500	500
Syeda Anayah Nadeem	-	250
Tasha Trust	500	-
The Citizen Foundation	1,000	500
Wasil Trust Charity	-	1,000
	<u>8,650</u>	<u>9,207</u>

18.2.2 Charity was not paid to any staff of the Bank or to any individual / organisation in which a director or his spouse had any interest at any time during the year.

19 SHARE CAPITAL**19.1 Authorised capital**

2017	2016		2017	2016
----- Number of Shares -----			----- Rupees in '000 -----	
1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000

19.2 Issued, subscribed and paid up capital

2017	2016	Note	2017	2016
-----Number of shares-----			-----Rupees in '000-----	
1,007,912,090	1,007,912,090	Ordinary shares of Rs 10 each Fully paid in cash	10,079,121	10,079,121

20 RESERVES

Statutory Reserves	20.1	676,266	363,636
Reserve for bad debts and contingencies	20.2	250,000	250,000
		<u>926,266</u>	<u>613,636</u>

20.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20% of the profit is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital. Thereafter, an amount of not less than 10% of the profit is required to be transferred to such reserve fund.

20.2 The Board of Directors in its meeting held on March 6, 2015 had approved transfer of an amount of Rs. 250 million out of "unappropriated profit" to "reserve for bad debts and contingencies".

	Note	2017	2016
		-----Rupees in '000-----	
21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			

Surplus arising on revaluation of:

Fixed Assets	21.1	830,266	840,664
Non Banking Assets	21.2	176,178	67,968
Available for sale securities	21.3	269,896	709,766
		<u>1,276,340</u>	<u>1,618,398</u>

	2017	2016
	-----Rupees in '000-----	
21.1 Surplus on revaluation of fixed assets		
Freehold / Leasehold Land	112,087	112,087
Building on leasehold land		
Surplus on revaluation of fixed assets at January 1	1,120,887	1,136,858
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(10,398)	(10,381)
Related deferred tax liability in respect of incremental depreciation charged during the year	(5,599)	(5,590)
	(15,997)	(15,971)
	1,104,890	1,120,887
Related deferred tax liability on surplus as at January 1	(392,310)	(397,900)
Related deferred tax liability in respect of incremental depreciation charged during the year	5,599	5,590
	(386,711)	(392,310)
	718,179	728,577
	830,266	840,664
21.2 Surplus on revaluation of Non Banking Assets		
Freehold / Leasehold Land		
Surplus on revaluation of Non Banking Assets at January 1	59,367	-
Surplus recognised during the year	107,252	59,367
	166,619	59,367
Building on leasehold land		
Surplus on revaluation of Non Banking Assets at January 1	13,233	-
Surplus recognised during the year	1,890	13,491
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(270)	(168)
Related deferred tax liability in respect of incremental depreciation charged during the year	(145)	(90)
	(415)	(258)
	14,708	13,233
Related deferred tax liability on surplus as at January 1	(4,632)	-
Related deferred tax liability on surplus arising during the year	(662)	(4,722)
Related deferred tax liability in respect of incremental depreciation charged during the year	145	90
	(5,149)	(4,632)
	9,559	8,601
	176,178	67,968

	2017	2016
	----- Rupees in '000 -----	
21.3 Surplus on revaluation of available for sale securities		
Federal Government Securities		
- GOP Ijarah Sukuks	415,764	1,096,826
Sukuk certificates		
- Sukuks listed	-	1,721
- Sukuks unlisted	(585)	(3,783)
Fully paid up ordinary shares / Units		
- Ordinary shares of listed companies	-	(2,868)
- Units of Open End Mutual Funds	42	50
	<u>415,221</u>	<u>1,091,946</u>
Related deferred tax liability	<u>(145,325)</u>	<u>(382,180)</u>
	<u>269,896</u>	<u>709,766</u>
22 CONTINGENCIES AND COMMITMENTS		
22.1 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
- Government	704,137	875,950
- Others	9,393,558	11,828,695
	<u>10,097,695</u>	<u>12,704,645</u>
22.2 Trade-related contingent liabilities		
Import letter of credit	5,808,063	4,348,098
Acceptances	1,627,253	1,983,434
	<u>7,435,316</u>	<u>6,331,532</u>
22.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	<u>150,000</u>	<u>150,000</u>
22.3.1 These mainly represent counter claims filed by the borrowers for restricting the Bank for disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.		
22.3.2 Consequent to the amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation in which the Bank has been made a party. The management based on the opinion of its legal counsel is confident that these cases will be dismissed by the Honourable Court.		

- 22.4 The Deputy Commissioner Inland Revenue (DCIR) passed certain assessment orders against the Bank vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69,431 million was raised against the Bank mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government.

The Bank filed an appeal for the stay of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment order were confirmed by the Commissioner Inland Revenue (Appeals). The stay application was heard on February 23, 2013. The ATIR accepted the stay application of the Bank and had verbally directed that no recovery of demand should be initiated against the Bank till the decision of the main case by the ATIR. The Bank initially deposited an amount of Rs. 10.4 million for filing appeal against the said case. During the year 2014, the Bank had further deposited an additional amount of Rs. 8 million on the verbal instructions of the authorities. The ATIR has set aside the stay appeal in respect of income from dealing in foreign currencies and remanded back the case to the Commissioner Inland Revenue for fresh reassessment proceedings. The management of the Bank is confident that the above matter will be decided in favour of the Bank and therefore, no provision for any liability which may arise in this respect has been made in these financial statements.

- 22.5 The audited financial statements of the defunct KASB Bank Limited as at May 07, 2015 include a sum of Rs. 981,410 million representing advance against issue of right shares which had been treated as a part of equity. This amount was received from Mr. Nasir Ali Shah Bukhari, a former sponsor of the defunct KASB Bank Limited and other shareholders. The defunct KASB Bank Limited, when it was under the management and control of Mr. Bukhari, did not issue shares against the said advance, amongst other reasons, due to default on the part of the sponsors for meeting the minimum capital requirement. The amount was reported by the defunct KASB Bank Limited as a part of the shareholders equity in the financial statements with the permission of SBP consistent with the practice followed by other Banks in Pakistan. The defunct KASB Bank Limited is now amalgamated with and into the BIPL, with effect from May 7, 2015, as per the Scheme of Amalgamation sanctioned by the Federal Government. The KASB Corporation Limited and one of its sponsors has filed a suit no: 1102/2015 in the Honorable High Court of Sindh, wherein, they prayed for restraining the BIPL from using or transferring the amount of advance for any purpose whatsoever during the pendency of the instant proceedings. Pursuant to the said suit, an order has been passed by the Honorable High Court of Sindh on July 1, 2015, whereby, the Bank has been asked to submit a statement of financial position and keep the amount in the same position. The Bank is of the view that, in addition to other reasons, as Advance against future issue of right shares appeared as shareholders equity in the financial statements prepared by the defunct KASB Bank Limited itself, it did not form part of the assets and liabilities of the defunct Bank transferred to the Bank under the scheme of amalgamation. The same position has been maintained.

- 22.6 After the acquisition of defunct KASB Bank, the Bank came to know about certain transactions, identified by SBP including but not limited to fraudulent activities. SBP instructed the Bank to initiate legal actions in this respect and accordingly separate complaints have been lodged with National Accountability Bureau (the Bureau) which were later converted into formal inquiries by the Bureau. It may be noted without prejudice to the Bank's claim, the related amounts have not been recorded in these financial statements as a matter of prudence.

	2017	2016
	----- Rupees in '000 -----	
22.7 Commitments in respect of contracts		
Purchases	1,269,645	5,974,455
Sales	1,575,981	6,336,881
22.8 Commitments for the acquisition of operating fixed assets	152,968	217,107

22.9 Commitments in respect of financing facilities

The Bank makes commitments to extend financing 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.

22.10 Taxation

22.10.1 The income tax returns of the Bank have been filed and tax assessments have been made by the tax authorities upto tax year 2017. The returns filed for the tax year 2014 to tax year 2017 are treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.

22.10.2 During the year 2014 (relating to defunct KASB Bank Limited), the learned Additional Commissioner Inland Revenue (ACIR) passed amended assessment orders under section 122(5A) of the Income Tax Ordinance, 2001 for tax Years 2011 and 2013 by imposing minimum tax on turnover disregarding gross loss position of the Bank. ACIR has also amended taxability of capital gain and dividend income. The aggregate tax impact comes to Rs.116.002 million. Against the said order, the Bank filed appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year the learned CIRA issued order under section 129 of the Ordinance by deleting the tax charged on capital gain and dividend income and upheld the levy of minimum tax. The learned ACIR has passed appeal effect order under section 124 of the Ordinance. After appeal effect order the aforesaid demand has now been reduced to Rs.89.928 million. Against the order of the learned CIRA, the Bank has filed an appeal before the Honorable Appellate Tribunal Inland Revenue (ATIR). However, the department has filed appeal against the CIRA Order on the issue of capital gain and dividend income. Therefore, cross appeal for the tax year 2011 and 2013 is pending before ATIR.

22.10.3 During the year 2014 (relating to defunct KASB Bank Limited), in respect of Income tax assessments of International Housing Finance Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007) for tax year 2005, CIR Appeals has maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs 12.997 million. The defunct KASB Bank Limited has preferred appeals before the ATIR for tax year 2005.

22.10.4 During the year 2013 (relating to defunct KASB Bank Limited), the Appellate Tribunal Inland Revenue (ATIR) passed an order for the tax years 2005 to 2009 in favour of the defunct KASB Bank Limited by allowing certain deductions including provision for non-performing advances, impairment on investments, other provisions, amortization of goodwill and allocation of expenses having an aggregate tax impact of Rs. 712.550 million. However, the ATIR has disallowed deductions relating to carry over transactions having tax impact of Rs. 86.377 million for the tax years 2005 to 2008. The defunct KASB Bank Limited has preferred an appeal before the Honorable High Court of Sindh against the said decision of the ATIR. No development has taken place during the current period.

22.10.5 During the year 2013 (relating to defunct KASB Bank Limited), the Income tax assessments of KASB Capital Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2008) for tax years 2008 and 2009 were amended by the Taxation Officer to the extent of apportionment of expenses having an aggregate tax impact of Rs. 125.880 million. The Bank has preferred an appeal before the Honorable High Court of Sindh against the said decision of tax authorities. No development has taken place till the current period.

22.10.6 For tax years 2003 and 2004 (relating to defunct KASB Bank Limited), the Commissioner Inland Revenue Appeals (CIR Appeals) has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of Rs. 33.748 million. The defunct KASB Bank Limited has preferred appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above referred orders of the CIR Appeals. No development has taken place during the current period.

22.10.7 For assessment years 2001-2002 and 2002-2003 and tax years 2003, 2004 and 2005 (relating to defunct KASB Bank Limited) the income tax authorities of AJK region have passed appellate orders by adding interest on surplus funds transferred to head office, resulting in an additional tax demand of Rs. 14.587 million. The defunct KASB Bank Limited has filed reference with the Azad Kashmir High Court against such additions for the above mentioned assessment/tax years upto 2004. For tax year 2005, the Commissioner Income Tax (Appeals) - AJK has passed order in favour of the defunct KASB Bank Limited. However, the tax department has preferred appeal before the Appellate Tribunal Inland Revenue (ATIR) - AJK against interest on surplus head office funds, having tax impact of Rs. 5.337 million. For tax years 2006 and 2008, AJK tax department passed orders under section 122(5A) of the Ordinance. As a result of these orders, aggregate demand of Rs 19.178 million was raised against the defunct KASB Bank Limited. However, the order for the tax year 2008 has subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax year 2006 and 2008 reduced to Rs.13.304 million. During last year the learned Commissioner Income Tax (Appeals) - AJK has passed orders under section 129 of the Ordinance for the tax year 2006 and 2008 whereby he has confirmed all additions. Therefore, the defunct KASB Bank Limited has preferred an appeal before the ITAT - AJK. An appeal against the order of CIRA for the tax year 2006 and 2008 has been filed by the Bank before the Appellate Tribunal Inland Revenue (ATIR) - AJK.

22.10.8 In respect of tax year 2009 and 2010 the Additional Commissioner (Inland Revenue) under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions. The Bank filed an appeal against the said decision with the Commissioner (Inland Revenue Appeals). The Commissioner (Inland Revenue Appeals) had deleted certain disallowances and remanded back the remaining disallowances to Additional Commissioner (Inland Revenue). The remanded back disallowances were further restricted to Rs. 29.911 million and Rs 46.009 million respectively for Tax year 2009 and Tax year 2010. The Bank has filed appeal before the Commissioner (Inland Revenue Appeals) against these disallowances / add backs.

22.10.9 In respect of tax year 2011, the Additional Commissioner (Inland Revenue) under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by Rs. 306.387 million. The Bank has filed an appeal against the said decision with the Commissioner (Inland Revenue Appeals).

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and consequently no additional provision has been made in these financial statements.

22.11	Other commitments	2017	2016
		----- Rupees in '000 -----	
	Bills for collection	1,753,408	1,806,470
23 PROFIT / RETURN EARNED			
	On financing to customers		
	- Customers	6,686,518	5,401,723
	- Financial Institution	1,136,366	2,256,974
		<u>7,822,884</u>	<u>7,658,697</u>
	On investments in available for sale securities	2,408,000	2,386,777
	On deposits / placements with financial institutions	43,131	7,451
	Others	79,834	74,691
		<u>10,353,849</u>	<u>10,127,616</u>

	Note	2017	2016
		----- Rupees in '000 -----	
24 PROFIT / RETURN EXPENSED			
Deposits		4,668,903	4,863,314
Due to financial institutions		580,176	927,938
		<u>5,249,079</u>	<u>5,791,252</u>
25 GAIN ON SALE OF SECURITIES			
Shares		20,899	-
Mutual Funds		57,796	-
Sukuk certificates		43,405	97,772
		<u>122,100</u>	<u>97,772</u>
26 OTHER INCOME			
Rent on property		10,949	13,719
Gain on termination of financing		35,656	29,274
Gain on sale of property and equipment		13,577	29,855
Income from tracker charges		-	24,503
Amount recovered from staff	26.1	6,154	6,263
Others		12,116	7,427
		<u>78,452</u>	<u>111,041</u>

26.1 Represents amount recovered from outgoing employees in respect of unserved notice period.

	Note	2017	2016
		----- Rupees in '000 -----	
27 ADMINISTRATIVE EXPENSES			
Salaries, allowances, and other benefits	27.1	2,615,655	2,554,419
Charge for defined benefit plan	33.6	81,236	72,753
Contribution to defined contribution plan	34	86,632	74,415
Non-executive directors' fees, allowances and other expenses	35	4,153	1,550
Remuneration to Shariah Board Members		900	900
Takaful, tracker and other charges on car Ijarah		195,075	179,805
Rent, taxes, insurance, electricity, etc.		1,215,028	1,160,185
Legal and professional charges		45,356	44,110
Communications		181,575	233,755
Repairs and maintenance		164,242	148,492
Stationery and printing		103,919	78,914
Advertisement and publicity		89,060	141,830
Auditors' remuneration	27.2	10,000	8,202
Depreciation on operating fixed assets	12.2	708,234	634,929
Amortisation	12.3	63,181	60,927
Depreciation on non banking assets		6,634	6,533
CDC and share registrar services		16,513	18,178
Entertainment expense		54,166	49,497
Security service charges		305,408	305,532
Brokerage and commission		6,985	28,256
Travelling and conveyance		30,455	33,961
Fees and subscription		178,521	158,225
Vehicle running and maintenance		72,167	53,487
Others		46,443	93,540
		<u>6,281,537</u>	<u>6,142,395</u>

27.1 This includes Rs. 165.795 million (2016: Rs. 142.411 million) paid to employees in respect of car monetisation allowance.

	2017	2016
	Rupees in '000	
27.2 Auditors' remuneration		
Audit fee	5,225	4,000
Fee for the review of half yearly financial statements	1,650	1,500
Special certifications and sundry advisory services	2,215	1,650
Out-of-pocket expenses	910	1,052
	<u>10,000</u>	<u>8,202</u>
28 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	21,733	1,044
Worker's Welfare Fund	-	16,706
	<u>21,733</u>	<u>17,750</u>
29 TAXATION		
Current year	141,459	107,661
Prior years	-	-
Deferred	(1,547,246)	283,796
	<u>(1,405,787)</u>	<u>391,457</u>

29.1 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years and transferred from the defunct KASB Bank Limited.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the return of income for the tax years 2006 to 2017 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

29.2 During the year, the Bank revised its income tax return for the tax year 2016 and also reassessed the consequential impact of such revision on the tax provision for the year 2017 based on technical advice from its consultant.

As per the above revision, certain elements of the accumulated tax losses are considered as eligible for adjustments in tax year 2016 and 2017 due to change suggested by the consultant in the manner in which certain tax adjustments may be claimed in respect of the said years. As a result of the above, the carry forward tax losses in respect of accumulated tax depreciation and provision for financings have increased as of 31 December 2017 with a deferred tax impact of Rs. 1,754.62 million.

30 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2017	2016
		Rupees in '000	
Profit after taxation for the year		<u>1,563,149</u>	<u>452,300</u>
		Number of shares	
Weighted average number of ordinary shares in issue		<u>1,007,912,090</u>	<u>1,007,912,090</u>
		Rupees	
Earnings per share - basic / diluted	30.1	<u>1.5509</u>	<u>0.4487</u>

30.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2017 and December 31, 2016.

	Note	2017	2016
		----- Rupees in '000 -----	
31 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	11,784,180	8,921,433
Balances with other banks	8	801,807	1,140,150
		<u>12,585,987</u>	<u>10,061,583</u>

32 STAFF STRENGTH		Number of employees	
Permanent		2,534	2,370
Contractual basis		816	836
Bank's own staff strength at the end of the year		<u>3,350</u>	<u>3,206</u>
Outsourced		679	643
Total staff strength		<u>4,029</u>	<u>3,849</u>

33 DEFINED BENEFIT PLAN

33.1 General description

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

The number of employees covered under the defined scheme are 2,534 (2016: 2,388). The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2017. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

33.2 Actuarial assumption	2017	2016
- Valuation Discount Rate	9.50%	9.50%
- Salary Increase Rate	8.50%	9.00%
- Expected Return on Plan Assets	9.50%	9.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with one year age set back.

33.3 The amount recognised in the statement of financial position (in respect of the gratuity scheme) is determined as follows:

	2017	2016
	-----Rupees in '000-----	
Present value of defined benefit obligations	327,613	271,262
Fair value of plan assets	(281,620)	(306,437)
	<u>45,993</u>	<u>(35,175)</u>

33.4 Plan assets consist of the following:

	2017		2016	
	(Rupees in '000)	%	(Rupees in '000)	%
Bank balance	227,662	81%	245,040	80%
Units of Mutual Funds	53,958	19%	61,397	20%
	<u>281,620</u>	<u>100%</u>	<u>306,437</u>	<u>100%</u>

33.5 The movement in the defined benefit obligation over the year is as follows:

	2017		
	Present value of obligation	Fair value of plan assets	Total
	(Rupees in '000)		
At January 1	271,262	(306,437)	(35,175)
Current service cost	84,578	-	84,578
Return expense / (income)	24,324	(27,666)	(3,342)
	<u>380,164</u>	<u>(334,103)</u>	<u>46,061</u>
Remeasurements:			
- Experience (gains) / losses	(22,110)	22,042	(68)
	<u>358,054</u>	<u>(312,061)</u>	<u>45,993</u>
Contribution	-	-	-
Benefit payments	(30,441)	30,441	-
At December 31	<u>327,613</u>	<u>(281,620)</u>	<u>45,993</u>

	2016		
	Present value of obligation	Fair value of plan assets	Total
	(Rupees in '000)		
At January 1	215,613	(242,126)	(26,513)
Current service cost	78,874	-	78,874
Return expense / (income)	21,525	(27,646)	(6,121)
	<u>316,012</u>	<u>(269,772)</u>	<u>46,240</u>
Remeasurements:			
- Experience losses / (gains)	(23,533)	5,663	(17,870)
	<u>292,479</u>	<u>(264,109)</u>	<u>28,370</u>
Contribution	-	(63,545)	(63,545)
Benefit payments	(21,217)	21,217	-
At December 31	<u>271,262</u>	<u>(306,437)</u>	<u>(35,175)</u>

33.6 Charge for the Defined Benefit Plan

	2017	2016
	----- Rupees in '000 -----	
Current service cost	84,578	78,874
Net financial charges	(3,342)	(6,121)
	81,236	72,753

33.7 Remeasurement recognised in other comprehensive income during the year

Actuarial loss on plan assets	(22,110)	(23,533)
Actuarial loss on obligation	22,042	5,663
	(68)	(17,870)

33.8 The plan assets and defined benefit obligations are based in Pakistan.

33.9 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Impact on defined benefit obligation - Increase / (Decrease)			
	Change in assumption	Increase in assumption	Decrease in assumption
	----- (Rupees in '000) -----		
Salary growth rate	1.0%	366,908	294,215
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy / Withdrawal rate		327,666	327,558

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

33.10 The weighted average duration of the defined benefit obligation is 11.84 years.

33.11 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

At December 31, 2017	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees '000 -----				
Gratuity	17,900	15,121	58,075	1,179,603	1,270,699

33.12 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Expected Gratuity Expense for the next year works out to Rs. 76.404 million as per the actuarial valuation report of the Bank as of December 31, 2017.

33.13 Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Investment Risks	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Longevity Risks	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
Salary Increase Risk	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation.
Withdrawal Risk	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

33.14 The disclosures made in notes 33.1 to 33.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2017.

34 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund for all permanent employees. The employer and employee both contribute 10% of basic salary to the fund every month. Equal monthly contributions by employer and employees during the year amounted to Rs. 86.632 million (2016: Rs. 74.415 million) each.

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
Rupees in '000						
Fees	-	-	4,153	1,550	-	-
Managerial remuneration	29,883	27,406	-	-	423,903	431,708
Bonus	-	-	-	-	33,881	-
Charge for defined benefit plan	-	-	-	-	15,925	18,265
Salary in lieu of provident fund	2,327	2,741	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	35,587	31,280
Rent and house maintenance	642	757	-	-	190,757	194,269
Utilities	2,327	2,741	-	-	42,391	43,170
Medical	2,327	2,741	-	-	42,390	43,174
Others	-	-	-	-	92,101	49,454
	37,506	36,386	4,153	1,550	876,935	811,320
Number of persons	1	1	7	7	517	478

35.1 The Bank's President / Chief Executive is also provided with car allowance of Rs. 5.449 million (2016: Rs. 5.419 million) as per the policy of the Bank.

35.2 In addition to above, the Executives have also been given car allowance amounting to Rs. 124.918 million (2016: Rs. 119.685 million) during the current year.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted investments is based on quoted market prices. Unquoted equity securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with the accounting policy as stated in note 6.3.5 to these financial statements.

Fair values of all other financial assets and liabilities cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and in case of financing and deposits these are frequently repriced.

36.1 Off-balance sheet financial instruments

	2017		2016	
	Cost	Fair value	Cost	Fair value
	Rupees in '000			
Forward purchase of foreign currencies	1,269,645	1,270,703	5,974,735	5,974,455
Forward sale of foreign currencies	1,575,981	1,583,801	5,857,020	5,855,003
Future sale of shares	32,202	30,029	447,908	481,878

36.2 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			

Items carried at fair value

Financial Assets and Liabilities

Available for sale securities

Ordinary shares - listed	383,360	-	-	383,360
GOP Sukuks	-	34,256,300	-	34,256,300
WAPDA Sukuks	-	101,038	-	101,038
Units of open ended mutual funds	65	-	-	65

Held for trading securities

Ordinary shares - listed	30,001	-	-	30,001
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Commitments in respect of contracts

Forward purchase of foreign exchange contracts	-	1,583,801	-	1,583,801
Forward sale of foreign exchange contracts	-	1,270,703	-	1,270,703
Future sale of shares	30,029	-	-	30,029

Non-Financial Assets

Operating fixed assets - Land and building	-	-	3,728,602	3,728,602
Non-banking assets	-	-	1,136,170	1,136,170

Items carried at fair value	2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial Assets and Liabilities				
Available for sale securities				
Ordinary shares - listed	588,296	-	-	588,296
GOP Sukuks	-	38,853,454	-	38,853,454
WAPDA Sukuks	-	233,931	-	233,931
Units of open ended mutual funds	71	-	-	71
Held for trading securities				
Ordinary shares - listed	478,566	-	-	478,566
Commitments in respect of contracts				
Forward purchase of foreign exchange contracts	-	5,974,455	-	5,974,455
Forward sale of foreign exchange contracts	-	5,855,003	-	5,855,003
Future sale of shares	481,878	-	-	481,878
Non-Financial Assets				
Operating fixed assets - Land and building	-	-	3,839,855	3,839,855
Non-banking assets	-	-	1,149,336	1,149,336

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 during the year.

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
GOP Sukuks	The fair value of GOP Ijarah Sukuks are revalued using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from 6 different pre-defined / approved dealers / brokers.
WAPDA Sukuks	Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.

Valuation techniques used in determination of fair values within level 3

Operating fixed assets - Land and building	Land and buildings are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.
Non-banking assets	Non banking assets are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
Rupees in '000					
2017					
Total income	889,182	6,303,149	3,967,126	158,283	11,317,740
Total expenses	797,756	5,703,037	2,753,752	1,905,833	11,160,378
Net income / (loss)	91,426	600,112	1,213,374	(1,747,550)	157,362
Segment assets (gross)	74,072,473	20,596,848	121,029,258	17,942,668	233,641,247
Segment non - performing financings & advances	-	1,776,465	13,975,241	85,339	15,837,045
Segment provision required	-	1,441,664	10,176,190	56,093	11,673,947
Segment liabilities	12,664,925	109,293,224	78,548,033	1,982,494	202,488,676
Segment return on assets (ROA) (%)	0.12%	2.91%	1.00%	-	-
Segment cost of funds (%)	6.08%	3.11%	3.60%	-	-
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
Rupees in '000					
2016					
Total income	1,685,841	5,269,232	3,669,389	140,766	10,765,228
Total expenses	633,929	5,273,469	1,683,841	2,330,232	9,921,471
Net income / (loss)	1,051,912	(4,237)	1,985,548	(2,189,466)	843,757
Segment assets (gross)	79,575,010	17,351,038	94,809,632	6,664,565	198,400,245
Segment non - performing financings & advances	-	1,804,282	12,665,563	64,122	14,533,967
Segment provision required	-	1,402,588	10,683,220	46,476	12,132,284
Segment liabilities	7,191,550	91,817,563	65,856,893	3,535,498	168,401,504
Segment return on assets (ROA) (%)	1.32%	-0.02%	2.09%	-	-
Segment cost of funds (%)	5.94%	3.42%	4.40%	-	-

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, principal shareholders, retirement benefit funds, directors and their close family members, and key management personnel.

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.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

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:

<u>Subsidiaries</u>	2017	(Restated) 2016
	----- Rupees '000 -----	
Islamic Financing and related assets		
At beginning of the year	150,000	150,000
Disbursed during the year	440,976	-
Repayments during the year	(428,199)	-
At the end of the year	162,777	150,000
Deposits		
At beginning of the year	573,309	445,099
Deposits during the year	39,446,895	44,606,848
Withdrawals during the year	(39,772,492)	(44,478,638)
At the end of the year	247,712	573,309
Receivable on financing	1,236	1,152
Payable on deposits	101	1,555
Other receivables	-	1,578
Contingencies and commitments	-	1,978
Transactions, income and expenses		
Profit earned on financing	30,907	14,265
Return on deposit expensed	18,577	28,370
Administrative expense	9	3
Proceeds on disposal of operating fixed assets	3,225	-
Gain on sale of operating fixed assets	3,138	-
Other Income	600	980
<u>Associates</u>		
Islamic Financing and related assets		
At beginning of the year	722,105	* 93,314
Disbursed during the year	674,190	645,161
Repayments during the year	(814,211)	(14,089)
At the end of the year	582,084	724,386
Prepayments		
At beginning of the year	-	27,691
Additions during the year	-	56,562
Amortised during the year	-	(46,966)
At the end of the year	-	37,287
Deposits		
At beginning of the year	36,199	* 16,289
Deposits during the year	8,143,322	11,024,912
Withdrawals during the year	(8,153,672)	(11,005,002)
At the end of the year	25,849	36,199
Payable on deposits	54	75
Receivable on financing	6,797	10,118
Contingencies and Commitments	128,170	103,227
Transactions, income and expenses		
Profit earned on financing	51,455	51,790
Return on deposits expensed	738	662
Administrative expense	240	706
Other Income	176	-

	2017	(Restated) 2016
	----- Rupees '000 -----	
<u>Key management personnel / Directors</u>		
Islamic financing and related assets		
At beginning of the year	224,215 *	217,412
Disbursed during the year	31,426	30,375
Repayments during the year	(43,975)	(52,557)
At the end of the year	211,666	195,230
Deposits		
At beginning of the year	27,962 *	19,079
Deposits during the year	267,450	285,149
Withdrawals during the year	(260,938)	(271,132)
At the end of the year	34,474	33,096
Payable on deposits	13	9
Receivable on financing	199	-
Other receivables	830	-
Transactions, income and expenses		
Profit earned on financing	10,588	7,907
Return on deposits expensed	120	236
Remuneration	137,446	130,351
Bonus	2,424	-
Proceeds on disposal of operating fixed assets	10	-
Gain on sale of operating fixed assets	10	-
Administrative expenses	8,081	6
<u>Other related parties</u>		
Islamic financing and related assets		
At beginning of the year	836,022 *	-
Disbursed during the year	6,780,093	42,689
Repayments during the year	(5,735,737)	-
At the end of the year	1,880,378	42,689
Deposits		
At beginning of the year	770,305 *	1,511,264
Deposits during the year	12,843,245	6,625,358
Withdrawals during the year	(12,711,469)	(7,025,442)
At the end of the year	902,081	1,111,180
Payable on deposits	20	4,277
Receivable on financing	11,882	-
Contingencies and Commitments	722,177	-
Other receivables	-	17,880
Transactions, income and expenses		
Profit earned on financing	68,119	-
Return on deposits expensed	44,905	65,124
Administrative expenses	-	19,961
<u>Employee benefit plans</u>		
Contribution to employees gratuity fund	-	63,545
Charge for defined benefit plan	81,236	72,753
Contribution to employees provident fund	86,632	74,415

* Balances pertaining to parties that were related at the beginning of the period but ceased to be related during any part of the current period are not reflected as part of the opening balance of the current period, and parties became related parties during the period have been added in opening balances.

39 CAPITAL MANAGEMENT

Capital Management aims to safeguard bank's ability to continue as a going concern so that it could continue to provide adequate returns to the shareholders by pricing products and services commensurately with the level of risk. For this the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Bank maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

This process is managed by the Asset Liability Committee (ALCO) of the Bank. The objective of ALCO is to derive the most appropriate strategy in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movement, liquidity constraints and capital adequacy and its implication on risk management policies.

The Bank prepares Annual Budget and Projections outlining its future growth and direction keeping in consideration the economic and political factors in the country and region. Adequacy of capital to support the expected growth in balance sheet is also ascertained.

Stress testing of the Bank is regularly performed to ensure that the Bank remains well capitalised and able to sustain any shocks under any of the specified risk factors.

The State Bank of Pakistan (SBP) introduced guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Basel III which were introduced by the SBP in August 2013 for implementation by the banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The SBP vide its BPRD Circular No. 11 of 2014 dated November 5, 2014 has specified the disclosure requirements with respect to capital adequacy related information. The disclosures below have been prepared on the basis of the SBP's circular.

39.1 Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Bank operates;
- Maintain strong ratings and to protect the Bank against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to enable the Bank to operate adequately and provide reasonable value addition for the shareholders.

39.2 Capital Structure

Under Basel III framework, Bank's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:
 - (a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc. after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50% after incorporating transitional provisions), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles. The State Bank of Pakistan vide its letter no BPRD(R&P-02)/625-112/2017/4809 dated February 24, 2017 has given relaxation to the Bank for non-deduction of goodwill and deferred tax assets pertaining to defunct KASB Bank Limited portfolio from CET 1 capital till December 30, 2018 for the purpose of calculating the Capital Adequacy Ratio (CAR) of the Bank. Accordingly, the amounts of goodwill and deferred tax asset have not been deducted from CET 1 capital. Instead, the amount of goodwill and deferred tax assets pertaining to defunct KASB Bank Limited portfolio have been risk weighted at 100% for CAR purposes.
 - (b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after regulatory deduction for investments in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

Presently, the Bank does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets after deduction of deficit on available for sale investments (upto a maximum of 78%), and any balance specifically allowed by the regulator.

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

39.3 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk is presented below:

	2017	2016
Particulars	Amount	
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	10,079,121	10,079,121
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on issue of shares	(79,042)	(79,042)
General / Statutory Reserves	926,266	613,636
Gains / (Losses) on derivatives held as Cash Flow Hedge	-	-
(Accumulated loss) / Unappropriated profits	1,473,784	212,553
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET1 before Regulatory Adjustments	12,400,129	10,826,268
Total regulatory adjustments applied to CET1 (Note 39.3.1)	(725,423)	(631,947)
Common Equity Tier 1	11,674,706	10,194,321
Additional Tier 1 (AT1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium of which:		
- classified as equity	-	-
- classified as liabilities	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	-	-
- of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	-	-
Total of Regulatory Adjustment applied to AT1 capital (Note 39.3.2)	(66,769)	(133,538)
Additional Tier 1 capital after regulatory adjustments	-	-
Tier 1 Capital (CET1 + admissible AT1)	11,674,706	10,194,321
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium *	2,581,488	2,360,757
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	-	-
- of which: instruments issued by subsidiaries subject to phase out	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	223,878	192,927
Revaluation Reserves (net of taxes)		
of which:		
- Revaluation reserves on fixed assets	738,937	655,718
- Unrealized gains/losses on AFS	240,207	553,617
Foreign Exchange Translation Reserves	-	-
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	3,784,510	3,763,019
Total regulatory adjustment applied to T2 capital (Note 39.3.3)	(66,769)	(133,538)
Tier 2 capital (T2) after regulatory adjustments	3,717,741	3,629,481
Tier 2 capital recognized for capital adequacy	3,717,741	3,629,481
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	3,717,741	3,629,481
TOTAL CAPITAL (T1 + admissible T2)	15,392,446	13,823,802
Total Risk Weighted Assets (RWA) (for details refer Note)	104,867,796	102,936,253

* Considered as Tier II capital as per the SBP's approval vide letter no BPRD(R&P-02)/625-112/2017/4809 dated February 24, 2017.

Particulars	2017	2016
	Amount Rupees in '000	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	11.13%	9.90%
Tier-1 capital to total RWA	11.13%	9.90%
Total capital to total RWA	14.68%	13.43%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	-	-
- capital conservation buffer requirement	-	-
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	5.13%	3.90%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
CCB (Consisting of CET 1 only)	1.28%	0.65%
Total Capital plus CCB	11.28%	10.65%

Particulars	2017		2016	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
Rupees in '000				

39.3.1 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	183,832	183,832	216,969	216,969
Shortfall of provisions against classified assets	474,822	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	260,335	433,891
Defined-benefit pension fund net assets	-	-	21,105	35,175
Reciprocal cross holdings in CET1 capital instruments	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:	-	-	-	-
- significant investments in the common stocks of financial entities	-	-	-	-
- deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	66,769	66,769	133,538	133,538
Total regulatory adjustments applied to CET1	725,423	250,601	631,947	819,573

Particulars	2017		2016	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
----- Rupees in '000 -----				
39.3.2 Additional Tier 1 Capital: regulatory adjustments				
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	66,769	66,769	133,538	133,538
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total of Regulatory A adjustment applied to AT1 capital	66,769	66,769	133,538	133,538

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

39.3.3 Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	66,769	66,769	133,538	133,538
Reciprocal cross holdings in Tier 2 instruments	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Amount of Regulatory A adjustment applied to T2 capital	66,769	66,769	133,538	133,538

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

Particulars	2017	2016
	----- Rupees in '000 -----	
39.3.4 Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
of which: deferred tax assets	3415,648	1,963,488
of which: Defined-benefit pension fund net assets	-	14,070
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	666,789	400,615
Deferred tax assets arising from temporary differences (net of related tax liability)	4,153,622	3,694,132
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	223,878	192,927
Cap on inclusion of provisions in Tier 2 under standardized approach	1,180,320	1,139,473
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

39.3.5 Leverage ratio

According to Basel III instructions issued by State Bank of Pakistan (BPRD circular # 06, dated: August 15, 2013), it is mandatory for all the banks to calculate and report the Leverage Ratio on a quarterly basis with the minimum benchmark of 3%.

The reason for calculating leverage ratio is to avoid excessive On- and Off-balance sheet leverage in the banking system. A simple, transparent and non-risk based Ratio has been introduced with the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

Particulars	2017	2016
	----- Rupees in '000 -----	
On balance sheet exposures		
1 On-balance sheet items (excluding unrealised gain on forward contracts)	215,914,544	180,214,223
2 Forward exchange commitments with positive fair values	8,305	35,174
Total on balance sheet exposures	215,922,849	180,249,397
Off balance sheet exposures		
3 Off-balance sheet items	20,270,204	22,107,012
4 Commitment in respect of forward exchange contracts	2,106	119,118
Total Off balance sheet exposures	20,272,310	22,226,130
Capital and total exposures		
5 Tier 1 capital (Note 39.3)	11,674,706	10,194,321
6 Total exposures	236,195,159	202,475,527
Basel III leverage ratio	4.94%	5.03%

The current year's leverage ratio is 4.94% (2016: 5.03%) whereas total tier 1 capital and total exposures are Rs. 11,674,706 million (2016: Rs. 10,194,321 million) and Rs. 236,195,159 million (2016: Rs. 202,475,527 million) respectively.

39.4 Capital Structure Reconciliation

39.4.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting - Step 1

Particulars	Balance sheet as in published financial statements	Under regulatory scope of reporting
	----- Rupees in '000 -----	
Assets		
Cash and balances with treasury banks	11,784,180	11,784,180
Balances with other banks	801,807	801,807
Due from financial institutions	21,371,787	21,371,787
Investments	42,092,166	42,092,166
Islamic financing and related assets	119,155,039	119,155,039
Operating fixed assets	9,072,487	9,072,487
Deferred tax assets	7,701,906	7,701,906
Other assets	4,185,773	4,185,773
Total assets	216,165,145	216,165,145
Liabilities and Equity		
Bills payable	2,988,996	2,988,996
Due to financial institutions	15,570,390	15,570,390
Deposits and other accounts	179,249,290	179,249,290
Sub-ordinated loans	-	-
Deferred tax liabilities	-	-
Other liabilities	4,680,000	4,680,000
Total liabilities	202,488,676	202,488,676
Share capital	10,079,121	10,079,121
Discount on issue of shares	(79,042)	(79,042)
Reserves	926,266	926,266
Accumulated profit	1,473,784	1,473,784
Minority Interest	-	-
Surplus on revaluation of investments - net of tax	1,276,340	1,276,340
Total liabilities and equity	216,165,145	216,165,145

39.4.2 Reconciliation of balance sheet to eligible regulatory capital - Step 2

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
(Rupees in '000)			
Assets			
Cash and balances with treasury banks		11,784,180	11,784,180
Balances with other banks		801,807	801,807
Due from financial institutions		21,371,787	21,371,787
Investments		42,092,166	42,092,166
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	-	-
- others	e	-	-
Islamic financing and related assets		119,155,039	119,155,039
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	223,878	223,878
Operating fixed assets		9,072,487	9,072,487
- of which: Intangibles	k	3,128,129	3,128,129
Deferred tax assets		7,701,906	7,701,906
of which:			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	3,548,284	3,548,284
- DTAs arising from temporary differences exceeding regulatory threshold	i	4,153,622	4,153,622
Other assets		4,185,773	4,185,773
of which:			
- defined benefit pension fund net assets	l	-	-
Total assets		216,165,145	216,165,145
Liabilities and Equity			
Bills payable		2,988,996	2,988,996
Due to financial institutions		15,570,390	15,570,390
Deposits and other accounts		179,249,290	179,249,290
Sub-ordinated loans of which:			
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:			
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		4,680,000	4,680,000
Total liabilities		202,488,676	202,488,676
Share capital		10,079,121	10,079,121
- of which: amount eligible for CET1	s	10,079,121	10,079,121
- of which: amount eligible for AT1	t	-	-
Reserves of which:		926,266	926,266
- portion eligible for inclusion in CET1 - Statutory reserve	u	926,266	926,266
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase		-	-
- portion eligible for inclusion in CET1 - General reserve		-	-
- portion eligible for inclusion in Tier 2 General reserve	v	-	-
Discount on issue of shares		(79,042)	(79,042)
Accumulated profit	w	1,473,784	1,473,784
Minority Interest of which:			
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		1,276,340	1,276,340
- Revaluation reserves on Property		1,006,444	1,006,444
- Unrealized Gains/Losses on AFS	aa	269,896	269,896
- In case of Deficit on revaluation (deduction from CET1)	ab	-	-
Total liabilities and Equity		216,165,145	216,165,145

39.4.3 Basel III Disclosure (with added column) - Step 3

Particulars		Source based on reference number from step 2	Component of regulatory capital reported by bank
			(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital	(s)	10,079,121
2	Balance in share premium account		-
3	Discount on issue of shares		(79,042)
4	Reserve for issue of bonus shares		-
5	General / Statutory Reserves	(u)	926,266
6	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
7	Unappropriated / unremitted profits	(w)	1,473,784
8	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
9	CET 1 before Regulatory Adjustments		12,400,129
Common Equity Tier 1 capital: Regulatory adjustments			
10	Goodwill (net of related deferred tax liability)	(j) - (s)	-
11	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	183,832
12	Shortfall of provisions against classified assets	(f)	474,822
13	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * x%	-
14	Defined-benefit pension fund net assets	(l) - (q) * x%	-
15	Reciprocal cross holdings in CET1 capital instruments	(d)	-
16	Cash flow hedge reserve		-
17	Investment in own shares / CET1 instruments		-
18	Securitization gain on sale		-
19	Capital shortfall of regulated subsidiaries		-
20	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
21	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
22	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
23	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
24	Amount exceeding 15% threshold of which:		
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
25	National specific regulatory adjustments applied to CET1 capital		-
26	Investment in TFCs of other banks exceeding the prescribed limit		-
27	Any other deduction specified by SBP (mention details)		-
28	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		66,769
29	Total regulatory adjustments applied to CET1		725,423
	Common Equity Tier 1		11,674,706
Additional Tier 1 (AT1) Capital			
30	Qualifying Additional Tier-1 instruments plus any related share premium of which:		-
31	- Classified as equity	(t)	-
32	- Classified as liabilities	(m)	-
33	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
34	- of which: instrument issued by subsidiaries subject to phase out		-
35	AT1 before regulatory adjustments		-

Particulars		Source based on reference number from note 40.4.2	Component of regulatory capital reported by bank
		(Rupees in '000)	
Additional Tier 1 Capital: regulatory adjustments			
36	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
37	Investment in own AT1 capital instruments		-
38	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
39	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
40	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
41	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		66,769
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
43	Total of Regulatory Adjustment applied to AT1 capital		66,769
44	Additional Tier 1 capital		-
45	Additional Tier 1 capital recognised for capital adequacy		-
	Tier 1 Capital (CET1 + admissible AT1)		11,674,706
Tier 2 Capital			
46	Qualifying Tier 2 capital instruments under Basel III	(ri)	2,581,488
47	Capital instruments subject to phase out arrangement from Tier 2		-
48	Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	-
	- of which: instruments issued by subsidiaries subject to phase out		-
49	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	223,878
50	Revaluation Reserves digible for Tier 2 of which:		
51	- portion pertaining to Property		738,937
52	- portion pertaining to AFS securities	78% of (aa)	240,207
53	Foreign Exchange Translation Reserves	(v)	-
54	Undisclosed / Other Reserves (if any)		-
55	T2 before regulatory adjustments		3,784,510
Tier 2 Capital: regulatory adjustments			
56	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		66,769
57	Reciprocal cross holdings in Tier 2 instruments		-
58	Investment in own Tier 2 capital instrument		-
59	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
60	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
61	Amount of Regulatory Adjustment applied to T2 capital		66,769
62	Tier 2 capital (T2)		3,717,741
63	Tier 2 capital recognised for capital adequacy		3,717,741
64	Excess Additional Tier 1 capital recognised in Tier 2 capital		-
65	Total Tier 2 capital admissible for capital adequacy		3,717,741
TOTAL CAPITAL (T1 + admissible T2)			15,392,447

39.5 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	BankIslami Pakistan Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BIPL - CDC Symbol
3	Governing law(s) of the instrument	Listing Regulations of Pakistan Stock Exchange Limited
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	10,079,121
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 02, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend / coupon	N/A
18	coupon rate and any related index / benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

39.6 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2017	2016	2017	2016
(Rupees in '000)				
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	2,050	1,825	18,180	17,132
Public sector entities	6,847	6,983	60,728	65,564
Banks	537,615	633,623	4,768,201	5,949,508
Corporate	4,332,012	4,104,398	38,421,393	38,538,947
Retail	897,430	1,031,039	7,959,467	9,681,117
Residential mortgage	493,216	258,968	4,374,424	2,431,624
Past due loans	561,057	319,840	4,976,118	3,003,190
Operating fixed assets	670,226	658,837	5,944,358	6,186,259
All other assets	1,563,184	1,262,280	13,864,161	11,852,393
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	6,243	146,181	55,374	1,372,589
Corporate	319,896	360,266	2,837,219	3,382,779
Retail	211,791	17,696	1,878,410	166,157
Others	52,799	32,967	468,286	309,547
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	1	2,147	7	20,157
Customers	1,018	3,560	9,027	33,432
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	97,699	92,284	866,513	866,513
Investment in commercial entities	708,005	668,758	6,279,420	6,279,420
Recognised portion of significant investment	187,951	106,664	1,666,973	1,001,538
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	-	24,224	(1)	302,799
Equity position risk	70,954	247,810	886,925	3,097,625
Foreign Exchange risk	7,803	15,029	97,538	187,863
Operational Risk				
Capital requirement for operational risk	754,806	655,128	9,435,075	8,189,100
TOTAL	11,482,603	10,650,507	104,867,796	102,935,253
Capital Adequacy Ratio	Required	Actual	Required	Actual
	December 31, 2017		December 31, 2016	
CET1 to total RWA	7.28%*	11.13%	6.65%*	9.90%
Tier-1 capital to total RWA	7.50%	11.13%	7.50%	9.90%
Total capital to total RWA	11.28%*	14.68%	10.65%*	13.43%

* Capital adequacy requirement inclusive of Capital Conservation Buffer (CCB) requirement.

40 RISK MANAGEMENT

The objective of Risk Management is to effectively manage uncertainties that arise 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. The Bank follows effective risk governance which commensurate well with its current size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. Further, the SBP has decided to implement Basel III framework in a phased manner with effect from December 31, 2013 to December 31, 2019, to revise and update capital reforms and clarifications and further strengthen the existing capital adequacy framework prescribed under Basel II. The Bank adheres to the regulatory requirement in this respect, and conducts its business accordingly.

As a prelude to countering the financial debacle of the recent past, the Basel Committee (Internationally) is raising the resilience of the banking sector by strengthening the regulatory capital framework, essentially building on the three pillars of the Basel II structure. The reforms raise both the quality and quantity of the regulatory capital base and enhance the risk coverage of the capital framework. The SBP (State Bank of Pakistan) while being cognizant of the various reforms in the offing, is reviewing the impact of Basel III (B3) guidelines on the capital structure and CAR (Capital Adequacy Ratio) through quantitative impact studies. Accordingly, the SBP has implemented first phase of Basel III framework with effect from December 31, 2013.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it then needs to be reinforced through a strong control culture that promotes sound risk governance. The Bank's Risk Management Framework 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,
- While the reward may well commensurate the level of risk, it has to be viewed in entirety and not in isolation; and
- Critical decision making should be based on relevant research, proper analysis and effective communication within the Bank.

Strategic Level

At the strategic level, the risk related functions are approved by the senior management and the Board. These include: defining risks, setting parameters, ascertaining the institution's 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 review of various portfolios; stress test and scenario analysis for portfolio resilience; application of statistical tools and information in time series for developing strong inferences are all performed at this level.

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:

- Business line acquisition, strong adherence to the credit and other related criteria.
- Middle Office monitoring function for a sound risk assessment of various risks inherent in treasury operations.
- Detailed review of various processes and operating procedures, for operational and other risk related assessments.

Risk appetite of the bank

The risk appetite of the Bank is an outcome of its corporate goal, economic profitability, available resources (size and business life cycle) and most significantly; the controls. The Bank believes in a cautious yet steady approach towards its business objectives and takes a holistic view of its investment and financing requirement.

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of various 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 at an enterprise level. Risk governance must involve all relevant parties and should be sanctioned by the bank's leadership.

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

Business line accountability

One of the most important features of the risk management process is the business line accountability. Business has to understand the risk implication of specific transaction on the business / portfolio. Some specific risks e.g. reputation risk affects the entire banking business and is not limited to one business line or the other. At BIPL, as in any other reputable organization, responsibility comes with accountability. Each business segment is responsible for the profit / loss of the business. The management of risk is as much a line function as it is supports.

Business lines are equally responsible for the risks they are taking. Because line personnel understand the risks of the business. Lack of an understanding of this by the line management may lead to risk management in isolation.

40.1 Credit Risk

The Bank manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. Credit Risk has certain sub-categories as follows:

(i) Price risk

There is a risk that the asset repossessed due to default of the customer 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 (Murabahah, 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

Country Risk can be defined as the risk of adverse impact of certain factors on a country's specific economic, political and social scenario which affects the ability of the country (or a borrower in that country) to repay its obligations. Country risk may be a combination of Transfer Risk and Sovereign Risk.

40.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of Islamic financing and related assets, Deposits, Contingencies and Commitments.

40.1.1.1 Segments by class of business

	2017					
	Islamic financing and related assets and Advances		Deposits		Contingencies and Commitments **	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	1,262,160	0.97%	6,676,565	3.72%	52,103	0.23%
Mining and Quarrying	983	0.00%	808,189	0.45%	427,414	1.91%
Textile	10,148,614	7.77%	764,214	0.43%	755,041	3.37%
Chemical and Pharmaceuticals	3,009,832	2.30%	2,278,519	1.27%	221,603	0.99%
Cement	1,776,578	1.36%	369,430	0.21%	271,113	1.21%
Sugar	4,623,716	3.54%	268,793	0.15%	300,500	1.34%
Footwear and Leather garments	30,660	0.02%	76,818	0.04%	13,073	0.06%
Automobile and transportation equipment	1,211,606	0.93%	968,838	0.55%	1,259,916	5.62%
Education	18,543	0.01%	2,570,628	1.43%	54,621	0.24%
Electronics and electrical appliances	2,703,726	2.07%	358,910	0.20%	942,548	4.20%
Production and transmission of energy	-	0.00%	20,034,795	11.18%	1,468,113	6.54%
Construction	7,788,465	5.96%	4,310,218	2.40%	2,539,833	11.32%
Power (electricity), Gas, Water, Sanitary	12,807,899	9.80%	74,101	0.04%	150	0.00%
Wholesale and Retail Trade	38,832,338	29.73%	35,955,033	20.06%	4,325,869	19.28%
Exports / Imports	857,503	0.66%	154,395	0.09%	165,055	0.74%
Transport, Storage and Communication	590,972	0.45%	1,379,363	0.77%	248,473	1.11%
Financial	3,592,453	2.75%	21,370,045	11.92%	3,099,866	13.82%
Insurance	2,433	0.00%	2,266,445	1.26%	-	0.00%
Services	4,795,027	3.67%	5,233,025	2.92%	1,024,108	4.56%
Individuals	25,849,649	19.79%	52,004,962	29.01%	312,635	1.39%
Food and beverages	4,767,396	3.65%	1,005,990	0.56%	723,020	3.22%
Private Trust & NGO	4,424	0.00%	6,554,999	3.66%	-	0.00%
Packing and Paper products	696,282	0.53%	106,763	0.06%	-	0.00%
Others *	5,265,395	4.03%	13,638,212	7.61%	4,229,959	18.85%
	130,636,654	100.00%	179,249,290	100.00%	22,435,913	100.00%

	2016					
	Islamic financing and related assets and Advances		Deposits		Contingencies and Commitments **	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	1,921,096	2.14%	6,326,370	4.10%	1,506,000	5.54%
Mining and Quarrying	3,183	0.00%	877,168	0.57%	55,474	0.20%
Textile	9,197,464	10.24%	742,689	0.48%	72,283	0.27%
Chemical and Pharmaceuticals	4,013,467	4.47%	1,453,263	0.94%	223,163	0.82%
Cement	1,776,221	1.98%	257,317	0.17%	326,248	1.20%
Sugar	3,642,141	4.06%	631,497	0.41%	-	0.00%
Footwear and Leather garments	253,631	0.28%	128,296	0.08%	18,645	0.07%
Automobile and transportation equipment	1,309,014	1.46%	2,476,085	1.60%	2,118,588	7.79%
Education	15,438	0.02%	1,603,708	1.04%	-	0.00%
Electronics and electrical appliances	2,484,160	2.77%	237,863	0.15%	810,040	2.98%
Production and transmission of energy	-	0.00%	20,136,016	13.04%	595,033	2.19%
Construction	6,103,179	6.80%	2,161,476	1.40%	1,394,743	5.13%
Power (electricity), Gas, Water, Sanitary	10,620,970	11.83%	24,708	0.02%	87,056	0.32%
Wholesale and Retail Trade	12,225,686	13.62%	30,084,018	19.48%	320,657	1.18%
Exports / Imports	693,663	0.77%	127,132	0.08%	19,230	0.07%
Transport, Storage and Communication	626,988	0.70%	875,802	0.57%	344,040	1.27%
Financial	2,735,597	3.05%	16,416,916	10.63%	10,989,090	40.42%
Insurance	5,227	0.01%	1,762,813	1.14%	-	0.00%
Services	4,321,401	4.81%	5,881,989	3.81%	104,651	0.38%
Individuals	18,709,243	20.84%	47,053,495	30.48%	291,434	1.07%
Food and beverages	5,441,174	6.06%	1,871,521	1.21%	764,236	2.81%
Private Trust & NGO	22,796	0.03%	5,312,842	3.44%	-	0.00%
Packing and Paper products	766,993	0.85%	14,805	0.01%	-	0.00%
Others *	2,896,177	3.23%	7,941,868	5.14%	7,143,598	26.28%
	89,786,929	100.00%	154,399,657	100.00%	27,184,209	100.00%

* Others include sole proprietors, fund accounts and government deposits, etc.

** Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.1.2 Segment by sector

	Islamic financing and related assets and Advances		2017 Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	44,963,174	34.42%	11,201,145	6.25%	704,137	3.14%
Private	85,673,480	65.58%	168,048,145	93.75%	21,730,876	96.86%
	130,636,654	100.00%	179,249,290	100.00%	22,435,013	100.00%

	Islamic financing and related assets and Advances		2016 Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	11,460,059	12.76%	7,110,306	4.61%	875,950	3.22%
Private	78,326,870	87.24%	147,289,351	95.39%	26,308,259	96.78%
	89,786,929	100.00%	154,399,657	100.00%	27,184,209	100.00%

40.1.1.3 Details of non-performing Islamic financing and related assets and specific provisions by class of business segment:

	2017		2016	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
	Rupees in '000			
Wholesale and Retail trade	619,696	576,431	818,087	629,640
Agriculture, Forestry, Hunting and Fishing	77,247	33,316	858,824	168,450
Textile	4,644,114	4,145,397	2,559,194	2,401,362
Chemical and Pharmaceuticals	992,808	764,418	170,230	38,102
Power (electricity), Gas, Water, Sanitary	21,964	21,366	649	51
Cement	540,000	540,000	3,183	3,183
Electronics and electrical appliances	5,081	5,081	4,231,623	4,214,866
Construction	971,411	955,180	1,050,182	983,859
Services	129,678	58,404	362,870	172,619
Financial	245,401	245,189	245,401	245,189
Paper Product	13,000	13,000	13,000	13,000
Food and Beverages	2,749,955	183,945	5,000	-
Individuals	2,346,387	2,001,122	1,994,522	1,322,902
Automobile and transportation equipment	100,359	100,359	-	-
Footwear and leather garments	2,459	2,459	2,459	2,459
Manufacturing	-	-	-	-
Sugar	9,750	-	782,195	309,049
Transport, storage and communication	1,206,473	739,053	467,864	467,864
Others	1,161,262	1,065,349	968,684	966,762
	15,837,045	11,450,069	14,533,967	11,939,357

40.1.1.4 Details of non-performing Islamic financing related assets and specific provisions by sector:

	2017		2016	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	15,837,045	11,450,069	14,533,967	11,939,357
	15,837,045	11,450,069	14,533,967	11,939,357

40.1.1.5 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	157,362	216,165,145	13,676,469	22,435,013

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	843,757	180,846,170	12,444,666	27,184,209

40.1.2 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.

40.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach and 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 still employed a credit rating model, which is compatible to the rating guidelines of SBP, which will support the Bank in internally rating the credit clients.

Types of Exposures and ECA's used

Exposures

Corporate
Banks

Credit Exposures subject to Standardise approach

Types of Exposures and ECA's used Exposures		2017			2016			
		JCR - VIS	PACRA	Others	JCR - VIS	PACRA	Others	
Corporate Banks		✓	✓	N/A	✓	✓	N/A	
Credit Exposures subject to Standardise approach		✓	✓	✓	✓	✓	✓	
Exposures	SBP grade	Rating Category	2017			2016		
			Amount Outstanding Credit Equivalent	Deduction CRM	Net amount	Amount Outstanding Credit Equivalent	Deduction CRM	Net amount
Rupees in '000								
Cash and cash equivalent		0%	4,174,039	-	4,174,039	3,565,605	-	3,565,605
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP denominated in PKR		0%	82,043,985	232	82,043,753	53,523,964	160,134	53,363,830
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan		0%	416,052	-	416,052	320,908	-	320,908
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR		0%	-	-	-	-	-	-
	1	20%	-	-	-	-	-	-
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	12,120	-	12,120	11,421	-	11,421
	Unrated	100%	-	-	-	-	-	-
Claims on Public Sector Entities in Pakistan		0%	-	-	-	-	-	-
	1	20%	1,050,560	65,372	985,188	1,827,818	1,500,000	327,818
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
	Unrated	50%	1,958,467	1,600,452	358,015	418,811	233,931	184,880
Claims on Banks		0%	-	-	-	-	-	-
	1	20%	1,704,305	-	1,704,305	1,405,213	-	1,405,213
	2,3	50%	42	-	42	2,406,838	-	2,406,838
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
	Unrated	50%	96,281	-	96,281	210,272	-	210,272
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less		0%	-	-	-	-	-	-
	1,2,3	20%	269,932	-	269,932	249,939	-	249,939
	4,5	50%	1,114	-	1,114	7,420	-	7,420
	6	150%	-	-	-	-	-	-
	Unrated	20%	2,245,005	-	2,245,005	1,873,976	-	1,873,976
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR		0%	-	-	-	-	-	-
	20%	19,655,020	-	19,655,020	26,224,979	-	26,224,979	
Claims on Corporates (excluding equity exposures)		0%	-	-	-	-	-	-
	1	20%	15,741,256	4,617,201	11,124,055	11,051,404	3,575,000	7,476,404
	2	50%	6,878,417	248,215	6,630,202	1,389,451	150,000	1,239,451
	3,4	100%	617,04	53,258	563,782	53,813	53,813	1,772
	5,6	150%	-	-	-	-	-	-
	Unrated 1	100%	23,591,809	294,042	23,297,767	29,417,480	1,618,720	27,798,760
	Unrated 2	125%	9,936,774	761	9,936,013	9,612,741	4,591	9,608,150
Claims categorized as retail portfolio		0%	-	-	-	-	-	-
	20%	-	-	-	-	-	-	-
	50%	-	-	-	-	-	-	-
	75%	14,888,538	1,771,359	15,117,169	15,202,906	2,073,209	15,129,697	
Claims fully secured by residential property (Residential Mortgage finance as defined in Section 2.1)		35%	12,498,355	-	12,498,355	6,947,496	-	6,947,496
Past Due loans:								
1.1 where specific provisions are less than 20 percent of the outstanding amount of the past due claim		150%	2,868,281	276,250	2,592,031	1,355,312	276,250	1,079,062
1.2 where specific provisions are no less than 20 percent of the outstanding amount of the past due claim		100%	602,743	-	602,743	822,119	-	822,119
1.3 where specific provisions are more than 50 percent of the outstanding amount of the past due claim		50%	251,371	-	251,371	250,918	-	250,918
2. Loans and claimfully secured against eligible residential mortgages that are past due for more than 90 days and/ or impaired		100%	319,608	-	319,608	398,727	-	398,727
3. Loans and claimfully secured against eligible residential mortgage that are past due by 90 days and / or impaired and specific provision held there against is more than 20% of outstanding amount		50%	80,067	-	80,067	73,583	-	73,583
Investment in commercial entity (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated associate		100%	627,942	-	627,942	627,942	-	627,942
Significant investment and DIAs above 15% threshold (refer to Section 2.4.10 of Basel III instructions)		250%	666,789	-	666,789	400,615	-	400,615
Unlisted equity investments (other than that deducted from capital) held in banking book		150%	577,675	-	577,675	577,675	-	577,675
Investments in premises, plant and equipment and all other fixed assets		100%	5944,358	-	5944,358	6,186,259	-	6,186,259
All other assets		100%	14,017,129	-	14,017,129	12,231,657	-	12,231,657

40.1.2.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standard and IRB Approaches

The 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 and lien on deposit accounts.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by the 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.

40.2 Equity Position Risk in the Banking book

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 Financial Reporting 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 the profit and loss account.

40.3 Yield / Profit Rate Risk in the banking book

It includes all material yield risk positions of the Bank taking into account all repricing and maturity data. It includes current balances and contractual yield rates, the Bank understands that its Islamic financing and related assets shall be repriced as per their respective contracts.

The Bank estimates changes in the economic value of equity due to changes 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.

40.4 Market Risk

Market risk is defined as the risk of losses in on-and-off balance sheet positions arising from movements in market prices e.g. fluctuations in values in tradable, marketable or leasable assets. The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates and benchmark yields.

The Bank uses various tools and techniques to assess market risk including but not limited to full valuation, stress testing, scenario analysis. These assessment methods enable the Bank to estimate changes in the value of the portfolio, if exposed to various risk factors.

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.

The VaR reports are complemented by various other position and sensitivity limit structures, including stress, sensitivity, gap and scenario analysis. The capital charge for market risk has been calculated by using Standardized Approach.

40.4.1 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuations of exchange rates.

In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the Bank purchases or sells currencies in today / ready and gives or receives unilateral promises for sale or purchase of FX at future dates in a long or short position in different currency pairs. These positions expose the Bank to foreign exchange risk. To control this risk, the Bank primarily uses notional principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Bank. The Bank also strictly adheres to all associated regulatory limits.

Following is the summary of the assets of the Bank subject to foreign exchange risk.

2017				
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	212,658,698	198,746,945	(7,206,404)	6,705,349
United States Dollar	2,611,705	2,924,961	6,242,049	5,928,793
Great Britain Pound	479,939	477,915	300,010	302,034
Japanese Yen	12,381	6,690	388,986	394,677
Euro	301,912	314,384	258,114	245,642
U A E Dirham	22,344	14,803	6,407	13,948
Asian Currency Unit	71,996	-	-	71,996
Swiss Franc	1,306	-	10,838	12,144
Australian Dollar	2,921	1,147	-	1,774
Saudi Riyal	1,493	-	-	1,493
Canadian Dollar	313	1,831	-	(1,518)
Turkish Lira	136	-	-	136
	<u>216,165,144</u>	<u>202,488,676</u>	<u>-</u>	<u>13,676,469</u>
2016				
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	172,040,044	159,779,592	(6,197,348)	6,063,104
United States Dollar	8,121,391	8,032,902	5,438,503	5,526,992
Great Britain Pound	315,222	280,151	183,998	219,069
Japanese Yen	18,887	6,107	-	12,780
Euro	297,758	298,682	574,847	573,923
U A E Dirham	3,301	6	-	3,295
Asian Currency Unit	41,841	-	-	41,841
Swiss Franc	3,574	-	-	3,574
Australian Dollar	3,242	1,223	-	2,019
Saudi Riyal	656	-	-	656
Canadian Dollar	116	2,841	-	(2,725)
Turkish Lira	138	-	-	138
	<u>180,846,170</u>	<u>168,401,504</u>	<u>-</u>	<u>12,444,666</u>

40.4.2 Mismatch Of Yield / Profit Rate Sensitive Assets And Liabilities

Effective Yield / Profit rate	Total	2017										Non-profit bearing financial instruments
		Exposed to Yield / Profit risk										
		Up to 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		
On-balance sheet financial instruments												
Assets												
2.17%		-	-	-	-	-	-	-	-	-	-	11,784,180
5.74%		97	-	-	-	-	-	-	-	-	-	801,710
6.04%		13,174,971	7,644,730	441,669	110,417	-	-	-	-	-	-	-
6.70%		42,092,166	220,000	4,697,936	-	34,256,300	-	-	-	-	-	2,185,586
		119,155,039	26,072,520	41,199,331	19,936,001	961,445	1,187,921	2,759,615	130,689	1,891,292	15,201,849	-
		3,793,449	-	-	-	-	-	-	-	-	-	3,793,449
		199,004,428	33,937,250	46,338,936	20,045,418	35,217,745	1,187,921	2,759,615	130,689	1,891,292	33,771,774	-
Liabilities												
5.70%		-	-	-	-	-	-	-	-	-	-	2,983,996
2.88%		4,983,365	1,088,045	1,917,492	5,000,000	-	-	-	2,581,488	-	-	-
		179,249,290	120,440,026	-	-	-	-	-	-	-	-	58,809,264
		14,25,381	-	-	-	-	-	-	-	-	-	1,425,381
		199,234,067	1,088,045	1,917,492	5,000,000	-	-	-	2,581,488	-	-	63,225,641
On-balance sheet gap												
		(23,629)	32,849,205	44,421,444	15,045,418	35,217,745	1,187,921	2,759,615	(2,450,799)	1,891,292	(29,451,867)	-
NON FINANCIAL ASSETS												
		9,072,487										
		7,701,906										
		387,324										
		17,161,717										
NON FINANCIAL LIABILITIES												
		-										
		3,254,619										
		13,676,469										
TOTAL NET ASSETS												
		(101,700,603)	32,849,205	44,421,444	15,045,418	35,217,745	1,187,921	2,759,615	(2,450,799)	1,891,292	(29,451,867)	-
Total Yield / Profit Risk Sensitivity Gap												
		(101,700,603)	(68,851,398)	(24,429,954)	(9,384,536)	25,833,209	27,021,130	29,780,745	27,329,946	29,221,258	(29,451,867)	-
Cumulative Yield / Profit Risk Sensitivity Gap												

2016										
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	Above 10 Years	
----- Rupees in '000 -----										
On-balance sheet financial instruments										
<i>Assets</i>										
Cash and balances with Treasury Banks	8,921,433	-	-	-	-	-	-	-	-	8,921,433
Balances with other Banks	1,140,150	95	-	-	-	-	-	-	-	1,140,245
Due from financial institutions	27,218,665	5,722,557	9,135,008	-	12,361,100	-	-	-	-	-
Investments	46,316,927	900,986	1,927,192	5,240,220	-	-	36,026,626	-	-	2,221,893
Islamic financing and related assets and advances	77,816,802	10,146,567	12,872,093	8,133,553	15,433,492	1,153,956	2,888,048	10,067,761	6,337,980	2,083,846
Other assets	3,795,464	-	-	-	-	-	-	-	-	3,795,464
	165,209,441	16,770,206	23,934,293	13,374,083	27,794,592	1,153,956	38,884,674	10,067,761	6,337,980	18,162,691
<i>Liabilities</i>										
Bills payable	2,273,934	-	-	-	-	-	-	-	-	2,273,934
Due to financial institutions	6,066,307	1,030,000	634,000	2,041,550	-	-	-	-	-	-
Deposits and other accounts	154,399,657	104,845,285	-	-	-	-	-	-	-	49,554,372
Other liabilities	1,678,449	-	-	-	-	-	-	-	-	1,678,449
	164,418,347	105,875,285	634,000	2,041,550	-	-	-	-	-	53,506,755
On-balance sheet gap										
	79,1094	(89,105,080)	23,300,293	11,332,533	27,794,592	1,153,956	38,884,674	10,067,761	6,337,980	(35,344,064)
NON FINANCIAL ASSETS										
Operating fixed assets	9,347,525	-	-	-	-	-	-	-	-	-
Deferred tax assets	5,918,460	-	-	-	-	-	-	-	-	-
Other assets	370,744	-	-	-	-	-	-	-	-	-
	15,636,729	-	-	-	-	-	-	-	-	-
NON FINANCIAL LIABILITIES										
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,983,157	-	-	-	-	-	-	-	-	-
TOTAL NET ASSETS										
Total Yield / Profit Risk Sensitivity Gap		(89,105,080)	23,300,293	11,332,533	27,794,592	1,153,956	38,884,674	10,067,761	6,337,980	(35,344,064)
Cumulative Yield / Profit Risk Sensitivity Gap		(89,105,080)	(65,804,787)	(54,472,254)	(26,677,662)	(25,523,706)	13,360,968	23,428,729	36,135,158	(35,344,064)

40.5 Liquidity Risk

Liquidity risk is the potential loss to the Bank arising from its inability either to meet its obligations (financial) or to fund increases in assets as they fall due without incurring unacceptable costs or losses.

BIPL's liquidity at various levels (day to day, short term, long term) is managed by the Treasury along with the Asset and Liability Management Committee (ALCO), which is one of the most important management level committees. Its role cannot be overemphasized here, it serves as a part of the critical trio with risk management and treasury department, monitoring and maintaining key liquidity ratios, a viable funding mix, depositor concentration, reviewing contingency plans etc.

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Bank's activities and in the management of its assets. The Bank maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new financings, participate in new investments when opportunities arise, and to meet any other commitments. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Bank calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per SBP Basel III Liquidity Standards issued under BPRD circular no 08 dated June 23, 2016. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile of Bank which requires banks to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days period. As of December 31, 2017, Bank's LCR stood at 123.69% against the SBP's minimum requirement of 90%.

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. Banks are expected to meet the NSFR requirement of at least 100% on an ongoing basis from December 31, 2017.

Governance of Liquidity risk management

Liquidity and related risks are managed through standardized processes established in the Bank. Board and senior management are apprised about liquidity profile of the Bank on periodic basis so as to ensure proactive liquidity management and to avoid abrupt shocks. The management of liquidity risk within the Bank is undertaken within limits and other policy parameters set by ALCO, which meets monthly and reviews compliance with policy parameters. Day to day monitoring is done by the treasury while overall compliance is monitored and coordinated by the ALCO and includes reviewing the actual and planned strategic growth of the business and its impact on the statement of financial position and monitoring the Bank's liquidity profile and associated activities. Bank's treasury function has the primary responsibility for assessing, monitoring and managing bank's liquidity and funding strategy. Treasury Middle Office being part of Risk management group is responsible for the independent identification, monitoring & analysis of risks inherent in treasury operations. The bank has in place duly approved Treasury investment policy and strategy along with liquidity risk tolerance/appetite levels. These are communicated at various levels so as to ensure effective liquidity management for the Bank.

Funding Strategy

Bank's prime source of liquidity is the customer's deposit base. Within deposits, Bank strives to maintain a healthy core deposit base in form of current and saving deposits and avoid concentration in particular products, tenors and dependence on large fund providers. Further, Bank relies on Interbank borrowing for stop gap funding arrangements but same is less preferred source of liquidity. Within borrowing, sources of funding are also diversified to minimize concentration. Usually Interbank borrowing is for short term. The bank follows centralized funding strategy so as to ensure achievement of strategic and business objectives of the Bank.

Liquidity Risk Mitigation techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like cash to deposits, financing to deposit ratio, liquid assets to total deposits, Interbank borrowing to total deposits and large deposits to total deposits which are monitored on daily basis against different triggers levels and communicated to senior management and to ALCO forum regularly. Further, Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time buckets. For maturity analysis, behavioral study techniques are also used to determine the behavior of non-contractual assets and liabilities based on historic data and statistical techniques. The Bank also ensures to maintain statutory cash and liquidity requirements all times.

Liquidity Stress Testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits and increase in assets, withdrawals of wholesale / large deposits & interbank borrowing and utilization of undrawn credit lines etc. Results of same are escalated at the senior level so as to enable the senior management to take proactive actions to avoid liquidity crunch for the Bank.

Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity management framework of the bank which identifies the trigger events that could cause a liquidity crisis and describes the actions to be taken to manage the crisis. At bank, a comprehensive liquidity contingency funding plan is prepared which highlights liquidity management chain that needs to be followed. Responsibilities and crisis management phases are also incorporated in order to tackle the liquidity crisis. Moreover, CFP highlights possible funding sources, in case of a liquidity crisis.

Main drivers of LCR Results

Main drivers of LCR Results are High Quality Liquid Assets and Net cash outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are as prescribed by the regulator.

Composition of High Quality Liquid Assets - HQLA

High Quality Liquid Assets composed of Level-1 Assets which can be included in the stock of liquid assets at 100% of their market value. Bank has taken Cash & treasury balances, Investments in GoP Ijarah Sukuks classified as Available for Sale category and foreign currency placements issued by sovereigns. Further, Level 2-A asset category includes investment in corporate sukuk.

Concentration of Funding Sources

Being a commercial bank, it relies on funds provided by depositors. However the Bank has been continuously improving upon its ratio of core deposits. Current and Saving accounts consist of 76.02% of total deposits, term deposits are 23.98% and borrowing from SBP and financial institutions is 4% of total deposits. Moreover the Bank does not rely on top few depositors to meet its funding requirements. This clearly shows that the funding sources for the Bank are well diversified.

Currency Mismatch in the LCR

Currency mismatch is minimal as FCY deposits are 2.11% of Bank's total deposits.

40.5.1 Liquidity Coverage Ratio (LCR)

	Total Un-weighted Value (Average) A	Total Weighted Value (Average) B
High quality liquid assets		
- Total high quality liquid assets (HQLA)	41,631,260	40,611,752
Cash outflows		
- Retail deposits and deposits from small business customers of which:		
stable deposit	-	-
Less stable deposit	76,364,715	7,636,471
	76,364,715	7,636,471
Unsecured wholesale funding of which:		
Operational deposits (all counterparties)	-	-
Non-operational deposits (all counterparties)	99,717,267	31,068,413
Unsecured debt	8,388,020	8,388,020
	108,105,287	39,456,434
Secured wholesale funding	-	-
Additional requirements of which:		
Outflows related to derivative exposures and other collateral requirements	-	-
Outflows related to loss of funding on debt products	-	7
Credit and Liquidity facilities	28,537,288	2,478,571
	28,537,288	2,478,578
Other contractual funding obligations	-	-
Other contingent funding obligations	2,809,912	140,496
	2,809,912	140,496
Total cash outflows	215,817,202	49,711,978
Cash inflows		
Secured lending	-	-
Inflows from fully performing exposures	27,182,408	20,180,028
Other Cash inflows	312,980	312,980
Total cash inflows	27,495,388	20,493,008
Total High Quality Liquid Assets (HQLA)		40,611,752
Total Net Cash Outflows		29,218,971
Liquidity Coverage Ratio		138.99%

40.52 Net Stable Funding Ratio (NSFR)

ASF Item

Capital

Regulatory capital
Other capital instruments
Less stable deposits

No Maturity	Un-weighted value by residual maturity			Weighted value
	< 6 months	6 months to < 1 year	≥ 1 year	

15,392,447	-	-	-	15,392,447
-	-	-	-	-
-	36,999,645	14,173,268	128,081,501	166,991,178

Wholesale funding

Operational deposits
Other wholesale funding

-	-	-	-	-
-	-	-	2,712,303	2,712,303

Other liabilities:

NSFR derivative liabilities
All other liabilities and equity not included in other categories
Total ASF

-	-	-	1,299,583	-
-	-	5,000,000	-	2,500,000
15,392,447	36,999,645	19,173,268	132,093,387	187,595,928

RSF item

Total NSFR high-quality liquid assets (HQLA)
Deposits held at other financial institutions for operational purposes
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:
With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk
Securities that are not in default and do not qualify as HQLA including exchange-traded equities
Other assets:
Physical traded commodities, including gold
Assets posted as initial margin for derivative contracts
NSFR derivative assets
NSFR derivative liabilities before deduction of variation margin posted
All other assets not included in the above categories
Off-balance sheet items
Total RSF

-	-	-	41,258,032	2,573,568
-	-	-	-	-
-	21,216,767	-	-	3,221,161
-	-	-	51,781,489	44,014,266
-	-	-	33,499,069	21,774,395
242,726	-	-	-	206,317
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,612,562	-	-	-
-	312,980	-	-	312,980
-	-	-	91,905,725	49,104,962
-	12,412,568	2,310,675	31,494,799	2,310,902
242,726	35,554,877	2,310,675	249,939,114	123,518,551

Net Stable Funding Ratio (%)

151.88%

The Liquidity coverage ratio and Net stable funding ratio are applicable from 2017 onwards, therefore, comparative information is not applicable.

40.5.3 MATURITIES OF ASSETS AND LIABILITIES

[illegible]

2016																	
Up to 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	
Total	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity
Rupees in '000																	
Assets																	
Cash and balances with treasury banks	8,921,433	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,140,150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	27,218,665	5,722,588	9,135,007	12,361,100	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	46,316,927	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Islamic financing and related assets and advances	77,816,802	11,429,106	12,897,161	8,134,121	-	15,298,280	-	1,358,237	-	3,241,341	-	10,106,651	-	8,989,533	-	5,688,155	-
Operating fixed assets	9,347,525	-	-	-	53,851	-	-	62,716	-	-	-	886,318	-	1,563,533	-	6,779,287	-
Deferred tax assets	5,918,460	-	-	-	-	-	-	-	-	-	-	5,918,460	-	-	-	-	-
Other assets	4,166,208	2,694,712	-	-	13,250	-	453,626	-	-	-	-	-	-	1,004,620	-	-	-
	180,846,170	12,756,295	18,239,728	22,010,168	67,101	22,464,294	453,626	15,298,280	-	1,424,953	40,669,341	6,844,778	10,230,286	2,563,973	8,989,533	6,779,287	12,072,487
Liabilities																	
Bills payable	2,273,934	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	6,066,307	1,830,000	-	634,000	-	2,441,550	-	-	-	-	-	-	-	2,360,759	-	-	-
Deposits and other accounts	154,399,657	7,890,805	-	8,443,415	-	6,379,652	-	11,074,028	27,667,270	2,699,381	2,612,425	-	4,196,899	-	6,988	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,661,606	1,863,609	59,106	-	138,308	-	976,040	-	-	-	-	2,624,536	-	-	-	-	-
	168,401,504	59,840,159	8,970,805	9,077,415	138,308	8,421,202	976,040	11,074,028	27,667,270	2,699,381	2,612,425	2,624,536	4,196,899	2,360,759	6,988	-	-
Net assets	12,444,666	(47,083,942)	9,338,923	12,932,753	(71,207)	14,043,092	(522,421)	4,224,252	(27,667,270)	(1,278,428)	(27,667,270)	38,056,916	4,180,242	6,033,387	249,216	8,923,795	6,779,287

Rupees in '000	
Share capital	10,079,121
Discount on issue of shares	(79,042)
Reserves	613,636
Unappropriated profit	212,553
Surplus on revaluation of assets	1,618,398
	<u>12,444,666</u>

40.6 Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external / internal events. The risk is different from the others, since it has a greater level of uncertainty and may be termed as a little difficult to measure. The Bank believes that prudence should be lived and breathed through the organizational culture.

At a more formal level, the Bank has strengthened its risk management framework by developing policies, guidelines and manuals. Operational and other risk assessment tool e.g. Risk Control and Self Assessment (RCSA) is being effectively used to assess, mitigate and monitor possible risk that may arise in any of the Bank's financial product or department. Operational Loss Database (OLD) records all the internal / external potential operational losses which helps the management understand the causes and impact of these risks.

40.7 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.

40.8 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 the 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.

40.9 Shariah Non-compliance Risk

Shariah non-compliance risk is the risk that arises from an Islamic bank's failure to comply with the Shariah rules and principles prescribed by the State Bank of Pakistan and / or the Shariah Board of the Bank. It remains the most important operational risk for an Islamic bank. Compliance of Shariah guidelines must permeate throughout the organisation and its adherence should be reflected in the products and activities.

41 TRUST ACTIVITIES

Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These are not assets of the bank and, therefore, are not included in statement of financial position. Following is the list of assets held under trust:

Category	Type	No. of IPS account		Face Value	
		2017	2016	2017	2016
-----Rupees in '000-----					
Insurance Companies	Sukuks	2	1	278,000	220,000
Asset Management Companies	Sukuks	22	24	1,206,740	1,426,240
Employee Funds / NGO's	Sukuks	4	5	28,000	138,250
Individuals	Sukuks	8	9	103,295	137,795
Others	Sukuks	25	21	6,091,965	4,537,715
		61	60	7,708,000	6,460,000

42 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2017:

- General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
- Special Modaraba Deposits Pool
- Treasury Special Pools

The deposits and funds accepted under the General Deposit Mudarabah Pool is provided to different sectors of economy mainly to 'Textile and Allied', 'Energy', 'Fertilizer', 'Trading', 'Consumer Finance' and 'GOP Ijarah Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy via different Islamic financing modes such as Murabahah, Istisna etc.

Key features and risk & reward characteristics of all pools

The 'General Deposit Mudarabah Pool' for both local and foreign currency is to cater all depositors of BIPL and provide profit / loss based on actual returns earned by the pool. Depositors are Rabb-ul-Maal as they are the provider of capital while the Bank acts as Mudarib by investing these funds in business. Since there are more than one Rabb-ul-Maal (depositor), their mutual relationship is that of Musharakah. Profit is shared among Mudarabah partners (Bank and depositors) as per pre-agreed profit sharing ratio. Whereas, profit sharing among the depositors is based on pre-assigned weightages. Loss, if any, is borne by Rabb-ul-Maal as per the principles of Mudarabah.

The IERS Pool caters to the 'Islamic Export Refinance Scheme' requirements based on the guidelines issued by the SBP. In this Scheme, SBP enters into a Musharakah arrangement with the Bank for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabahah, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the Bank's IERS Musharakah pool. IERS pool consists of blue chip companies to whom the Bank has provided financing facilities on Shariah compliant modes including IERS facility. Profit is shared according to an agreed weightage and loss is shared according to the investment ratio. The Special Mudarabah Deposits Pools for local currency are created to attract and retain clients expecting specific returns. The funds received against these deposits are invested in various Shariah compliant assets.

Treasury Pools are managed on the basis of Musharakah, wherein BIPL and partner (Financial Institution) share actual return earned by the pool according to pre-defined profit sharing ratio.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool. The pool is exposed to following kinds of risks:

- 1 **Asset Risk:** The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Bank has prepared detailed product manuals in order to identify and properly mitigate such risk. The Bank also analyses transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professionals having considerable experience in the field of Islamic banking and finance. Nevertheless since Islamic banking is a nascent industry, we believe that the process of further improvement will continue as the business grows.
- 2 **Credit Risk:** Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 40.1 to these financial statements.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Gross income (Revenue less cost of goods sold and after deduction of other direct expenses), generated from relevant assets is calculated at the end of the month. The income is shared between the Bank and the depositors as per agreed profit sharing ratio after deduction of commingled Bank's equity share on pro rata basis. The residual is shared among depositors as per agreed weightages. These weightages and profit sharing ratios are declared by the Bank in compliance with the requirements of the SBP and Shariah.

The allocation of income and expenses to different pools is based on pre-defined basis and accounting principles / standards. Direct expenses are charged to respective pool, while indirect expenses are borne by the Bank as Mudarib. The direct expenses charged to the pool are direct cost in financing / investment transactions (i.e. Murabahah, Ijarah, Diminishing Musharakah, Istisna, Karobar Financing, Salam, etc.) and depreciation of Ijarah assets. The general and specific provisions created against non-performing Islamic financing and related assets and diminution in the value of investments as under prudential regulations and other SBP directives have been borne by the Bank as Mudarib.

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
(Rupees in '000)						(Rupees in '000)		
PKR Pool	Monthly	8.30%	50.00%	50.00%	3,395,301	4.17%	29.71%	1,008,762
USD Pool	Monthly	0.69%	50.00%	50.00%	5,991	0.37%	12.02%	720
GBP Pool	Monthly	0.05%	50.00%	50.00%	45	0.03%	18.33%	8
EURO Pool	Monthly	0.01%	50.00%	50.00%	8	0.00%	0.00%	-

Specific Musharakah Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Client Share %	Bank Share %	Bank Share	Profit rate return distributed	Percentage of Hiba to Client	Amount of Hiba to IERS Client
(Rupees in '000)						(Rupees in '000)		
Islamic Export Refinance (IERS) Musharakah Pool	Monthly	4.94%	22.30%	77.70%	150,910	1.97%	0.00%	-

Specific Mudarabah a Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Depositor Share %	Mudarib Share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba to special remunerative deposits.
(Rupees in '000)						(Rupees in '000)		
(i) Special Mudarabah Deposits PKR Pool	Monthly	7.82%	50.00%	50.00%	65,444	5.93%	51.83%	33,922.51

- (ii) In addition to the above, 149 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

43 GENERAL

Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.

The figures in the financial statements have been rounded off to the nearest thousand rupee.

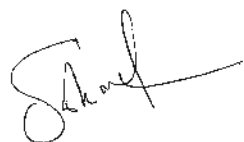
43.1 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the year except as disclosed below:

		2017
Reclassified from	Reclassified to	Rupees in '000
Fee, commission and brokerage income	Administrative expenses	89,817

44 DATE OF AUTHORISATION FOR ISSUE

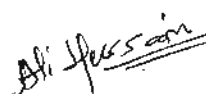
These unconsolidated financial information were authorised for issue on April 6, 2018 by the Board of Directors of the Bank.



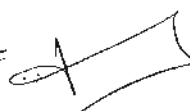
CHIEF FINANCIAL
OFFICER



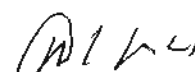
PRESIDENT /
CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR

Annexure I

Details of disposal of fixed assets to the Chief Executive Officer or to a Director or to Executives, irrespective of the value, and to any other person having cost more than Rs 1 million or net book value of Rs 250,000 or above are as follows:

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
	Rupees in '000						
HP Laptop Probook 4530	-	-	-	5	5	Bank Policy	Sadrudin Piyar Ali - HOD Admin
Lenovo T420 Laptop	130	129	-	5	5	Bank Policy	Yaser Abbas - HOD Auto Finance
Laptop	123	123	-	5	5	Bank Policy	Bilal Zuberi - AOM
Laptop	123	123	-	5	5	Bank Policy	Aslam Arain - Section Head Internal Audit
Laptop	12	12	-	5	5	Bank Policy	Zawar Hussain - Section Head CAD
Laptop	125	125	-	5	5	Bank Policy	Hasan Aziz Bilgrami - CEO
Laptop	125	125	-	5	5	Bank Policy	Asif Shafi - Unit Head ISD
Laptop	123	123	-	5	5	Bank Policy	Hasan Rizvi - Section Head Internal Audit
Laptop	123	123	-	5	5	Bank Policy	Shamshad Ahmed - HOD Trade Finance
Laptop	123	123	-	5	5	Bank Policy	Saud Usmani - Section Head ISD Infrastructure
Laptop	123	123	-	5	5	Bank Policy	Mahmood Pasha - Section Head System Security
Laptop	123	123	-	5	5	Bank Policy	Shahzad Hussain - Section Head Core Banking ISD
Laptop	25	25	-	5	5	Bank Policy	Mohammad Ali - Section Head Finance
Laptop	133	133	-	5	5	Bank Policy	Wasim Sharif - Section Head Internal Audit Central
Genset	1,217	1,143	75	281	206	Tender	M/s. Adam Traders
Genset	1,031	886	145	188	43	Tender	M/s. Adam Traders
Genset	1,011	896	113	164	51	Tender	M/s. Adam Traders
Genset	6,558	6,132	426	2,800	2,374	Tender	M/s. Adam Traders
Network Equipment	8,167	8,167	-	-	-	Tender	M/s. Total Engineering
Routers & Thin Client	757	504	253	758	505	Takaful Claim	M/s. Pak Qatar Takaful Insurance Claim
Total	20,153	19,141	1,012	4,261	3,249		

Annexure II

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2017

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities				Principal written off	Profit / Mark-up written off	Other financial relief	Rupees in '000	
				Principal	Profit	Others					Total (5+6+7)	Total (9+10+11)
						5	6	7	8	9		
1	Gold Mark Associates Suite # 301, 3rd Floor, Baitala House, M. Perwez Street, Jodia Bazar, Karachi - 74000	Noor Ahmed Sheikh 42101-1542330-1	Akhlaq Hussain	1,999	280	-	2,279	485	280	-	765	
2	Hafiz Brothers Room No. 15, Old American Centre, Kasim Road, Rawalpindi	Adesh Roohan 37405-19715360-9	Roohan Din	3,999	1,258	-	4,857	-	1,258	-	1,258	
3	Atlas Cables (Pvt) Limited 9th Floor, Textile Plaza, Mumtaz Hassan Road, Karachi	1) S. Anehad Javed 42201-0255323-3 2) S. Danish Javed 42201-0255323-7 3) S. Almas Javed 42201-0400580-9 4) S. Adil Javed 42201-3345333-5	1) S. Nezar Hussain 2) S. Anehad Javed 3) S. Anehad Javed 4) S. Anehad Javed	11,339	7,166	-	18,505	10,339	7,166	-	17,505	
4	Shahin Textile Plot No. L-25, C-32, Block No. 22, Scheme No. 16, Federal B. Area, Karachi	1) Naim Ahmed 42000-0409635-9 2) Syed Ali Ahmed 42101-1493421-7 3) Musammi Hussain 42201-0254722-1 4) Fahad Ahmed 42201-0307107-5	1) Syed Aziz Ahmed 2) Syed Aziz Ahmed 3) Abdul Majid 4) Naim Ahmed	19,311	3,534	-	22,845	-	3,534	-	3,534	
5	Synthetic Fibres (Pvt.) Ltd. 10-A, North Central Avenue, Phase-I, DHA, Karachi	1) Syed Aliy Mehtab 42301-9669356-5 2) Mrs. Parvath Zehra 42301-5809755-6	1) Syed Aliy Imran Jafri 2) Syed Aliy Mehtab	9,989	2,866	-	12,755	-	2,866	-	2,866	
6	Alladin CMC Station Chakian Awan, Main Kahuta Road, Islamabad	IRFICAR Ahmed Qureshi 37405-6532485-5	Sabir Hussain	4,835	1,059	-	5,594	-	1,059	-	1,059	
7	Imam Sana Shop No. 3, Tayyaba Shopping Centre, Karachi Road, Nawabshah	Muhammad Nadeem Mirza 43402-0977356-7	Mrs. Ihsan Ul Haq	4,991	1,548	-	6,539	-	1,548	-	1,548	
8	Manzoor / Zubaida House # 83, Ghulam Hyder Shah Colony, Block B-5, Nawabshah	1) Manzoor 45402-0743325-3 2) Zubaida 45402-4388193-4	1) Muhammad Sadiq 2) Manzoor Ali	2,598	1,402	-	4,000	-	1,402	-	1,402	
9	Idam Manzoor House # 83, Ghulam Hyder Shah Colony, Block B-5, Nawabshah	Idam Manzoor 45402-1251782-1	Manzoor Ali Raipar	1,986	931	-	2,929	-	931	-	931	
10	Amira International E1 No. 187, Ahmad Block, New Garden Town, Lahore	1) Maszar Amir 35202-2850321-9 2) Shaheela Amir 35202-2679104-6	1) Amir Ahmed Khan 2) Maszar Amir	16,810	5,331	-	22,141	-	5,331	-	5,331	
11	Unmaz Ali Umar House No. C-46/47, Housing Society, Nawabshah	Unmaz Ali Umar 45402-0974830-1	Zaimul Abidin Umar	6,000	2,248	-	8,248	-	2,248	-	2,248	
12	Imdad Ali Umar House No. C-46/47, Housing Society, Nawabshah	Imdad Ali Umar 45402-0974835-3	Zaimul Abidin Umar	4,486	2,021	-	6,507	-	2,021	-	2,021	
13	Bromed Surgical Hakeem Street, Rahimpur, Kutchiyum Post Office, Burch, Sialkot	1) Salman Sheikh 34603-1036768-5 2) Usman Majid Sheikh 34603-2134540-9 3) Nighman Sheikh 34603-0528864-9	1) Sheikh Abdul Majid 2) Sheikh Abdul Majid 3) Sheikh Abdul Majid	16,000	792	-	16,792	-	792	-	792	

شعلا

خط تعلیق

منگولوں کی اسلامی علوم و فنون میں دلچسپی لینے کی وجہ سے ۱۶ھ میں ایک خط وجود میں آیا جسے تعلیق کہتے ہیں تعلیق کے معنی جوڑنا اس میں حروف اور کلمات باہم جڑے ہوئے ہوتے ہیں۔

Khat-e-Taleeq

When the Mongols in the 6th Hijri started taking interest in Islamic literature and culture, a new script Khat-e-Taleeq was developed. The reason behind the name is that words and sentences both are joined together.

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Annexure II

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2017

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities				Principal written off	Profit / Mark-up written off	Other financial relief	Rupees in '000	
				Principal	Profit	Others					Total (5+6+7)	
						5	6					7
1	2	3	4	5	6	7	8	9	10	11	Total (9+10+11)	12
14	Bromed Surgical Haleem Street, Rahimpur, Khichiyen Post Office, Bhatti, Sialkot	1) Salman Sheikh 34603-1036786-5 2) Usman Majid Sheikh 34603-2134360-9 3) Nagma Sheikh 34603-0526866-9	1) Sheikh Abdul Majid 2) Sheikh Abdul Majid 3) Sheikh Abdul Majid	16,000	5,594	-	21,594	-	5,594	-	5,594	5,594
15	Mera Sugar Mills 65-Infantry Road, Military Accounts Colony, Lahore	1) Raja Qadeer 35702-4999717-1 2) Muhammad Imshad Butt 35202-994463-1	1) Muhammad Imshad Butt 2) Abdul Aziz Butt	40,000	7,690	-	47,690	-	7,690	-	7,690	7,690
16	Muhammad Tahir Khan C/o. KASB Bank Ltd. 6th Floor, Capital Plaza, 11 Chundrigar Road, Karachi.	Muhammad Tahir Khan 42102-0697846-5	Muhammad Jahangir Khan	440	516	66	1,022	-	516	66	582	582
17	Ebrahim Ilyas Bawany 69-A, New Queens Road, Lalazar, Karachi.	Ebrahim Ilyas Bawany 87650-633624-1	Ilyas Bawany	7,804	37,553	-	45,357	-	37,553	-	37,553	37,553
18	Ahmed / Naeem Jahan Ara House # 9-H, 3rd Floor, Aslam-1, Ch. Khaliq Uz Zaman Road, Clifton, Karachi.	Ahmed / Naeem Jahan Ara 42301-9688101-1	Muhammad Hussain	6,624	2,910	-	9,534	-	2,910	-	2,910	2,910
19	Muhammad Iqbal Ul Haq House No. 14-C, Liaquat Town, Near Ideal Bakera, Faisalabad.	Muhammad Iqbal Ul Haq 35100-0612726-1	Iqbal Muhammad	4,070	1,077	-	5,147	-	1,074	3	1,077	1,077
20	Fatid Akhtar House No. E-44, Gulshan-e-Iqbal, Block- 4, Karachi.	Fatid Akhtar 42201-5317784-5	Hadi Hasan	5,299	2,058	-	7,357	-	1,192	-	1,192	1,192
21	Naseem Bano House # A-5, Naseem Deluxe Housing, Qasimabad, Hyderabad.	Naseem Bano 41306-1744633-6	Jamil Ahmed	854	630	11	1,496	-	546	-	546	546
22	Sardar Naeem House # 20, College Road, R-7/2, Islamabad.	Sardar Naeem 61101-2500194-3	Sardar Muhammad Aslam	22,995	34,255	-	57,250	-	29,250	-	29,250	29,250
				288,071	122,719	77	330,867	10,824	111,010	69	171,903	171,903

Directors Report

On behalf of the Board, I am pleased to present the Consolidated Annual Results of the Group for the year ended December 31, 2017. Following are the highlights:

	Dec-17	Dec-16	Growth (%)
	 Rupees in millions.....		
Total Deposits	179,002	153,826	16.37%
Total Assets	217,234	181,994	19.36%
Total Financing and related assets-net	119,007	77,667	53.23%
Total Investments-net	42,364	46,643	-9.17%
Shareholder's Equity	14,227	13,066	8.88%
Profit After Tax	1,690	647	161.14%
Basic Earning per share-rupees	1.664	0.639	160.15%
Branches network- Number	330	321	2.80%

Our Group performance remained satisfactory. The Group has been able to post growth in its Financings by 53.23% and Total Deposits by 16.37%.

We would like to place on record its deep appreciation to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support, guidance. Also, we would like to show our gratitude to the employees of Group for their contribution towards the Group's progress through their hard work and commitment.

On behalf of the Board,



Hasan A. Bilgrami
Chief Executive Officer

April 06, 2018

ڈائریکٹرز کی جامع رپورٹ

میں بورڈ کی جانب سے 31 دسمبر 2017 کو اختتام پذیر ہونے والے سال کے گروپ کے نتائج پیش کرتے ہوئے خوش محسوس کر رہا ہوں۔ اس کے اہم نکات درج ذیل ہیں۔

نمبر (فیصد)	دسمبر 16	دسمبر 17	
----- روپے ملین میں -----			
16.37%	153,826	179,002	کل ڈپازٹ
19.36%	181,994	217,234	کل اثاثے
53.23%	77,667	119,007	کل تمویل اور متعلقہ اثاثے۔ صافی
-9.17%	46,643	42,364	کل سرمایہ کاری۔ صافی
8.88%	13,066	14,227	حصہ داران کی سرمایہ کاری
161.14%	647	1,690	بعد از ٹیکس نفع
160.15%	0.639	1.664	فی حصہ بنیادی آمدنی۔ روپوں میں
2.80%	321	330	شاخیں۔ تعداد

ہمارے گروپ کی کارکردگی قابل اطمینان رہی۔ مجموعی طور پر گروپ 53.23% تمویل میں، اور 16.37% ڈپازٹ میں بالترتیب اضافہ کرنے میں کامیاب ہوا۔ ہم اسٹیٹ بینک اور سیکورٹی ایجنسی کمیشن آف پاکستان کی مسلسل مدد اور رہنمائی پر اپنی انتہائی تحسین کو ریکارڈ کا حصہ بنانا چاہتے ہیں۔ ہم اپنے گروپ کے ملازمین کی گروپ کی کارکردگی میں اپنی وابستگی، اور محنت کے ذریعے حصہ ڈالنے پر شکریہ ادا کرتے ہیں۔

بورڈ کی جانب سے



حسن اے بلکڑی

انصر اعلیٰ

6 اپریل 2018

Auditors' Report To The Members On Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of BankIslami Pakistan Limited ("the Bank") and its subsidiary companies (the Group) as at 31 December 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Bank and have performed a limited scope review under the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the subsidiary company, namely BankIslami Modarba Investment Limited. The financial statements of subsidiary companies, namely BIPL Securities Limited (formerly KASB Securities Limited) and Structured Ventures (Private) Limited were audited by other firms of Chartered Accountants whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. The financial statements of another subsidiary company namely My Solutions Corporation Limited are consolidated by the Bank on the basis of unaudited financial statements.

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.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary companies as at 31 December 2017 and the results of their operations for the year then ended.



Chartered Accountants
Audit Engagement Partner: Omer Chughtai
EY Ford Rhodes, Chartered Accountants

Date: April 6, 2018

Karachi



خَطِ ثُلُث

خَطِ ثُلُث کو اُمُّ الْخُطُوط بھی کہا جاتا ہے کیونکہ اسے بنیاد بنا کر مختلف دیگر خطوط تخلیق کئے گئے ہیں اس کا بانی ابراہیم شجری ہے جو اپنے زمانے کا سب سے مشہور خطاط تھا اور اس کی خوبصورتی کی وجہ سے اسے مساجد میں استعمال کیا جاتا تھا

Khat-e-Thuluth

It is also known as 'Khat-e-Sulus', this script is known as the 'Mother of all Scripts' as it is the basis of various styles through slight changes of form. It was invented by Ibrahim Shijri, the most famous calligrapher of his era, and was used in medieval times on mosque decorations because of its elegance.

بَيْتُكَ إِسْلَامِي



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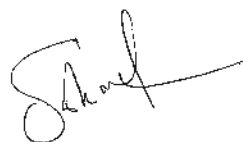
24/7 Phone Banking
111-ISLAMI (111-475264)

Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2017

	Note	2017	2016
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	11,784,180	8,921,433
Balances with other banks	8	1,149,355	1,324,167
Due from financial institutions - net	9	21,371,787	27,218,665
Investments - net	10	42,363,753	46,643,174
Islamic financing and related assets and Advances (net)	11	119,006,779	77,667,276
Operating fixed assets	12	9,148,064	9,412,129
Deferred tax asset - net	13	7,613,022	5,820,956
Other assets - net	14	4,796,975	4,985,840
		217,233,915	181,993,640
LIABILITIES			
Bills payable	15	2,988,996	2,273,934
Due to financial institutions	16	15,570,390	6,066,307
Deposits and other accounts	17	179,001,578	153,826,348
Sub-ordinated loans		-	-
Deferred tax liabilities		-	-
Other liabilities	18	5,445,715	6,760,717
		203,006,679	168,927,306
NET ASSETS		14,227,236	13,066,334
REPRESENTED BY:			
Share capital	19	10,079,121	10,079,121
Discount on Issue of shares		(79,042)	(79,042)
Reserves	20	926,266	613,636
Unappropriated profit		1,893,736	518,942
Total equity attributable to equity holders of the Bank		12,820,081	11,132,657
Non-controlling interest		205,242	192,350
		13,025,323	11,325,007
Surplus on revaluation of assets - net of tax	21	1,201,913	1,741,327
		14,227,236	13,066,334
CONTINGENCIES AND COMMITMENTS			
	22		

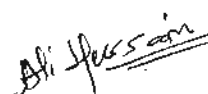
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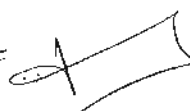
CHIEF FINANCIAL
OFFICER



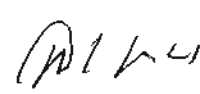
PRESIDENT /
CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



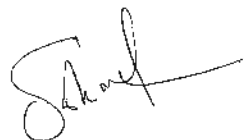
DIRECTOR

Consolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
Profit / return earned	23	10,323,727	10,115,839
Profit / return expensed	24	5,230,502	5,764,188
Net spread earned		5,093,225	4,351,651
Reversal of provision against non-performing Islamic financing and related assets - net	11.16.2	(477,688)	(1,724,387)
Provision / (reversal of provision) for diminution in the value of investments and placements - net	9 & 10.5	210,600	(337,547)
Bad debts written off directly	11.18	-	32,008
		(267,088)	(2,029,926)
Net spread after provisions		5,360,313	6,381,577
OTHER INCOME			
Fee, commission and brokerage income		647,468	361,536
Dividend Income		33,030	24,245
Income from dealing in foreign currencies		84,214	42,808
Gain on sale of securities	25	122,100	97,772
Unrealised (loss) / gain on revaluation of investments classified as 'held for trading'		(327)	678
Other income	26	77,852	73,673
Total other income		964,337	600,712
		6,324,650	6,982,289
OTHER EXPENSES			
Administrative expenses	27	6,295,778	6,154,969
Other (reversals) / charges - net		(124,882)	68
Other charges	28	21,733	17,736
Total other expenses		6,192,629	6,172,773
		132,021	809,516
Profit for the year from BIPL Securities Limited - net of tax	29	34,441	11,179
Share of profit from associates	10.10	104,530	216,291
PROFIT BEFORE TAXATION		270,992	1,036,986
Taxation			
- Current	30	141,711	106,229
- Prior years	30	74	(20)
- Deferred	30	(1,560,361)	283,779
		(1,418,576)	389,988
PROFIT AFTER TAXATION		1,689,568	646,998
ATTRIBUTABLE TO:			
Equity shareholders of the Bank		1,676,676	644,503
Non-controlling interest		12,892	2,495
		1,689,568	646,998
		----- Rupees -----	
Basic earnings per share	31	1.6635	0.6394
Diluted earnings per share	31	1.6635	0.6394

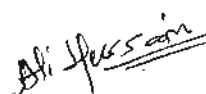
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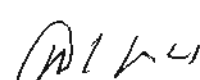
PRESIDENT /
CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



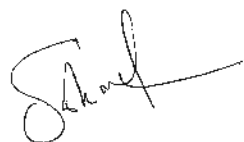
DIRECTOR

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	— Rupees in '000 —	
Profit after taxation for the year attributable to:		
Equity shareholders of the Bank	1,676,676	644,503
Non-controlling interest	12,892	2,495
	<u>1,689,568</u>	<u>646,998</u>
Other Comprehensive Income		
Items that may not be reclassified to profit and loss account in subsequent periods		
Remeasurement of defined benefit plan	120	17,914
Tax on remeasurement of defined benefit plan	(40)	(6,269)
	<u>80</u>	<u>11,645</u>
Comprehensive income transferred to statement of changes in equity	<u>1,689,648</u>	<u>658,643</u>
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of available for sale investments - net of tax		
Equity shareholders of the Bank	(585,490)	826,802
Non-controlling interest	(51,736)	28,518
	<u>(637,226)</u>	<u>855,320</u>
Total comprehensive income for the year	<u><u>1,052,422</u></u>	<u><u>1,513,963</u></u>

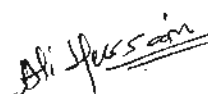
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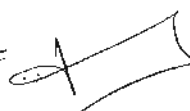
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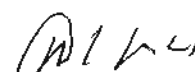
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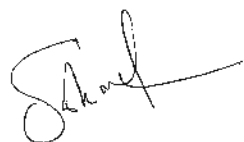
DIRECTOR

Consolidated Cash Flow Statement

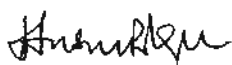
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		270,992	1,036,986
Less: Dividend Income		(33,030)	(24,245)
Less: Share of profit from associates		(104,530)	(216,291)
		<u>133,432</u>	<u>796,450</u>
Adjustments for non-cash charges and other items:			
Depreciation on owned assets	27	707,844	634,381
Depreciation on non banking assets	27	6,634	6,533
Amortisation	27	63,180	60,927
Depreciation on operating Ijarah assets	11.14	1,383,698	1,239,614
Reversal of provision against non-performing Islamic financing and related assets - net	11.16.2	(477,688)	(1,724,387)
Provision / (reversal of provision) for diminution in the value of investments and placements - net	9 & 10.5	210,600	(337,547)
Bad debts written off directly		-	32,008
Other (reversals) / charges - net		(124,882)	68
Unrealised loss on revaluation of investments classified as held for trading		327	(7,739)
Charge for defined benefit plan	27	81,604	73,126
Gain on sale of property and equipment	26	(13,577)	(29,855)
		<u>1,837,740</u>	<u>(52,871)</u>
		<u>1,971,172</u>	<u>743,579</u>
(Increase) / decrease in operating assets			
Due from financial institutions		5,846,878	12,642,209
Islamic financing and related assets		(42,245,513)	(8,653,660)
Others assets (excluding defined benefit assets)		183,968	(963,324)
		<u>(36,214,667)</u>	<u>3,025,225</u>
Increase / (decrease) in operating liabilities			
Bills payable		715,062	750,001
Due to financial institutions		9,504,083	2,868,537
Deposits and other accounts		25,175,230	1,165,208
Other liabilities (excluding current taxation and unrealised loss on forward sale promises)		(1,369,485)	1,002,262
		<u>34,024,890</u>	<u>5,786,008</u>
		<u>(218,605)</u>	<u>9,554,812</u>
Payments against defined benefit plan	34	-	(64,088)
Income tax paid		(168,906)	(158,392)
Net cash (used in) / generated from operating activities		<u>(387,511)</u>	<u>9,332,332</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		3,535,798	(8,987,572)
Dividend received		33,030	24,245
Investments in operating fixed assets		(511,029)	(1,208,368)
Proceeds from disposal of operating fixed assets		17,647	32,807
Net cash generated from / (used in) investing activities		<u>3,075,446</u>	<u>(10,138,888)</u>
Increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	32	2,687,935	(806,556)
		<u>10,245,600</u>	<u>11,052,156</u>
Cash and cash equivalents at the end of the year	32	<u>12,933,535</u>	<u>10,245,600</u>

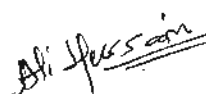
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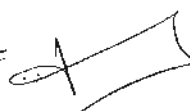
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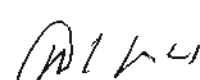
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CHAIRMAN



DIRECTOR



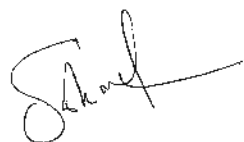
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2017

	Attributable to equity shareholders of the Bank						Non - controlling interest	Total
	Share capital	Discount on Issue of shares	Statutory reserve	Reserve for bad debts & contingencies	(Accumulated loss) / Unappropriated profit	Sub total		
	Rupees in '000							
Balance as at January 01, 2016	10,079,121	(79,042)	273,176	250,000	(57,295)	10,465,960	189,855	10,655,815
Profit after taxation for the year	-	-	-	-	644,503	644,503	2,495	646,998
Other comprehensive income for the year	-	-	-	-	11,645	11,645	-	11,645
Total comprehensive income for the year	-	-	-	-	656,148	656,148	2,495	658,643
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	10,381	10,381	-	10,381
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	168	168	-	168
Transfer to statutory reserve	-	-	90,460	-	(90,460)	-	-	-
Balance as at December 31, 2016	10,079,121	(79,042)	363,636	250,000	518,942	11,132,657	192,350	11,325,007
Profit after taxation for the year	-	-	-	-	1,676,676	1,676,676	12,892	1,689,568
Other comprehensive income for the year	-	-	-	-	80	80	-	80
	-	-	-	-	1,676,756	1,676,756	12,892	1,689,648
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	10,398	10,398	-	10,398
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	270	270	-	270
Transfer to statutory reserve	-	-	312,630	-	(312,630)	-	-	-
Balance as at December 31, 2017	10,079,121	(79,042)	676,266	250,000	1,893,736	12,820,081	205,242	13,025,323

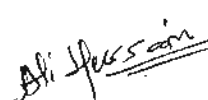
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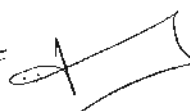
CHIEF FINANCIAL
OFFICER



PRESIDENT /
CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR

Notes to and Forming Part of the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2017

1 STATUS AND NATURE OF BUSINESS

The Group comprises of:

1.1 BankIslami Pakistan Limited (Holding Company)

BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking activities and investment activities.

The Bank is operating through 330 branches including 112 sub branches as at December 31, 2017 (December 31, 2016: 321 branches including 118 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has maintained the Bank's long-term rating as 'A+' and the short-term rating as 'A1'.

1.2 Subsidiary Companies

1.2.1 BankIslami Modaraba Investments Limited - 100 percent holding

The subsidiary company was incorporated in Pakistan on January 22, 1986 as a public limited company. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The principal activity of the subsidiary company is to float and operate Modaraba. The subsidiary company is managing its Modaraba with the name of Modaraba-Al-Mali. The principal place of business of the subsidiary company is situated at 10th Floor, Progressive Square, Shahr-e-Faisal, Karachi.

The financial statements of the subsidiary company have been consolidated on the basis of reviewed condensed interim financial information for the half year ended December 31, 2017.

The financial statements of "Modaraba Al-Mali", a modaraba floated by the subsidiary company in which it has 13 percent holding, have not been consolidated although the Group has control over Modaraba Al-Mali by virtue of management rights. The management of the Group is of the view that consolidated financial statements are required to be prepared only for subsidiaries as defined in the Companies Ordinance, 1984. "Modaraba Al-Mali" is a modaraba floated under the Modaraba Companies and Modaraba (floatation and control) Ordinance, 1980 and does not fall under the definition of subsidiary as defined under the Companies Ordinance, 1984. Hence, the financial statements of "Modaraba Al-Mali" are not required to be consolidated in the Group's consolidated financial statements.

1.2.2 BIPL Securities Limited - 77.12 percent holding

KASB Securities Limited was incorporated in Pakistan on October 24, 2000 and commenced its operations effective January 01, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a scheme of arrangement approved by the High Court of Sindh. The shares of the Company are listed on the Pakistan Stock Exchange Limited (PSX). The registered office of the company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Company is a TREC holder of the Pakistan Stock Exchange Limited (PSX) and Corporate member of Pakistan Mercantile Exchange Limited (PMEL) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in listed and unlisted equity and debt securities, economic research and advisory services.

1.2.3 My Solutions Corporation Limited - 100 percent holding

My Solutions Corporation Limited (the Company) was incorporated as a private limited company on November 05, 1995 and was converted into a public limited company on March 24, 2003. The Company is currently dormant. Its registered office is situated at the 9th floor, Trade Centre, I.I Chundrigar Road, Karachi.

1.2.4 Structured Ventures (Private) Limited - 77.12 percent holding - (Sub subsidiary)

Structured Venture (Private) Limited was incorporated in Pakistan on June 25, 2010. The registered office of the company is situated at 5th floor, Trade Centre, I. I. Chundrigar Road, Karachi. The company is a wholly owned subsidiary of BIPL Securities Limited. The ultimate parent company is BankIslami Pakistan Limited.

1.3 Material partly owned subsidiary

BIPL Securities Limited is the only significant subsidiary of the holding company that has a non-controlling interest (2017: 22.88%, 2016: 22.88%). The following table summarises key information relevant to the BIPL Securities Limited.

	2017	2016
	-----Rupees in '000-----	
Operating fixed assets	48,108	38,231
Investments	664,238	693,049
Advances, deposits,	578,400	787,337
Deferred tax asset - net	35,721	40,201
Taxation - net	92,425	64,017
Cash and bank balances	496,966	644,614
Total Assets	1,915,858	2,267,449
Long-term loan	150,000	150,000
Trade and other payables	840,873	1,146,579
Total Liabilities	990,873	1,296,579
Net Assets	924,985	970,870
Accumulated non-controlling interests of the	211,637	222,135

	2017	2016
	-----Rupees in '000-----	
Profit after tax of the subsidiary company	38,043	19,115
Intragroup eliminations	(3,602)	(7,936)
	<u>34,441</u>	<u>11,179</u>
Profit allocated to non-controlling interest	<u>7,880</u>	<u>2,558</u>

2 BASIS OF PRESENTATION

- 2.1 The Group provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes of financing as briefly explained in note 10.1.1 to these consolidated financial statements.

The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable as directed by the Shariah Advisor of the holding company.

2.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the financial statements of subsidiary companies from the date that control of the subsidiary by the Group commences until the date that control ceases. The financial statements of the subsidiary companies are incorporated on a line-by-line basis (except the profit and loss account of BIPL Securities Limited which is disclosed as a single line item in Consolidated Profit and Loss account as per letter No. BPRD(R&P-02)/625-112/2017/4911 dated February 27, 2017, see note 2.2.1 and the investment held by the Bank is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of International Accounting Standard (IAS) 39, Financial Instruments Recognition and Measurement, IAS 40, Investment Property and IFRS - 7, Financial Instruments: Disclosures, which are required to comply with local regulations enforced within the respective jurisdictions.

Material intra-group balances and transactions are eliminated.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Associates and joint ventures are accounted for using the equity method.

- 2.2.1 The SBP vide its letter No. BPRD(R&P-02)/625-112/2017/4911 dated February 27, 2017, has allowed the Group to disclose financial results (net) of BIPL Securities Limited as a single line item in the Consolidated Profit and Loss account as majority of the operations of BIPL Securities Limited are of conventional nature and line by line consolidation would result in non-compliance of Shariah requirements.

- 2.3 Effective May 07, 2015, the defunct KASB Bank Limited (amalgamated entity) was amalgamated within and into the bank. As the amalgamated entity operated as a conventional bank, any assets or liabilities which are not Shariah compliant are shown separately within the financial statement line items.

3 STATEMENT OF COMPLIANCE

- 3.1 These consolidated 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 (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the repealed Companies Ordinances, 1984 and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the repealed Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall prevail.

The Companies Ordinance, 1984 was replaced by enactment of the Companies Act, 2017 on May 30, 2017. The Circular No. 23/2017, dated October 04, 2017 of the SECP has clarified that all those companies whose financial year closes on or before December 31, 2017 can prepare financial statements in accordance with the repealed Companies Ordinance, 1984. Hence, these unconsolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

- 3.2 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 IFRS 8 "Operating Segments" was effective for the Group's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Group believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.
- 3.4 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these consolidated financial statements.

The SBP vide its letter no. BPRD(R&P-02)/625-112/2017/4089 dated February 24, 2017 has allowed the Bank exemption from "Goodwill impairment" under the applicable accounting standards till December 30, 2018 and thereafter the Bank will be required to start goodwill impairment testing as per applicable accounting rules.

3.5 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New Standards, Interpretations and Amendments

The Group has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

Standard or Interpretation

- IAS 7 Statement of Cash flows-Disclosure Initiative-(Amendment)
- IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on these financial statements.

3.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

3.6.1 The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
- IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- IFRS 9 – Financial Instruments: Classification and Measurement	July 1, 2018
- IFRS 9 Prepayment Features with Negative Compensation – (Amendments)	January 1, 2019
- IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 1, 2018
- IFRS 15 – Revenue from Contracts with Customers	July 1, 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
- IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019

The above standards and amendments are not expected to have any material impact on the Group's financial statements in the period of initial application. With regards to IFRS 9, the Group considers that as the Prudential regulation and other SBP directives currently provide the accounting framework for the measurement and valuation of investment and provision against non-performing Islamic financing and related assets, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Group expects that the SBP would issue suitable guidance and instructions to the application of IFRS-9 for Banking sector of Pakistan.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 16 – Leases	January 1, 2019
IFRS 17 – Insurance Contracts	January 1, 2021

3.7 Early adoption of standards

The Group has not early adopted any new or amended standard in 2017.

The SBP has also notified a new format of financial statements which would be effective from the accounting year ending December 31, 2018. The Companies Act, 2017 and the revised format would result in additional disclosures and certain changes in the financial statements presentation.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan 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 policies. The significant accounting areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in the application of the accounting policies are as follows:

- Classification and valuation of investments in accordance with the Group's policy (notes 6.3 and 10).
- Provision for non-performing Islamic financing and related assets and Advances (notes 6.4 and 11.16).

- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 11.16.3.2).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 6.3.5 and 10).
- (e) Staff retirement benefits (notes 6.7 and 34 & 35).
- (f) Revaluation and depreciation / amortization of operating fixed assets (notes 6.5 and 12).
- (g) Valuation of non-banking assets acquired in satisfaction of claims (note 6.19)
- (h) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.6, 13 and 30).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5 BASIS OF MEASUREMENT

5.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain fixed assets, certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. Further, staff retirement benefits as discussed in notes 6.7 and 33 to the financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

5.2 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5.3 Rounding off

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented, unless otherwise specified.

6.1 Cash and cash equivalents

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

6.2 Due to / from financial and other institutions

6.2.1 Bai Muajjal

In Bai Muajjal, the Group sells sukuk on deferred payment basis to financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the credit period.

Musharakah / Mudaraba

In Musharaka / Mudaraba, the Group invests in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

Musharaka from State Bank of Pakistan under IERS

Under IERS, the Group accepts funds from the SBP under shirkat-ul-aqd to constitute a pool for investment in export refinance portfolio of the Group under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between the partners.

Acceptances from State Bank of Pakistan for financial assistance

The Group has recorded Acceptances from State Bank of Pakistan for financial assistance at its fair value which is amortised over the period of the financing.

6.3 Investments

6.3.1 Classification

Investments of the Group, other than investments in associates and subsidiaries are classified as follows:

(a) Held-for-trading

These are investments which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

(b) Held- to-maturity

These are investments with fixed or determinable payments and fixed maturity and the Group has the positive intent and ability to hold them till maturity.

(c) Available-for-sale

These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' or 'held to maturity' categories.

6.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date on which the Group commits to purchase or sell the investments.

6.3.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

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

6.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the net profit and loss for the year.

(b) Held-to-maturity

These are measured at amortised cost using the effective profit rate method, less any impairment loss recognized to reflect irrecoverable amount.

(c) Available for sale

Quoted / Government securities are measured at fair value. Surplus / (deficit) arising on remeasurement is included in the statement of comprehensive income but is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities are valued at the lower of cost (which in the case of business acquisition would be the fair value at the acquisition date) and break-up value. Break up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

6.3.5 Impairment

Available for sale and Held to maturity investments

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk certificates is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus on revaluation of assets on the Statement of Financial Position below equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

6.3.6 Gains or losses on sale of investments are included in profit and loss for the year.

6.4 Islamic financing and related assets

6.4.1 Islamic financing and related assets are financial products originated by the Group and principally comprise of Murabahah, Istisna, Ijarah, Salam, Muswammah, Diminishing Musharakah and other Islamic modes of financing and the related assets.

As a general rule, funds disbursed, under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financing are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

6.4.2 Islamic financing and related assets are stated net of general provisions and specific provisions against non-performing Islamic financing and related assets which are charged to the profit and loss account.

Specific provision

The Group maintains specific provision for doubtful debts based on the requirements specified in the Prudential Regulations issued by the SBP.

General provision

Consumer Financing

The Group maintains general provision against consumer financing at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages range from 1% to 2.5% for secured and 4% to 7% for unsecured portfolio.

Small Enterprise Financing

The Group maintains general provision in respect of small enterprise financing at the rate of 1% for secured portfolio and 2% for unsecured portfolio.

The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

6.4.3 Ijarah Financing

Ijarah financing executed on or before December 31, 2008 have been accounted for under finance method, thereafter all Ijarah financing are accounted for under IFA S-2.

- (a) Under finance method, the present value of minimum Ijarah payments have been recognised and shown under Islamic financing and related assets. 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 (lessee).

- (b) Under IFAS-2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charge are taken to the profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir up to the date of maturity / termination of Ijarah agreement.

6.5 Operating fixed assets and depreciation

6.5.1 Property and equipment

Fixed assets other than freehold land and building on leasehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and building on leasehold land are carried at revalued amount less any accumulated depreciation and subsequent impairment losses. The revaluation exercise is carried out on periodic basis.

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 12.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

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. Maintenance and normal repairs are charged to the profit and loss account as and when incurred.

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 reporting date.

Gains and losses on disposal of property and equipment, if any, are taken to the profit and loss account.

6.5.2 Capital work in progress

These are stated at cost less accumulated impairment losses, if any.

6.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over the estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment losses, if any.

Amortisation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

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

6.5.4 Impairment

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the financial statements except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized as income immediately except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

6.6 Taxation

6.6.1 Current

The provision for current taxation is based on taxable income for the year at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as allowed under the seventh schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year. Currently, the Group provides for minimum tax in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001.

6.6.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Group also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and operating fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standard 12 - Income Taxes.

6.7 Staff retirement benefits

6.7.1 Defined benefit plan

The Group operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2017.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the statement of financial position immediately, with a charge or credit to "Other Comprehensive Income" in the periods in which they occur.

6.7.2 Defined contribution plan

The Group operates a recognised contributory provident fund for all the permanent employees. Equal monthly contributions are made both by the respective companies and the employees at certain percentage of the basic salary. The Group has no further payment obligations once the contributions have been paid. The contributions made by the Group are recognised as employee benefit expense when they are due.

6.8 Revenue recognition

6.8.1 Profit on Murabahah and Commodity Murabahah is recognised over the life of Murabahah on an accrual basis. Profit on Murabahah transactions for the period from the date of disbursement to the date of culmination of Murabahah is recognised immediately on the culmination date.

6.8.2 Profit from Istisna, Salam and Muswammah (KF) are recorded on an accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Group. Profit from Diminishing Musharakah are recognised on a time proportionate basis.

6.8.3 The Group follows the finance method in recognising income on Ijarah contracts written up to December 31, 2008. Under this method the unearned income i.e. 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 (lessee).

Rental from Ijarah contracts entered on or after January 01, 2009 is recognized in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

6.8.4 Provisional profit of Musharakah / Mudarabah financing is recognised on an accrual basis. Actual profit / loss on Musharakah and Mudarabah financing is adjusted after declaration of profit by Musharakah partner / mudarib or on liquidation of Musharakah / Mudarabah.

- 6.8.5 Profit on Wakalah-tul-Istismar financings is booked on an accrual basis.
- 6.8.6 Profit on Running Musharakah financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- 6.8.7 Profit on classified financing is recognised on a receipt basis.
- 6.8.8 Dividend income is recognised when the right to receive the dividend is established.
- 6.8.9 Gains and losses on sale of investments are recognised in the profit and loss account.
- 6.8.10 Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transactions consummate within an accounting period. Commission on guarantees, if considered material, is recognised over the period of guarantee. Fee, commission and brokerage income are recognized on receipt basis.
- 6.8.11 Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, the premiums / discounts are amortised through the profit and loss account over the remaining life of Sukuk, using the effective yield method.
- 6.8.12 Income earned from revenues that are not Shariah complaint are not recognised in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Board of the Bank.

6.9 Revenue from Conventional products

On May 07, 2015, the Holding Company acquired operation of the defunct KASB Bank Limited (the amalgamated entity) which was operating as a conventional Bank in Pakistan. Keeping in view the shariah compliance, the Shariah Board of the Holding Company has approved that any income accruing on conventional products is not to be transferred to profit and loss statement and is classified as liability under the head "Receipt Appropriation Account" in other liabilities. Further, expenses incurred in respect of legal & professional charges or other expenses as approved by the Shariah Board that pertain to the aforesaid acquisition are to be set off against such income.

6.10 Financial Instruments

6.10.1 Financial assets and financial liabilities

All 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 derecognised when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, due from financial institutions, investments, Islamic financing and related assets and certain receivables and financial liabilities include bills payable, due to financial institutions, deposits and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.10.2 Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also reported on a net basis in the financial statements, only when permitted by the approved accounting standards as applicable in Pakistan.

6.10.3 Derivatives

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

6.11 Foreign currencies**Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupee, which is the Group's functional and presentation currency.

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 statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates prevailing on the reporting date.

6.12 Acceptances

Acceptances comprise promises by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities.

6.13 Fiduciary assets

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

6.14 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba.

Deposits taken on Qard basis are classified as 'Current non-remunerative accounts' and Deposits generated on Mudaraba basis are classified as 'Current remunerative accounts', 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current non-remunerative account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Holding Company. No profit or loss is passed on to current account depositors. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Profits are distributed from the pool such that the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

Asset pools are created at the Holding Company's discretion and the Holding Company can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

6.15 Pool Management

The Holding Company operates general and specific pools for deposits and inter-bank funds accepted / acquired under Mudaraba, Musharakah and Wakalah modes.

Under the general deposits pools, the Holding Company accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Holding Company acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings, investments and placements. When utilising investing funds, the Holding Company prioritizes the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to Holding Company's customers and liquidity management respectively under the Musharakah / Mudaraba modes. The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool alongwith related fee income, if any. The directly related costs comprise of depreciation on ijarah assets, takaful premium, documentation charges etc. No expense of general or administrative nature of expense is charged to the pools. No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. The profit of the pool is shared between equity and other members of the pool on the basis of Musharakah at gross level (before charging of mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of mudarib share.

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool. As per Holding Company's policy, relatively low risk / secured financing transactions and assets are allocated to general depositors pool of PKR, USD, GBP and Euro. The Holding Company maintains General Pools, FI Pools, IERS pool and Equity pool. The general pools are exposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved.

General Pool

For General Pools, the Holding Company allocates PKR financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business as mentioned in the note 40.1.1.1. Investments in Sovereign Guarantee Sukuk, Bai Muajjal with State Bank of Pakistan, Bai Muajjal with Government of Pakistan are also done through General Pools. All remunerative deposits are tagged to these general pools and their funds generated from the depositors are invested on priority basis. Due to limited investment options in USD, GBP and EURO pool, funds from FCY pools are invested in available International Sukuk, Shariah Complaint Nostro accounts and remaining funds are taken out and invested in PKR general pool as part of equity. In such cases return from PKR General pool is given back to FCY pools, so that returns can be passed on to FCY pool customers accordingly.

Special Mudarabah Pool

Special Mudarabah Pools are created to attract and retain clients expecting specific returns. The funds received against these deposits are invested in various Shariah compliant assets.

Islamic export refinance scheme Pool

The IERS pool assets comprise of Sovereign Guarantee Sukuks, and financings to / sukuks of blue chip companies and exporters as allowed under the applicable laws and regulations, and as such are exposed to lower credit risk. The Musharakah with SBP under IERS is tagged to the IERS pool.

Financial Institution (FI) Pool

The FI pool assets generally comprise of Sovereign Guarantee Sukuks only and the related liability of the FI pool comprise of Musharakah / Mudarabah / Wakalah Acceptance from other banks and financial institutions. These pools are created to meet the liquidity requirements of the Holding Company.

6.16 Provisions and contingent assets and liabilities

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

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefit is remote.

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

6.17 Business Combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. However, the SBP vide its letter no. BPRD(R&P-02)/625-112/2017/4089 dated February 24, 2017 has allowed the Group exemption from "Goodwill impairment" under the applicable accounting standards till December 30, 2018 and thereafter the Group will be required to start goodwill impairment testing as per applicable accounting rules.

Acquisition of non-controlling interests (NCI) is measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Group. The excess of fair value of consideration transferred over the proportionate share of the NCI in the fair value of the net assets acquired is recognised in equity.

6.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products 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 Group's primary format of reporting is based on business segments.

6.18.1 Business segments

Trading and sales

It includes equity, foreign exchanges, commodities, credit, funding, own position securities, placements and Islamic financing and related assets.

Retail banking

It includes retail Islamic financing and related assets, deposits and banking services offered to its retail customers and small and medium enterprises.

Commercial banking

It includes project finance, export finance, trade finance, Ijarah, guarantees and bills of exchange relating to its corporate customers.

Support Centre

It includes the assets and liabilities relating to support functions at Head Office and their related income and expenses.

6.18.2 Geographical segment

The Holding Company and its subsidiaries operate in Pakistan only.

6.19 Non-banking assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims are initially recorded at cost and revalued at each year-end date of the statement of financial position. An increase in market value over the acquisition cost is recorded as a surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the profit and loss account up to the extent of the original impairment. All direct costs of acquiring title to the asset are charged immediately to the profit and loss account.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with depreciation charged on operating fixed assets.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of operating fixed assets in the notes to these financial statements. If such asset is subsequently used by the Group for its own operations, the asset, along with any related surplus, is transferred to operating fixed assets.

6.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

6.21 Dividend distribution and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the consolidated financial statements in the year in which such dividends are declared / transfers are made.

7	CASH AND BALANCES WITH TREASURY BANKS	Note	2017 ----- Rupees in '000 -----	2016
	In hand			
	- local currency		3,648,276	3,154,686
	- foreign currency		525,763	410,919
			<u>4,174,039</u>	<u>3,565,605</u>
	With the State Bank of Pakistan in			
	- local currency current account	7.1	5,516,757	3,646,460
	- foreign currency deposit accounts			
	Cash Reserve Account	7.2	188,575	241,958
	Special Cash Reserve Account	7.3	227,477	78,950
	US Dollar Clearing Account		12,120	11,421
			<u>428,172</u>	<u>332,329</u>
	With National Bank of Pakistan in			
	- local currency current account		1,665,212	1,377,039
			<u>11,784,180</u>	<u>8,921,433</u>

7.1 This represents Rs. 5,516.857 million (2016: 3,646.460 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement.

7.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

7.3 Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. Balance held under this account is non-remunerative.

8	BALANCES WITH OTHER BANKS	Note	2017 ----- Rupees in '000 -----	2016
	In Pakistan			
	- on current accounts		4,499	42,016
	- on deposit accounts	8.1	345,553	144,503
			<u>350,052</u>	<u>186,519</u>
	Outside Pakistan			
	- on current accounts		799,303	1,137,648
			<u>1,149,355</u>	<u>1,324,167</u>

8.1 These represent deposits with various Islamic commercial banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 2.8% (2016: 3.5%) per annum.

9	DUE FROM FINANCIAL INSTITUTIONS	Note	2017	2016
			----- Rupees in '000 -----	
	Wakalah Placement	9.1	1,716,767	993,686
	Commodity Murabahah - local currency	9.2	19,655,020	26,224,979
			<u>21,371,787</u>	<u>27,218,665</u>
	Other placements		32,400	32,400
			<u>21,404,187</u>	<u>27,251,065</u>
	Provision against placements - transferred from the amalgamated entity		(32,400)	(32,400)
			<u>21,371,787</u>	<u>27,218,665</u>
9.1	This represents foreign currency placements and the profit rates on the agreements range between 0.15% to 2.85% (2016: 0.95% to 1.20%) per annum. The agreements have maturities ranging from 92 days to 365 days (2016: 18 days to 184 days).			
9.2	The Group has entered into Commodity Murabahah agreements under which the Group purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreements range between 5.80% to 6.50% (2016: 5.80% to 6.40%) per annum and the agreements have maturities ranging from 4 days to 90 days (2016: 3 days to 160 days).			
9.3	Particulars of amounts due from financial institutions with respect to currencies:	Note	2017	2016
			----- Rupees in '000 -----	
	- In local currency		19,687,420	26,257,379
	- In foreign currency		1,716,767	993,686
			<u>21,404,187</u>	<u>27,251,065</u>
10	INVESTMENTS			
	Investments - Islamic	10.1	40,090,963	44,106,461
	Investments - Conventional			
	(relating to amalgamated entity)	10.2	2,272,790	2,536,713
			<u>42,363,753</u>	<u>46,643,174</u>

10.1 Islamic Investments by types

Note	2017			2016			
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total	
	Rupees in '000						
Available for sale securities							
Sukuk / Certificates	10.6	29,397,126	10,000,000	39,397,126	37,285,860	5,000,000	42,285,860
Units of Open-end mutual funds	10.6	5,021	-	5,021	21	-	21
Ordinary Shares of listed companies	10.6	242,645	-	242,645	242,645	-	242,645
Modaraba certificates	10.6	16,208	-	16,208	16,208	-	16,208
		29,661,000	10,000,000	39,661,000	37,544,734	5,000,000	42,544,734
Held for trading securities							
Ordinary Shares of listed companies	10.8	32,156	-	32,156	447,908	-	447,908
Total islamic investments at cost		29,693,156	10,000,000	39,693,156	37,992,642	5,000,000	42,992,642
Less: Provision for diminution in value of investments	10.5	(20,885)	-	(20,885)	(17,804)	-	(17,804)
Total islamic investments - net of Provisions		29,672,271	10,000,000	39,672,271	37,974,838	5,000,000	42,974,838
(Deficit) / surplus on revaluation of held for trading securities	10.8	(2,007)	-	(2,007)	30,658	-	30,658
Surplus on revaluation of available-for-sale securities	21.3	420,699	-	420,699	1,100,965	-	1,100,965
Total islamic investments at market value		30,090,963	10,000,000	40,090,963	39,106,461	5,000,000	44,106,461

10.2 Conventional Investments by types (relating to amalgamated entity)*

		2017			2016		
	Note	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
----- Rupees in '000 -----							
Available for sale securities							
Ordinary Shares of listed companies	10.6	984,004	-	984,004	1,008,452	-	1,008,452
Ordinary Shares of unlisted companies	10.6	1,571,990	-	1,571,990	1,571,990	-	1,571,990
Listed Term Finance Certificates	10.6	104,807	-	104,807	105,092	-	105,092
Unlisted Term Finance Certificates	10.6	177,822	-	177,822	177,822	-	177,822
		2,838,623	-	2,838,623	2,863,356	-	2,863,356
Held to maturity securities							
Unlisted Term Finance Certificates	10.7	321,601	-	321,601	321,601	-	321,601
Held for trading securities							
Listed shares	10.8	151,254	-	151,254	65,438	-	65,438
Unlisted Term Finance Certificates	10.8	45,369	-	45,369	45,369	-	45,369
Associates	10.9 & 10.10	2,147,398	-	2,147,398	2,042,868	-	2,042,868
Total conventional investments at cost		5,504,245	-	5,504,245	5,338,632	-	5,338,632
Less: Provision for diminution in the value of investments	10.5.1	(3,152,320)	-	(3,152,320)	(2,944,801)	-	(2,944,801)
Total conventional investments - net of Provisions		2,351,925	-	2,351,925	2,393,831	-	2,393,831
Surplus on revaluation of held for trading securities	10.8	773	-	773	7,061	-	7,061
(Deficit) / surplus on revaluation of available-for-sale securities	21.3	(79,908)	-	(79,908)	135,821	-	135,821
Total conventional investments at market value		2,272,790	-	2,272,790	2,536,713	-	2,536,713

* As mentioned in note 2.3, these assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

	Note	2017 ----- Rupees in '000 -----	2016
10.3 Islamic Investments by segments			
Federal Government Securities			
GOPIjarah Sukuks	10.6	33,840,536	37,756,627
Sukuk certificates			
Sukuks - unlisted	10.6	5,556,590	4,529,233
Fully paid up ordinary shares / Units			
Modaraba Certificates	10.6	16,208	16,208
Units of Open-end Mutual Funds	10.6	5,021	21
Ordinary shares of listed companies	10.6 & 10.8	274,801	640,853
Total islamic investments at cost		<u>39,693,156</u>	<u>42,992,642</u>
Less: Provision for diminution in value of investments	10.5.1	(20,885)	(17,804)
Total islamic investments - net of provisions		<u>39,672,271</u>	<u>42,974,838</u>
(Deficit) / surplus on revaluation of held for trading securities		(2,007)	30,658
Surplus on revaluation of available-for-sale securities	21.3	420,699	1,100,965
Total islamic investments at market value		<u>40,090,963</u>	<u>44,106,461</u>
10.4 Conventional Investments by segments			
Fully paid up ordinary shares			
Listed companies	10.6 & 10.8	1,135,258	1,073,890
Unlisted companies	10.6	1,571,990	1,571,990
Term Finance Certificates			
Listed	10.6	104,807	105,092
Unlisted	10.6,10.7 & 10.8	544,792	544,792
Associates			
<i>Unlisted</i>			
KASB Capital Limited	10.10	41,867	41,867
KASB Funds Limited	10.10	432,302	432,302
New Horizon Exploration & Production Limited	10.10	590,206	590,206
Shakarganj Food Products Limited	10.10	1,083,023	978,493
Total conventional investments at cost		<u>5,504,245</u>	<u>5,338,632</u>
Less: Provision for diminution in value of investments	10.5.1	(3,152,320)	(2,944,801)
Conventional investments - net of provisions		<u>2,351,925</u>	<u>2,393,831</u>
Surplus on revaluation of held for trading securities		773	7,061
(Deficit) / surplus on revaluation of available-for-sale securities	21.3	(79,908)	135,821
Total conventional investments at market value		<u>2,272,790</u>	<u>2,536,713</u>

	2017	2016
	Rupees in '000	
10.5 Particular of provision for diminution in the value of investments		
Opening balance	2,962,605	3,199,435
Charge / (reversal)		
Charge for the year	210,885	-
Reversal during the year	(285)	(332,198)
	210,600	(332,198)
Transfer from other liability	-	95,368
Closing balance	3,173,205	2,962,605
10.5.1 Break up of provision for diminution in the value of investments is as follows:		
Investments - Islamic	20,885	17,804
Investments - Conventional (relating to amalgamated entity)	3,152,320	2,944,801
	3,173,205	2,962,605
10.5.2 Particulars of provision in respect of type and segment		
Available for sale investments		
Listed Term Finance Certificates	104,807	105,092
Unlisted Term Finance Certificates	177,822	177,822
Ordinary shares of listed companies	754,120	558,644
Ordinary shares of KASB Modaraba	72,871	60,543
Ordinary shares of unlisted companies	611,355	611,355
Modaraba Al Mali	13,866	13,866
Sukuk certificates	7,019	3,938
	1,741,860	1,531,260
Held to maturity securities		
Unlisted Term Finance Certificates	321,601	321,601
Held for trading securities		
Unlisted Term Finance Certificates	45,369	45,369
Associates		
New Horizon Exploration & Production Limited	590,206	590,206
KASB Funds Limited	432,302	432,302
KASB Capital Limited	41,867	41,867
	1,064,375	1,064,375
	3,173,205	2,962,605

10.6 Available for sale securities

Name of the investee company	Note	2017 Number of Certificates / Shares / Units	2016 Number of Certificates / Shares / Units	2017 Long / Medium Term Rating	2016 Long / Medium Term Rating	Face Value	2017 Cost	2016 Cost	2017 Carrying Value	2016 Carrying Value
							Rupees in '000			
Sukuk Certificates										
Federal Government										
Ijrah GOP Sukuk - 15**	10.6.1	-	14,246	-	-	Rs 100,000	-	1,425,911	-	1,425,455
Ijrah GOP Sukuk - Fixed Rental Rate 02**	10.6.2	-	3,000	-	-	Rs 100,000	-	304,090	-	304,090
Ijrah GOP Sukuk - Fixed Rental Rate 01**	10.6.3	338,000	359,500	-	-	Rs 100,000	33,840,536	36,026,626	34,256,300	37,123,909
							33,840,536	37,756,627	34,256,300	38,853,454
Others										
WAPDA Second Sukuk Certificates**	10.6.4	-	134,000	-	-	Rs 5,000	-	111,646	-	110,295
WAPDA Third Sukuk Certificates**	10.6.5	32,600	32,600	-	-	Rs 5,000	101,038	126,068	100,452	123,636
Amtek Sukuk	10.6.6	59,000	59,000	Unrated	Unrated	Rs 5,000	221,250	221,250	221,250	221,250
Security Leasing Sukuk	10.6.7	2,000	2,000	Unrated	Unrated	Rs 5,000	3,080	3,080	-	3,080
New Allied Electronics (LG) - Sukuk	10.6.8	11,000	11,000	Unrated	Unrated	Rs 5,000	55,000	55,000	55,000	55,000
Sui Southern Gas Company Sukuk	10.6.9	-	120,000	-	Unrated	Rs 5,000	-	150,000	-	150,000
Eden Housing Sukuk	10.6.10	54,000	54,000	Unrated	Unrated	Rs 5,000	36,738	36,738	32,800	32,800
Neelum/Jhelum Hydro Power 1	10.6.11	26,500	16,500	AAA	AAA	Rs 100,000	2,672,484	1,650,000	2,672,484	1,650,000
Neelum/Jhelum Hydro Power 2	10.6.11	19,250	19,250	AAA	AAA	Rs 100,000	1,925,000	1,925,000	1,925,000	1,925,000
Dubai Islamic Bank Pakistan Limited Tier II Sukuk	10.6.12	322	-	A+	-	Rs 1,000,000	322,000	-	322,000	-
AlBaraka Bank (Pakistan) Limited Sukuk	10.6.13	220	-	A	-	Rs 1,000,000	220,000	-	220,000	-
K-Electric Azim Sukuk 2	10.6.14	-	50,000	-	AA	Rs 5,000	-	250,451	-	252,172
							5,556,590	4,529,233	5,548,986	4,523,233
Modaraba										
Modaraba-AH Mali		2,342,177	2,342,177	Unrated	Unrated	Rs 10	16,208	16,208	8,855	11,361
Units of Open-end mutual funds										
Meezan Cash Fund		185	176	AA(f)	AA(f)	28.22***	5	5	9	9
Meezan Islamic Fund		369	347	Unrated	Unrated	14.41***	5	5	25	29
Meezan Islamic Income Fund		185	177	A-(f)	A-(f)	28.28***	5	5	10	9
Meezan Balanced Fund		1,375	1,281	Unrated	Unrated	4.77***	6	6	21	23
Al-Ameen Shariah Stock Fund		29,928	-	AA(f)	-	132.53	5,000	-	3,966	-
							5,021	21	4,031	70
Ordinary shares - Listed										
Dolmen City REIT		22,058,602	22,058,602	RR1	RR1	Rs 10	242,645	242,645	242,645	239,777
KASB Modaraba Limited ****		10,446,767	10,446,767	Unrated	Unrated	Rs 10	91,675	91,675	18,804	31,132
Agri-tech Limited ****		25,028,879	25,028,879	D	D	Rs 10	876,011	876,011	121,891	317,367
K-Electric ****		2,928	2,928	AA-	AA-	Rs 10	20	20	20	20
Pakistan Stock Exchange Limited	10.6.15	1,602,953	4,007,383	Unrated	Unrated	Rs 10	16,298	40,746	50,766	138,137
							1,226,649	1,251,097	434,126	726,433
Ordinary shares - Unlisted ****										
Evolvevance Capital Limited - Incorporated in British Virgin Islands		5,400,000	5,400,000	Unrated	Unrated	USD 0.0845	1,155,350	1,155,350	577,675	577,675
Pakistan Export Finance Guarantee Agency Limited		568,044	568,044	Unrated	Unrated	Rs 10	5,680	5,680	-	-
KASB Invest (Private) Limited*****		3,985,000	3,985,000	Unrated	Unrated	Rs 10	28,000	28,000	-	-
Al-Jorrah Power Limited	10.6.16	3,370	3,370	Unrated	Unrated	Rs 10	382,960	382,960	268,584	421,390
							1,571,990	1,571,990	846,259	999,065
Term Finance Certificates - Listed ****										
Telecard Limited	10.6.17	3,000	3,000	Unrated	Unrated	Rs 5,000	3176	3,461	-	-
Trust Investment Bank Limited	10.6.18	9,000	9,000	Unrated	Unrated	Rs 5,000	22,491	22,491	-	-
World Call Telecom Limited	10.6.19	39,348	39,348	Unrated	Unrated	Rs 5,000	79,140	79,140	-	-
							104,807	105,092	-	-
Term Finance Certificates - Unlisted ****										
Agri-tech Limited	10.6.20	30,000	30,000	Unrated	Unrated	Rs 5,000	149,861	149,861	-	-
Azgard Nine Limited (3rd Issue)	10.6.21	5,600	5,600	Unrated	Unrated	Rs 5,000	27,961	27,961	-	-
							177,822	177,822	-	-
							42,499,623	45,408,090	41,098,557	45,113,616

* Entity's rating was used where sukuk and shares rating were not available.

** Their ratings are not mentioned, being Government guaranteed securities.

*** These represents average price of units held.

**** These represent investments acquired from amalgamated entity.

***** The Chief Executive of KASB Invest (Private) Limited is Mr. Aftab Afroze Mahmoodi.

- 10.6.1** The profit rate on these Sukuks comprises of six months weighted average yield of six month market treasury bills minus 200 basis points. The principal has been redeemed on maturity in June 2017. These were backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.2** The profit rate on these Sukuks comprised of Fixed Rental Rate (FRR) basis i.e. 5.59%. The principal has been redeemed. These were backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.3** The profit rate on these Sukuks comprised of Fixed Rental Rate (FRR) basis i.e. 6.10%. The principal is redeemable on maturity in February 2019. These are backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.4** The sukuku have been matured in July 2017. The profit rate on these sukuku was six months KIBOR minus 25 basis points receivable on semi-annual basis. The issue amount and rentals were backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.5** These carry profit at the rate of six months KIBOR plus 100 basis points (2016: six months KIBOR plus 100 basis points) receivable on semi-annual basis with maturity in October 2021. The principal is repayable in 14 equal semi-annual installments with first installment falling due in the 18th month from the first drawdown date. The issue amount and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 10.6.6** The Sukuku have been matured in October 2012. As per the terms, principal was due to be redeemed in 12 consecutive quarterly installments with the first such installment falling due not later than the end of 27 months from the last draw down. These Sukuku are backed by guarantee of Rs. 740 million from the Bank of Punjab (BoP). During 2010, Amtex defaulted in its principal repayment. Consequently, the Holding Company suspended the accrual of profit on the Sukuku. In 2011, the Holding Company called the guarantee given by the BoP which was stayed by Lahore High Court in a case filed by Amtex. In 2014, the Court has ordered BoP to deposit the amount of guarantee with the Court till the disposal of the case. The Holding Company has also filed recovery case against Amtex and BoP, however, in view of BoP guarantee no provision has been made against the sukuku.
- 10.6.7** Since last restructuring, these Sukuku carry profit at the rate of 0%, (2016: 0%). The accrued profit amount will be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010. As per the restructured plan, principal will be repaid in 36 monthly installments and the accrued portion of profit up to March 2011 has been waived.

However, the issuer was unable to comply with the above restructuring plan and has executed a revised restructuring plan which has been approved by the minority sukuku holders. Currently, the customer is not making any payment as per the restructuring plan approved by the minority sukuku holders. The Holding Company has made provision amounting to Rs. 3.081 million (2016: Nil) against this investment.

- 10.6.8** These carry profit at the rate of three months KIBOR plus 220 basis points (2016: three months KIBOR plus 220 basis points) receivable semi-annually with the maturity in December 2012. The principal was to be repaid in 6 consecutive semi-annual installments, the first such installment falling not later than the end of 30th month from the date of issue. As a security first pari passu charge over all present and future fixed assets amounting to Rs. 300 million of the company, first pari passu charge over all present and future current assets amounting to Rs. 800 million of the company, irrevocable guarantee of a Financial Institution and Personal Guarantee of sponsoring directors has been provided. The customer has defaulted in its payments towards the Holding Company. An amount of Rs. 55 million has been deposited with the Holding Company over which lien in favour of the Holding Company has been marked. Hence, no provision has been recognised by the Holding Company.
- 10.6.9** The sukuks have been matured in May 2017. The profit rate on these sukuks was three months KIBOR plus 75 basis points receivable on quarterly basis. The purchase price and rentals were backed by Government of Pakistan's Sovereign Guarantee. As a security first pari passu charge over fixed assets of the company and equitable mortgage on selected land and building with 25% margin had been provided.
- 10.6.10** These Sukuks carry profit at the rate of three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014 (2016: three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014) receivable quarterly based on Diminishing Musharakah mechanism with maturity in June 2014. The customer had defaulted in its payment towards the Holding Company. As a security, charge over hypothecated assets amounting to Rs. 2,433 million (inclusive of approximately 33.5% margin) and a charge over the mortgaged property of the company amounting to Rs. 1,820 million (inclusive of 10% margin) has been created by the issuer in favour of the trustee. Hence, no provision has been recognised by the Holding Company.
- 10.6.11** These carry profit at the rate of six months KIBOR plus 113 basis points (2016: 113 basis points) receivable half yearly with maturity in June 2026. The sukuk will be redeemed in 16 equal semi-annual installments starting from the end of 30th month from the first disbursement. As a security, unconditional and irrevocable first Demand Guarantee(s) of the President of Islamic Republic of Pakistan covering issue amount of respective facilities along with profit payments and all unencumbered present and future assets of NJHP under Sukuk arrangement for Shariah compliance has been provided. Further exclusive lien over Debt payment Account for the benefit of the investors has also been provided as security.
- 10.6.12** These carry profit at the rate of six months KIBOR plus 50 basis points (2016: Nil) receivable half yearly with maturity in July 2027. The principal is redeemable on maturity.
- 10.6.13** These carry profit at the rate of six months KIBOR plus 75 basis points (2016: Nil) receivable half yearly with maturity in August 2024. The principal is redeemable on maturity.
- 10.6.14** The sukuks have been matured in March 2017. The profit rate on these sukuks was three months KIBOR plus 225 basis points receivable quarterly. As a security exclusive hypothecation charge was provided on the assets of the company.
- 10.6.15** The Group's entitlement in respect of PSX's shares was determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and 4,007,383 shares of the face value of Rs 10/- each were allotted to BIPL Securities Limited, out of which 2,404,430 shares were kept in the blocked account and the divestment of the same was to be made in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 [the Act] within two years from the date of promulgation of the Act.

On December 22, 2016, the Divestment Committee of PSX accepted the highest bid price of Rs. 28 per share from Chinese Consortium to divest 40% equity stake held by the existing shareholders of PSX, which were kept in the blocked account as mentioned above, under Stock Exchange (Corporatisation, Demutualisation and Integration) Act, 2012 and regulation framed thereunder.

Subsequent to above, PSX intimated vide letter dated December 29, 2016 that bidding process for the sale of PSX shares has been concluded. Further, consideration for the above sale will be paid by PSX after holding 10% of the sale price as Retention money in terms of Share Purchase Agreement executed among Anchor investor, Divestment Committee and PSX which will be retained for a period of one year to settle any outstanding liabilities of PSX. Accordingly, the Group revalued 4,007,383 of PSX after the discounting effect.

During the quarter ended March 31, 2017, the Group has received sale proceed of Rs 40.39 million against disposal of 1,602,953 shares representing 90% of sale proceed as initially agreed with Chinese Consortium through sale purchase agreement mentioned above. During the quarter ended June 30 2017, the Group has received sale proceed of Rs. 21.99 million against disposal of 801,477 shares representing 20% holding to general public.

Further, PSX notified vide letter dated June 23, 2017 that SECP has approved the application for formal listing and quotation of shares of PSX pursuant to Stock Exchange (Corporatisation, Demutualisation and Integration) Act, 2012. The shares of PSX have been listed on June 29, 2017 on its Ready Counter, and currently it is measured at mark to market due to availability of active market. These shares are required to be blocked with CDC in-house / investor accounts under sub-regulation (1), (2) & (3) of Regulation 5 of Public offering Regulations, 2017. However CDC has kept these shares as frozen instead of blocked.

Furthermore, the Group has pledged 1,602,953 shares with PSX to meet the requirement of Base Minimum Capital (BMC) under clause 19.2 of the Risk Management Regulations in PSX Rule Book.

- 10.6.16 The Group's investment in unquoted shares of Al Jomaih Power Limited are valued at its fair value as at year end based on the net assets value of the investee Company as at December 31, 2017.
- 10.6.17 These carry profit at the rate of six months KIBOR plus 375 basis points receivable on semi-annual basis with maturity in May 2015. The principal was repayable in 13 unequal semi-annual installments. The customer had defaulted in its payment and the amount had been fully provided. However, during the current year an amount of Rs 0.285 million has been received which has resulted in a decrease of provision by the same amount.
- 10.6.18 These carry profit at the rate of six months KIBOR plus 185 basis points receivable on semi-annual basis with maturity in July 2013. The principal was repayable in 13 unequal semi-annual installments. The customer had defaulted in its payment and the amount had been fully provided.
- 10.6.19 These carry profit at a fixed rate of 1.6% receivable on semi-annual basis with maturity in October 2021. The principal is repayable in 14 equal semi-annual installments. The customer had defaulted in its payment and the amount had been fully provided.

10.6.20 These carry profit at the rate of six months KIBOR plus 175 basis points receivable on semi-annual basis with maturity in November 2014. The principal was repayable in 13 unequal semi-annual installments. The customer had defaulted in its payment and the amount had been fully provided.

10.6.21 These carry profit at the rate of six months KIBOR plus 225 basis points receivable on semi-annual basis with maturity in November 2014. The instrument was structured to redeem 0.08% of principal in the first 24 months and the remaining principal in 10 equal semi annual installments of 9.992% each of the issue amount respectively. The customer had defaulted in its payment and the amount had been fully provided.

10.7 Held to maturity securities

Name of the investee company	Note	2017	2016		2017	2016
		Number of Certificates		Face Value	Cost Rupees in '000	
Term finance certificates*						
Azgard Nine Limited (3rd Issue)	10.7.1	35,000	35,000	Rs 5,000	60,041	60,041
Azgard Nine Limited (5th Issue)	10.7.2	33,883	33,883	Rs 5,000	169,415	169,415
Agritech Limited (4th Issue)	10.7.3	18,429	18,429	Rs 5,000	92,145	92,145
					321,601	321,601

*These represent investments acquired from amalgamated entity.

10.7.1 These carry profit at the rate of six months KIBOR plus 225 basis point receivable on semi annual basis with maturity in December 2014. The principal is repayable in fourteen installments with first four installments of Re. 1 per certificate and subsequent ten installments of Rs. 499.6 per certificate. The customer had defaulted in its payment and the amount had been fully provided.

10.7.2 These carry profit at the rate of six months KIBOR plus 225 basis point receivable on semi-annual basis with maturity in December 2014. The principal is repayable in 14 installments with first 4 installments of Re. 1 per certificate and subsequent ten installments of Rs. 499.6 per certificate. The customer had defaulted in its payment and the amount had been fully provided.

10.7.3 These carry profit at the rate of zero percent coupon with maturity in December 2016. The principal is repayable in 7 semi unequal installments in 5 years inclusive of 1.5 years grace period. The customer had defaulted in its payment and the amount had been fully provided.

10.9 Held for trading securities

The Group holds investments in ordinary shares (nominal value of Rs 10 each, unless stated otherwise) in the following investees

Name of the investee company	Entity Rating Long term / Short term	2017			Entity Rating Long term / Short term	2016			
		Number of shares	Cost	Carrying Value		Number of shares	Cost	Carrying Value	
									Rupees in '000
Ordinary shares of listed company									
AUTOMOBILE AND PARTS									
Agnauto Industries Limited	N/A	-	-	-	Unrated	7,500	1,998	2,685	
Indus Motor Company Limited	N/A	-	-	-	Unrated	3,800	5,117	6,135	
PHARMACEUTICALS									
Abbott Laboratories (Pakistan) Limited	N/A	-	-	-	Unrated	1,000	925	957	
PHARMA AND BIO TECH									
Sarnoff Aventis Pakistan Limited	N/A	-	-	-	Unrated	2,050	3,818	5,856	
GLASS & CERAMICS									
Shabbir Tiles and Ceramics Limited	N/A	-	-	-	Unrated	335,000	4,058	3,739	
MISCELLANEOUS									
Shifa International Hospital Limited	N/A	-	-	-	Unrated	6,200	1,849	1,906	
TECHNOLOGY HARDWARE AND EQUIPMENT									
Avarecon Limited	N/A	-	-	-	Unrated	105,000	3,729	3,659	
PERSONAL GOODS (TEXTILE)									
Bannu Woollen Mills Limited	N/A	-	-	-	Unrated	3,000	204	216	
ELECTRICITY									
Nishat Power Limited	N/A	-	-	-	A+ / A1	49,500	2,776	3,172	
CONSTRUCTION AND MATERIALS (CEMENT)									
D.G. Khan Cement Company Limited	Unrated	2,500	316	334	Unrated	272,500	52,544	60,421	
Cheer Cement Company Limited	N/A	-	-	-	A / A1	58,000	9,797	10,094	
Maple Leaf Cement Factory Limited	A+ / A1	2,500	172	171	A+ / A1	462,500	51,340	59,006	
Fauji Cement Company Limited	Unrated	430,000	10,682	10,754	Unrated	126,000	5,216	5,680	
Lucky Cement Limited	N/A	-	-	-	Unrated	1,500	1,110	1,299	
Pioneer Cement Limited	N/A	-	-	-	A / A1	53,000	5,628	7,531	
Thatta Cement Company Limited	N/A	-	-	-	A- / A-2	30,000	1,073	1,181	
Devan Cement Limited	N/A	-	-	-	Unrated	40,000	1,593	1,562	
Kohat Cement Limited	N/A	-	-	-	Unrated	4,900	1,313	1,429	
REFINERY									
Attock Refinery Limited	AA / A1+	22,000	6,029	5,151	AA / A1+	84,000	31,816	35,725	
National Refinery Limited	N/A	-	-	-	N/A	-	-	-	
FERTILIZER									
Engro Corporation Limited	N/A	-	-	-	AA / A1+	28,400	8,902	8,977	
Engro Fertilizers Limited	AA- / A1+	1,161,000	75,976	78,623	AA- / A1+	93,000	6,232	6,323	
Fauji Fertilizers Company Limited	AA / A1+	23,000	1,772	1,820	AA / A1+	20,000	2,075	2,087	
CHEMICAL									
Engro Polymer and Chemical Limited	N/A	-	-	-	A- / A2	40,000	627	738	
Ittehad Chemicals Limited	N/A	-	-	-	A- / A-2	15,500	628	624	
ENGINEERING									
Anmeli Steels Limited	N/A	-	-	-	A / A1	338,500	23,125	22,541	
International Steels Limited	N/A	-	-	-	A+ / A-1	623,500	56,266	60,935	
Mughal Iron and Steel Industries Limited	N/A	-	-	-	Unrated	39,500	3,254	3,482	
OIL & GAS MARKETING COMPANIES									
Haseel Petroleum Limited	N/A	-	-	-	A+ / A-1	4,500	1,479	1,519	
Pakistan State Oil Company Limited	AA / A1+	9,000	2,812	2,638	AA / A1+	161,500	64,929	70,125	
POWER GENERATION & DISTRIBUTION									
K-Electric Limited	AA / A-1	3,378,000	22,569	21,315	AA / A-1	669,500	6,250	6,273	
Kot Addu Power Company Limited	N/A	-	-	-	AA+ / A-1+	3,000	237	236	
CABLE & ELECTRICAL GOODS									
Pak Elektron Limited	A+ / A1	473,500	23,572	22,487	A+ / A1	1,060,000	75,406	75,557	
COMMERCIAL BANKS									
Summit Bank Limited	N/A	-	-	-	A- / A-1	900,000	4,266	3,960	
OIL & GAS EXPLORATION COMPANIES									
Pakistan Oilfields Limited	N/A	-	-	-	Unrated	91,500	48,080	48,918	
Pakistan Petroleum Limited	N/A	-	-	-	Unrated	18,500	3,297	3,481	
Oil & Gas Development Company Limited	N/A	-	-	-	Unrated	47,500	7,686	7,854	
Mari Petroleum Company Limited	N/A	-	-	-	Unrated	4,200	5,246	5,775	
FOOD & PERSONAL CARE PRODUCTS									
Engro Foods Limited	N/A	-	-	-	Unrated	32,000	6,004	6,142	
Treet Corporation	AA- / A1	67,500	2,492	2,501					
TECHNOLOGY & COMMUNICATION									
Pakistan Telecommunication Company Limited	Unrated	2,000	25	26	Unrated	190,000	3,453	3,265	
TRG Pakistan Limited	Unrated	911,500	26,873	26,980	N/A	-	-	-	
TEXTILE COMPOSITE									
Nishat Mills Limited	AA / A1+	4,500	631	673	N/A	-	-	-	
COMMERCIAL BANKS									
National Bank of Pakistan	AAA / A1+	98,500	4,622	4,783	N/A	-	-	-	
INVESTMENT BANKS / INVESTMENT COMPANIES / SECURITIES COMPANIES									
Pakistan Stock Exchange Limited	Unrated	175,000	4,868	3,920	N/A	-	-	-	
Unlisted Term Finance Certificates									
Pace Pakistan Limited									
(Face value Rs 5,000 each)	Unrated	10,000	45,369	-	Unrated	10,000	45,369	-	
(Refer note 10.8.1)			45,369	-			45,369	-	
			228,779	182,176				558,715	551,065

- 10.8.1** These TFCs are secured and carry mark-up at the rate of 6 months KIBOR +2% and have matured on February 15, 2017. These TFCs are currently rated as 'non-performing' by the Mutual Funds Association of Pakistan and accordingly. The purchase cost of TFCs amounts to Rs. 45.37 million (2016: Rs. 45.37 million) and during the previous years, the Group on the basis of prudence, has fully impaired the investment of Rs. 45.37 million.

10.9	Details of investment in associates	2017			2016	
		Holding	Number of	Cost	Number of	Cost
		%	Shares	Rs in '000	Shares	Rs in '000
	Unlisted					
	KASB Capital Limited - incorporated in Mauritius	21.78	283,000	41,867	283,000	41,867
	Face value per share: USD 1 /-					
	Break-up value per share: Rs. 41.65 /- [based on					
	unaudited financial statements for the year ended					
	31 December 2016]					
	Chief Executive: Information not available					
	KASB Funds Limited	43.89	14,123,622	432,302	14,123,622	432,302
	Face value per share: Rs. 10 /-					
	Break-up value per share: Re. 0.44/- [based on					
	unaudited financial statements for the year ended					
	31 December 2015]					
	Chief Executive: Information not available					
	New Horizon Exploration and Production Limited	43.23*	76,360,000	589,629	76,360,000	589,629
	Face value per share: Re. 1 /- and Rs. 10 /-					
	Break-up value per share: Rs. 1.08/- [based on					
	unaudited financial statements for the year ended					
	30 June 2015]					
	Chief Executive: Information not available					
	Shakarganj Food Products Limited [Unlisted]	40.2	60,950,000	627,942	60,950,000	627,942
	Face value per share: Rs. 10 /-					
	Break-up value per share: Rs. 13.29/- [based on					
	unaudited financial statements for the period ended					
	31 December 2017]					
	Chief Executive: Mr. Ahsan M. Saleem					
				<u>1,691,740</u>		<u>1,691,740</u>

* The total effective holding is 43.23% with direct holding being 19.64% and indirect holding being 23.59%.

10.10 Reconciliation of investments in associates

31 December 2017					
Particulars	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited*	Shakarganj Food Products Limited	Total
Rupees in '000					
As at Jan 1, 2017	41,867	432,302	590,206	978,493	2,042,868
Recognised in the profit and loss account	-	-	-	104,530	104,530
As at December 31, 2017	41,867	432,302	590,206	1,083,023	2,147,398
Provision for diminution in the value of investment	(41,867)	(432,302)	(590,206)	-	(1,064,375)
As at December 31, 2017	-	-	-	1,083,023	1,083,023

* Share of loss has not been recognised, as this is fully provided in the books.

10.10.1 Particulars of KASB Income Opportunity Fund, KASB Asset Allocation Fund, KASB Islamic Income Opportunity Fund, Crosby Dragon Fund and KASB Cash Fund have not been produced as these entities have been acquired at Nil value and no movement took place during the year.

31 December 2016					
Particulars	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited	Shakarganj Food Products Limited	Total
Rupees in '000					
As at Jan 1, 2016	41,867	432,302	590,206	762,202	1,826,577
Recognised in the profit and loss account	-	-	-	216,291	216,291
As at December 31, 2016	41,867	432,302	590,206	978,493	2,042,868
Provision for diminution in the value of investment	(41,867)	(432,302)	(590,206)	-	(1,064,375)
As at December 31, 2016	-	-	-	978,493	978,493

* Share of loss has not been recognised, as this is fully provided in the books.

10.11 Summary of Associates

Name of associates	Based on the financial information for the year	Assets	Liabilities	Equity	Revenue	Profit/(Loss)
KASB Capital Limited	December 31, 2016	68,288,601	14,165,566	54,123,046	-	(3,565,110)
KASB Funds Limited	December 31, 2015	46,465,212	32,465,328	13,999,884	18,662,025	(66,240,997)
New Horizon Exploration and Production Limited	June 30, 2015	464,409,653	124,395,622	340,014,032	-	5,064,351
Shakarganj Food Products Limited	December 31, 2017	5,053,568	2,948,107	2,105,461	2,067,556	260,024

	Note	2017	2016
		Rupees in '000	
11 ISLAMIC FINANCING AND RELATED ASSETS			
Islamic financing and related assets - net	11.1	118,321,278	76,676,829
Advances (relating to amalgamated entity) - net	11.2	685,501	990,447
		<u>119,006,779</u>	<u>77,667,276</u>
11.1 Islamic financing and related assets - net			
In Pakistan			
- Murabahah financing and related assets	11.3, 11.9, 11.11	13,896,557	13,798,029
- Istisna financing and related assets	11.4 & 11.10	11,285,833	13,973,015
- Diminishing Musharakah - Housing		11,107,742	7,661,273
- Diminishing Musharakah - Auto		5,231,475	877,758
- Diminishing Musharakah financing and related assets - Others	11.5	10,639,548	8,800,359
- Against Bills - Murabahah		79,732	12,310
- Post Due Acceptance		37,241	25,073
- Salam	11.6	166,987	75,000
- Muswammah financing and related assets / Karobar financing	11.7	14,546,579	7,918,202
- Financing to employees	11.19	2,272,343	2,062,322
- Qardh e Hasana		561,956	-
- Foreign Bills Purchased against Financing		-	50,577
- Running Musharakah		38,689,311	10,000,000
- Investment Agency Wakalah		6,250,000	6,250,000
- Housing finance portfolio		45,788	73,761
- Net investment in Ijarah financing in Pakistan	11.13.1	38,481	39,829
- Ijarah financing under IFAS 2 and related assets	11.8	5,629,664	6,910,162
Gross financing and related assets		<u>120,479,237</u>	<u>78,527,670</u>
Less: Provision against non-performing Financing and related assets			
- Specific	11.15 & 11.16	(1,934,769)	(1,658,774)
- General	11.15 & 11.16	(223,190)	(192,067)
Islamic financing and related assets – net of provisions		<u>118,321,278</u>	<u>76,676,829</u>

11.1.1 Brief description of Islamic Financing arrangements

Murabahah

Murabahah to the purchase orderer is a sale transaction wherein the first party (the Group) sells to the client / customer Shariah compliant assets / goods for cost plus a pre-agreed profit after getting title and possession of the same. In principle, on the basis of an undertaking (Promise-to-Purchase) from the client (the purchase orderer), the Group purchases the assets / goods subject of the Murabahah from a third party and takes the possession thereof. However, the Group can appoint the client as its agent to purchase and take possession of the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Import Murabahah

Import Murabahah 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 client after getting the title to and possession of the goods. Murabahah financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisna

Istisna is a contract where the buyer (the Bank) orders the client (seller / manufacturer) to manufacture and deliver specified goods at an agreed contract price upon completion. Istisna is used with Wakalah agreement to provide financing mainly to manufacturers. Thus the transaction consists of two stages: (i) Bai Istisna whereby the Bank purchases goods from the client and (ii) Wakalah whereby the Bank after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

Ijarah

Ijarah is a contract where the owner of an asset transfers its usufruct (i.e. the usage right) to another person for an agreed period, at an agreed consideration. The rentals received / receivable on Ijarah are recorded as income / revenue. Depreciation on Ijarah assets is charged to consolidated profit and loss account by applying the accounting policy consistent with the policy for depreciation of operating fixed assets.

Salam

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. In Salam financing, the transaction consists of two stages: (i) Bai Salam whereby the Bank purchases goods from the client and (ii) Wakalah whereby the Bank after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

Muswammah / Karobar Financing

Muswammah is a contract where the Group purchases tangible identified goods from client at an agreed purchase price. The Group then sells the goods in the market through agent (Client) at a higher price to earn its desired profit.

Diminishing Musharakah

Diminishing Musharakah 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).

Musharakah / Mudarabah

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

Wakalah-tul-Istismar (Investment Agency Wakalah)

Wakalah-tul-Istismar means appointing another person to invest and grow one's wealth, with or without a fee. It covers contract for acquisition of services of a person or institution (Wakeel) for making investments of Wakalah Funds, and accomplishment of certain task on behalf of another person or institution (Muwakkil).

Running Musharakah

In Running Musharakah financing, the Group enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah Period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half yearly / annual accounts of the customer.

	Note	2017	2016
		----- Rupees in '000 -----	
11.2 Advances (relating to amalgamated entity)			
Loans, cash credits, running finances, etc.			
- In Pakistan		8,709,122	9,780,050
- Outside Pakistan		-	-
		8,709,122	9,780,050
Net investment in finance lease			
- In Pakistan	11.13.1	585,391	608,712
- Outside Pakistan		-	-
		585,391	608,712
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		714,646	720,973
- Payable outside Pakistan		-	-
		714,646	720,973
Gross Advances		10,009,159	11,109,735
Less: Provision for non-performing Financings			
- Specific	11.15 & 11.16	(9,515,302)	(10,280,585)
- General	11.15 & 11.16	(688)	(860)
Advances - net of provisions		493,169	828,290
Fair value adjustment	11.17	192,332	162,157
Advances - net of provisions and fair value adjustment		685,501	990,447
11.3 Murabahah financing and related assets			
Murabahah financing		11,442,916	11,568,440
Advance against Murabahah financing		2,453,641	644,052
Murabahah inventories		-	1,585,537
		13,896,557	13,798,029
11.4 Istisna financing and related assets			
Istisna financing		5,949,944	8,207,253
Advance against Istisna financing		5,269,236	759,934
Istisna inventories		66,653	5,005,828
		11,285,833	13,973,015
11.5 Diminishing Musharakah financing and related assets - Others			
Diminishing Musharakah financing		10,434,893	8,731,608
Advance against Diminishing Musharakah financing		204,655	68,751
		10,639,548	8,800,359
11.6 Salam			
Salam financing		67,001	12,002
Advance against Salam		99,986	-
Salam inventories		-	62,998
		166,987	75,000

	Note	2017	2016
		-----Rupees in '000-----	
11.7 Muswammah financing and related assets / Karobar financing			
Muswammah financing		9,622,350	6,884,913
Muswammah inventories		4,924,229	1,033,289
		<u>14,546,579</u>	<u>7,918,202</u>
11.8 Ijarah financing under IFAS 2 and related assets			
Net book value of assets under IFAS 2	11.14	5,427,911	6,382,270
Advance against Ijarah financing		201,753	527,892
		<u>5,629,664</u>	<u>6,910,162</u>
11.9	Murabahah financing and related assets includes financing amounting to Rs. 827.897 million (2016: Rs. 700 million) and advance amounting to Rs. 797.250 million (2016: Rs. 611.550 million) under Islamic Export Refinance Scheme.		
11.10	Istisna financing and related assets includes financing amounting to Rs. 444.654 million (2016: Rs. 223.5 million) and advance amounting to Rs. 1,094.541 million (2016: Rs. 763.2 million) under Islamic Export Refinance Scheme.		
		2017	2016
		-----Rupees in '000-----	
11.11	Murabahah sale price (for transactions during the year)	66,360,039	90,044,556
	Purchase price (for transactions during the year)	(65,104,250)	(88,461,554)
		<u>1,255,789</u>	<u>1,583,002</u>
11.11.1 Deferred Murabahah income			
	Opening balance	134,490	249,323
	Arising during the year	1,255,789	1,583,002
	Recognised during the year	(1,243,451)	(1,697,835)
		<u>146,828</u>	<u>134,490</u>
11.11.2 Murabahah receivable			
	Opening balance	10,816,499	19,658,149
	Sales during the year	66,360,039	90,044,556
	Received during the year	(66,563,627)	(98,886,206)
		<u>10,612,911</u>	<u>10,816,499</u>
11.12 Particulars of Islamic financing and related assets and advances - gross			
11.12.1	In local currency	130,488,396	89,637,405
	In foreign currency	-	-
		<u>130,488,396</u>	<u>89,637,405</u>
11.12.2	Short-term (for upto one year)	84,723,730	46,771,304
	Long-term (for over one year)	45,764,666	42,866,101
		<u>130,488,396</u>	<u>89,637,405</u>

11.13 Net investment in Ijarah financing in Pakistan

	2017			2016		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
Rupees in '000						
Ijarah rentals receivable	576,718	-	576,718	619,480	-	619,480
Residual value	91,452	-	91,452	33,841	-	33,841
Minimum Ijarah payments	668,170	-	668,170	653,321	-	653,321
Profit for future periods	(44,298)	-	(44,298)	(4,780)	-	(4,780)
Present value of minimum Ijarah payments	623,872	-	623,872	648,541	-	648,541

11.13.1 Break up of net investment in Ijarah financing and Finance lease

	2017	2016
	Rupees in '000	
Islamic financing and related assets - net	38,481	39,829
Advances (relating to amalgamated entity) - net	585,391	608,712
	623,872	648,541

11.14 Ijarah Assets

	2017							
	Cost			Accumulated depreciation			Book value as at Decem ber 31, 2017	Rate of Depreciatio n %
	As at January 01, 2017	Addition / (deletions) / (transfers)	As at December 31, 2017	As at January 01, 2017	Charge / (deletions)	As at December 31, 2017		
	Rupees in '000							
Plantand Machinery	1,817,106	51,728 (12,757)	1,856,077	823,532	195,809 (11,481)	1,007,860	848,217	20-33.33
Vehicles	7,321,676	915,258 (946,533)	7,290,401	1,932,980	1,187,889 (410,162)	2,710,707	4,579,694	20-33.33
	9,138,782	966,986 (959,290)	9,146,478	2,756,512	1,383,698 (421,643)	3,718,567	5,427,911	

	2016							
	Cost			Accumulated depreciation			Book value as at December 31, 2016	Rate of Depreciatio n %
	As at January 01, 2016	Addition / (deletions) / (transfers)	As at December 31, 2016	As at January 01, 2016	Charge / (deletions)	As at December 31, 2016		
	Rupees in '000							
Plant and Machinery	958,417	868,527 (9,838)	1,817,106	565,626	264,571 (6,665)	823,532	993,574	20-33.33
Vehicles	4,774,960	3,182,103 (635,387)	7,321,676	1,262,649	975,043 (304,712)	1,932,980	5,388,696	20-33.33
	5,733,377	4,050,630 (645,225)	9,138,782	1,828,275	1,239,614 (311,377)	2,756,512	6,382,270	

11.14.1 Net investment in Ijarah financing - IFAS 2

	2017				2016			
	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	1,805,798	2,640,112	-	4,445,910	2,113,168	3,271,090	1,336	5,385,594

11.15 Islamic financing and related assets and advances include Rs. 15,837.045 million (2016: Rs 14,533.967 million) which have been placed under non-performing status as detailed below:

Category of Classification	2017								
	Classified Islamic financing and related assets and advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets especially mentioned (OAEM)	95,345	-	95,345	-	-	-	-	-	-
Substandard	3,056,420	-	3,056,420	108,551	-	108,551	108,551	-	108,551
Doubtful	939,044	-	939,044	375,817	-	375,817	375,817	-	375,817
Loss	11,746,236	-	11,746,236	10,965,701	-	10,965,701	10,965,701	-	10,965,701
	15,837,045	-	15,837,045	11,450,069	-	11,450,069	11,450,069	-	11,450,069

Category of Classification	2016								
	Classified Islamic financing and related assets and advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets especially mentioned (OAEM)	692,569	-	692,569	-	-	-	-	-	-
Substandard	886,389	-	886,389	188,468	-	188,468	188,468	-	188,468
Doubtful	867,928	-	867,928	296,471	-	296,471	296,471	-	296,471
Loss	12,087,081	-	12,087,081	11,454,420	-	11,454,420	11,454,420	-	11,454,420
	14,533,967	-	14,533,967	11,939,359	-	11,939,359	11,939,359	-	11,939,359

11.15.1 In case of one of the non-performing Islamic financing and related assets amounting to Rs. 2,562 million, SBP has granted relaxation vide letter no. BPRD/BRD/PRs/7388/2018 dated April 4, 2018 on creating a provision till December 31, 2018. The outstanding amount of relaxation e.g. provisioning will not be available for distribution of cash & stock dividend and performance bonus to employees. Had the provision been made as per the requirements of applicable Prudential Regulations, the 'provision against Islamic financing and related assets and advances' would have been higher by Rs. 474.822 million and profit before taxation would have been lower by Rs. 474.822 million.

11.16 Particulars of provision against non-performing Islamic financing and related assets:

	2017			2016		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	11,939,359	192,927	12,132,286	13,516,506	135,593	13,652,099
Transferred from the amalgamated entity	-	-	-	-	-	-
Change for the year	519,502	30,951	550,453	790,178	57,334	847,512
Reversals	(997,966)	-	(997,966)	(2,309,561)	-	(2,309,561)
	(478,464)	30,951	(447,513)	(1,519,383)	57,334	(1,462,049)
Amount written off	(10,824)	-	(10,824)	(57,764)	-	(57,764)
Closing balance	11,450,071	223,878	11,673,949	11,939,359	192,927	12,132,286

	2017			2016		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Islamic	1,934,769	223,190	2,157,959	1,658,774	192,067	1,850,841
Conventional	9,515,302	688	9,515,990	10,280,585	860	10,281,445
	11,450,071	223,878	11,673,949	11,939,359	192,927	12,132,286

	2017	2016
	Rupees in '000	
Reversals net of fair value adjustment taken to the consolidated profit and loss account		
Gross reversals	997,966	2,309,561
Change for the year	(550,453)	(847,512)
	447,513	1,462,049
Fair value adjusted - net	30,175	262,338
Net reversals taken to the profit and loss account	477,688	1,724,387

11.16.3 Particulars of provision against non-performing Islamic financing and related assets:

	2017			2016		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	11,450,071	223,878	11,673,949	11,939,359	192,927	12,132,286
In foreign currency	-	-	-	-	-	-
	11,450,071	223,878	11,673,949	11,939,359	192,927	12,132,286

11.16.3.1 The Holding company maintains general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

11.16.3.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the holding company has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2017 amounts to Rs. 432.630 million (2016: Rs. 468.585 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 281.209 million (2016: Rs.304.580 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders of the holding company.

11.17 Provision in respect of acquired loans have been determined after taking into considerations of the fair values of such loans on the basis of valuation exercise performed by the Independent consultant.

11.18	Particulars of write offs	2017	2016
		--- (Rupees in '000) ---	
	Against provisions	10,824	57,764
	Directly charged to the profit and loss account	-	32,008
		<u>10,824</u>	<u>89,772</u>
	Write offs Rs. 500,000 and above	10,339	89,211
	Write offs below Rs. 500,000	485	561
		<u>10,824</u>	<u>89,772</u>

11.18.1 Details of financings written off of Rs. 500,000 and above

In term of sub-section(3) of section 33 A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to any person is required to be disclosed. The details of financial relief allowed during the year is given as Annexure - II.

11.19 Particulars of financing to directors, executives or officers of the Holding Company

Financing due by directors, executives or officers of the holding company or any of them either severally or jointly with any other persons.

	Note	2017	2016
		-----Rupees in '000-----	
Balance at the beginning of the year		2,062,322	1,847,139
Financing granted during the year		1,022,092	847,227
Repayments made during the year		(812,071)	(632,044)
Balance at the end of the year	11.19.1	<u>2,272,343</u>	<u>2,062,322</u>

11.19.1 This includes Rs 5.609 million (2016: Rs 4.653 million) mark up free financing to employees of the holding company given under the holding company's Human Resource Policy.

12	OPERATING FIXED ASSETS	Note	2017	2016
			-----Rupees in '000-----	
	Capital work-in-progress	12.1	54,437	38,362
	Property and equipment	12.2	5,912,925	6,160,780
	Intangible assets	12.3	3,180,702	3,212,987
			<u>9,148,064</u>	<u>9,412,129</u>

12.1 Capital work-in-progress

Advances to suppliers and contractors	54,437	38,362
Advance for acquiring properties (relating to defunct KASB Bank Limited):		
- Office premises	721,903	721,903
	776,340	760,265
Provision for impairment against advance for		
acquiring floor / office premises (relating to defunct KASB Bank Limited)	(721,903)	(721,903)
	<u>54,437</u>	<u>38,362</u>

12.2 Property and equipment

2017										
COST / REVALUATION				DEPRECIATION			Net book value as at December 31, 2017	Rate of Depreciation %		
As at January 01, 2017	Additions	(Disposals / adjustment s')	As at December 31, 2017	As at January 01, 2017	Charge for the year / (disposals) / adjustment s	As at December 31, 2017				
Rupees in '000										
1,016,199	-	-	1,003,803	-	-	-	1,003,803	-		
	-	(12,396)			-					
	-				-					
3,570,355	511	-	3,588,091	332,544	104,835	450,493	3,137,598	2		
	-	17,225			-					
	-				13,114					
2,286,467	183,481	(3,992)	2,126,934	1,121,602	280,264	1,057,727	1,069,207	10		
	-	(339,022)			(2,141)					
	-				(341,996)					
3,141,074	300,062	(33,195)	2,760,859	2,409,338	330,556	2,066,399	694,460	15 - 25		
	-	(647,082)			(30,976)					
	-				(642,519)					
43,449	1,558	(516)	24,193	33,280	3,870	16,336	7,857	20		
	-	(20,296)			(516)					
	-				(20,296)					
10,057,544	485,612	(37,703)	9,503,880	3,896,764	719,525	3,590,955	5,912,925			
	-	(1,001,573)			(33,633)					
	-				(991,701)					

* During the year, the Bank reviewed the fixed assets acquired as a result of the amalgamation in 2015 and adjusted the cost with the accumulated depreciation of the respect assets to reflect their value as at the acquisition date.

2016										
COST / REVALUATION				DEPRECIATION			Net book value as at December 31, 2016	Rate of Depreciation %		
As at January 01, 2016	Additions / transfers / adjustments	(Disposals / write off)	As at December 31, 2016	As at January 01, 2016	Charge for the year / (disposals) / adjustments	As at December 31, 2016				
Rupees in '000										
831,847	-	-	1,016,199	-	-	-	1,016,199	-		
	171,956	-			-					
	12,396				-					
3,742,250	61	-	3,570,355	250,531	86,859	332,544	3,237,811	2		
	(171,956)	-			(4,865)					
	-				19					
1,544,732	744,300	(2,565)	2,286,467	861,023	244,860	1,121,602	1,164,865	10		
	-	-			(1,819)					
	-				17,538					
2,816,178	409,070	(84,174)	3,141,074	2,188,656	312,060	2,409,338	731,736	15 - 25		
	-	-			(77,409)					
	-				(13,969)					
40,158	7,566	(4,275)	43,449	32,755	4,744	33,280	10,169	20		
	-	-			(4,219)					
	-				-					
8,975,165	1,160,997	(91,014)	10,057,544	3,332,965	648,523	3,896,764	6,160,780			
	-	-			(88,312)					
	12,396				3,588					

12.2.1 Details of property and equipment disposed-off

The details of property and equipment disposed-off during the year are disclosed in 'Annexure I'

12.3 Intangible asset

	2017							
	COST			AMORTISATION			Net book value as at December 31, 2017	Rate of amortization %
	As at January 01, 2017	Additions / Adjustments*	As at December 31, 2017	As at January 01, 2017	Charge for the year / adjustments	As at December 31, 2017		
Rupees in '000								
Computer software	677,745	28,437 (234,077)	472,105	498,557	59,134 (236,722)	320,969	151,136	20
Core deposits	40,600	- -	40,600	3,925	2,393 -	6,318	34,282	5.5% - 20%
Customer list	30,735	- (22,936)	7,799	27,969	2,712 (22,936)	7,745	54	10
Membership cards of PSX and PMEX (Refer Note 12.3.1 & 12.3.2)	2,100	- -	2,100	-	- -	-	2,100	Indefinite useful life
Rooms at PSX	5,804	- -	5,804	5,804	- -	5,804	-	Indefinite useful life
Booths at PSX	950	- -	950	-	- -	-	950	Indefinite useful life
Contracts and Mandates	89,353	- -	89,353	89,353	- -	89,353	-	Indefinite useful life
License and trademark	-	872	872	-	-	-	872	
Foreign Affiliate Relationships	89,327	- -	89,327	89,327	- -	89,327	-	Indefinite useful life
Goodwill	2,991,308	- -	2,991,308	-	- -	-	2,991,308	-
	3,927,922	29,309 (257,013)	3,699,346	714,935	64,239 (259,658)	519,516	3,180,702	

* During the year, the Bank reviewed the fixed assets acquired as a result of the amalgamation in 2015 and adjusted the cost with the accumulated depreciation of the respect assets to reflect their value as at the acquisition date.

	2016							
	COST			AMORTISATION			Net book value as at December 31, 2016	Rate of amortization %
	As at January 01, 2016	Additions / (disposals)	As at December 31, 2016	As at January 01, 2016	Charge for the year / adjustments	As at December 31, 2016		
	Rupees in '000							
Computer software	555,305	122,440	677,745	436,151	56,306 6,100	498,557	179,188	20
Core deposits	40,600	-	40,600	1,554	2,371	3,925	36,675	5.5% - 20%
Customer list	30,735	-	30,735	24,935	3,034	27,969	2,766	10
Membership cards of PSX and PMEX (Refer Note 12.3.1 & 12.3.2)	2,100	-	2,100	-	-	-	2,100	Indefinite useful life
Rooms at PSX	5,804	-	5,804	5,804	-	5,804	-	Indefinite useful life
Booths at PSX	950	-	950	-	-	-	950	Indefinite useful life
Contracts and Mandates	89,353	-	89,353	89,353	-	89,353	-	Indefinite useful life
Foreign Affiliate Relationships	89,327	-	89,327	89,327	-	89,327	-	Indefinite useful life
Goodwill	2,991,308	-	2,991,308	-	-	-	2,991,308	-
	3,805,482	122,440	3,927,922	647,124	61,711 6,100	714,935	3,212,987	

- 12.3.1** Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a stock exchange had been segregated from right to trade on the exchange. Accordingly, the BIPL Securities Limited received equity shares of PSX and a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of PSX. BIPL Securities Limited's entitlement in respect of PSX's shares was determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and BIPL Securities Limited had been allotted 4,007,383 shares of the face value of Rs 10/- each, out of which 2,404,430 shares were kept in the blocked account and the divestment of the same was to be made in accordance with the requirements of the Act within two years from the date of Demutualization.

On December 29, 2016, the divestment committee of PSX formed for the purpose confirmed the sale of 40% equity stake of PSX shares as detailed in Note 10.6.15 to these financial statements.

The cost / book value of the PSX membership card amounted to Rs. 4.95 million as at December 31, 2012. In absence of an active market of the shares of PSX and TREC, the allocation of the carrying value of the membership card between the shares (financial asset) and TREC (an intangible asset) was made by BIPL Securities Limited on the basis of the face of ordinary shares and the TREC value assigned by the PSX for minimum capital requirement purpose applicable to the stock exchange brokers.

- 12.3.2** BIPL Securities Limited has pledged / hypothecated its TREC in favor of PSX to meet the requirement of Base Minimum Capital (BMC) under clause 19.2 of the Risk Management Regulation of PSX Rule Book.

12.4 Goodwill

This represents goodwill recognised upon acquisition of KASB Bank Undertakings based on fair values of assets and liabilities as more fully explained in note 4 to these financial statements. The SBP vide its letter no. BPRD(R&P-02)/ 625-112/ 2017/ 4089 dated February 24, 2017 has allowed the Bank exemption from "Goodwill impairment" under the applicable accounting standards till December 30, 2018 and thereafter the Bank will be required to start goodwill impairment testing as per applicable accounting rules. The amount of goodwill that will be deductible for taxable purposes is Rs. 5,896.832 million. The difference represents the fair value benefit of the financial assistance granted by the State Bank of Pakistan as disclosed in note 16.1 to the financial statements.

- 12.5** Cost of fully depreciated properties and equipment that are still in the Group's use, as at December 31, 2017, amounted to Rs. 1,490.711 million (2016: Rs. 1,051.133 million). The cost of fully amortised intangible assets that are still in the Group's use, as at December 31, 2017 amounted to Rs. 181.765 million (2016: Rs. 156.176 million).

- 12.6** During the year 2015, the Group's freehold land and buildings on leasehold land were revalued by M/s. Akbani & Javed, Harvesters Services and Ghandhara Consultants on the basis of their professional assessment of the present market value. As a result of revaluation the market value of freehold land and buildings on leasehold land were determined at Rs. 3,796.573 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2017 would have been as follows:

	COST			DEPRECIATION			Net book value as at December 31, 2017
	As at January 01, 2017	Additions	(Disposals)	As at December 31, 2017	As at January 01, 2017	Charge for the year	As at December 31, 2017
Rupees in '000							
Freehold Land	434,928	-	-	434,928	-	-	434,928
Building on lease hold land	2,524,622	-	-	2,524,622	236,875	51,341	2,236,406
	2,959,550	-	-	2,959,550	236,875	51,341	2,671,334

13	DEFERRED TAX ASSETS	Note	2017 Rupees in '000	2016 Rupees in '000
	Deferred tax debits arising in respect of:			
	Accumulated tax losses	13.1	3,576,408	1,893,706
	Tax credit against minimum tax		2,143	354,905
	Provision for diminution in the value of investments		455,097	369,462
	Provision against non-performing Islamic financing and related assets		4,040,512	3,871,299
	Provision for gratuity		21,253	21,253
	Impairment of goodwill		37,001	74,118
	Ijarah financing and related assets		108,229	1,018
	Others		533,770	606,559
			8,774,413	7,192,320
	Deferred tax credits arising due to:			
	Fair value adjustments relating to net assets acquired upon amalgamation		(163,641)	(38,157)
	Accelerated tax depreciation		(120,472)	(192,081)
	Surplus on revaluation of fixed assets		(645,201)	(650,800)
	Surplus on revaluation of non-banking assets		(5,149)	(4,632)
	Surplus on revaluation of available for sale securities		(145,325)	(404,091)
	Net investment in finance lease		(81,603)	(81,603)
			(1,161,391)	(1,371,364)
			7,613,022	5,820,956
13.1	The holding company has aggregate tax losses of Rs. 10,137.953 million as at December 31, 2017 which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Bank). The management has carried out an assessment for estimating the benefit of these losses, the Bank would be able to set off from the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 3,548.284 million. The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.			
14	OTHER ASSETS		2017 Rupees in '000	2016 Rupees in '000
	Profit / return accrued in local currency		2,533,016	2,326,703
	Profit / return accrued in foreign currency		4,972	1,093
	Advances, deposits, advance rent and other prepayments		775,157	915,328
	Non-banking assets acquired in satisfaction of claims	14.1	1,768,418	1,665,910
	Lease rental receivable		-	44,641
	Branch Adjustment Account		-	53,761
	Defined Benefit Plan assets	34.3	-	35,373
	Insurance claim receivable		28,704	13,250
	Receivable against First WAPDA Sukuk	14.2	50,000	50,000
	Stationery and stamps in hand		13	7
	Trade debts	14.3	117,803	197,968
	Receivable against Mutual Funds		-	16,041
	Receivable from PSX against sale of shares	10.6.15	4,488	-
	Unrealized gain on forward foreign exchange contracts		-	1,541
	Unrealized gain on forward sale contracts		2,359	-
	Other receivables		184,933	329,505
			5,469,863	5,651,121
	Less: Provision held against other assets	14.4	(672,888)	(665,281)
	Other assets (net of provisions)		4,796,975	4,985,840

14.1

The market value of Non-Banking assets acquired in satisfaction of claims is Rs. 1,258.478 million (2016: Rs. 1,149.336 million). The impairment amounting to Rs. 523.106 million (2016: Rs. 523.106 million) is included in provision held against other assets.

14.2

The Group had purchased 10,000 certificates on June 25, 2009 of first Wapda sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Group's CDC account. However, the periodic Ijarah Rental dues were not paid to the Group on the plea that there exists certain discrepancy with respect to ownership of the asset. The amount has been shown under "other assets" as the certificates were matured in 2012 as per the terms of the sukuk issue. The Group has not recognised any provision in respect of the above amount as it is fully secured through a lien over a deposit account.

14.3

This includes receivable from NCCPL amounting to Rs. 0.075 million (2016: Rs. 92.88 million) in respect of trading in securities settled subsequent to the year end.

14.4

Provision held against other assets

Note

2017

2016

----- Rupees in '000 -----

Opening balance

665,281

670,355

Charge for the year

7,607

69

Reversals

-

(5,143)

7,607

(5,074)

Closing balance

672,888

665,281

15

BILLS PAYABLE

In Pakistan

2,988,996

2,273,934

Outside Pakistan

-

-

2,988,996

2,273,934

16

DUE TO FINANCIAL INSTITUTIONS

In Pakistan

15,570,390

6,066,307

Outside Pakistan

-

-

15,570,390

6,066,307

16.1

Details of due to financial institutions secured / unsecured

Secured

Acceptances from State Bank of Pakistan:

- under Islamic Export Refinance Scheme

16.1.1

3,103,902

2,205,550

- under scheme of amalgamation

16.1.2

2,581,488

2,360,757

Musharakah Acceptance

16.1.3

5,000,000

-

Unsecured

Wakalah Acceptance

16.1.4

585,000

-

Musharakah Acceptance

16.1.5

4,300,000

1,500,000

15,570,390

6,066,307

16.1.1

The acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favour of the State Bank of Pakistan (SBP). A limit of Rs. 5,000 million (2016: Rs. 5,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2017.

16.1.2

This represents amortised cost of a 10 year financing facility of Rs.5,000 million extended by the State Bank of Pakistan (SBP). The facility is secured against Government of Pakistan Ijarah Sukuk. The 10 year facility was provided on the basis of Mudarabah to be remunerated at profit sharing ratio declared by the Bank on its remunerative current accounts on monthly basis (the last declared rate in this respect is 0.01% per annum).

16.1.3

The profit rates on this agreements is 5.83% (2016: Nil) per annum and has maturity in 309 days (2016: Nil).

- 16.1.4** The profit rate on this agreement is 5.75% (2016: Nil) per annum and the agreement has maturity in 5 days (2016: Nil).
- 16.1.5** The profit rates on this agreements is 5.65% to 5.70% (2016: 5% to 5.25%) per annum and has maturity in 2 to 18 days (2016: 30 days to 51 days).

16.2 Particulars of due to financial institutions with respect to currencies

	Note	2017	2016
		Rupees in '000	
In local currency		15,570,390	6,066,307
In foreign currencies		-	-
		<u>15,570,390</u>	<u>6,066,307</u>

17 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits		42,404,505	41,134,961
Savings deposits		56,855,719	47,774,326
Current accounts - non-remunerative		58,026,421	48,557,422
Margin accounts - non-remunerative		592,600	516,032
		<u>157,879,245</u>	<u>137,982,741</u>

Financial Institutions

Remunerative deposits		20,932,908	15,479,103
Non-remunerative deposits		189,425	364,504
		<u>179,001,578</u>	<u>153,826,348</u>

17.1 Particulars of deposits

In local currency		175,264,523	151,049,608
In foreign currencies		3,737,055	2,776,740
		<u>179,001,578</u>	<u>153,826,348</u>

18 OTHER LIABILITIES

Profit / return payable in local currency		774,724	661,170
Profit / return payable in foreign currencies		4,676	2,037
Accrued expenses		445,870	526,307
Deferred Murabahah Income - Financing and IERS	11.11.1	153,187	138,308
Deferred Murabahah Income - Commodity Murabahah		94,091	396,149
Payable to defined contribution plan		5,023	1,899
Payable to defined benefit plan		2,210	6,036
Defined Benefit Plan liabilities	34.3	45,742	-
Security deposits against Ijarah and others		2,403,247	2,609,594
Provision against off-balance sheet obligations	18.1	129,093	299,093
Surplus income of quarantined entity held for future admissible expenses		95,860	133,693
Receipt appropriation account		159,543	87,538
Current taxation (provisions less payments)		120,321	147,442
Provision against other tax liabilities	18.2	27,251	199,067
Sundry creditors		870,536	1,072,462
Payable to brokers against purchase of shares - net		31	184,568
Unrealized loss on forward foreign exchange contracts		898	-
Unrealized loss on forward sale contracts		-	29,980
Charity payable	18.3	2,679	2,145
Retention money payable		17,474	27,611
Branch adjustment account		38,247	-
WWF payable		23,723	23,723
Others		31,289	211,895
		<u>5,445,715</u>	<u>6,760,717</u>

	2017	2016
	----- Rupees in '000 -----	
18.1 Provision against off-balance sheet obligations		
Opening balance	299,093	394,456
Transferred to provision against Islamic financing and related assets and Advances	(170,000)	(95,363)
Closing balance	<u>129,093</u>	<u>299,093</u>
18.2 Provision against other tax liabilities		
This balance represents provision against certain outstanding tax matters.		
18.3 Charity payable		
Opening balance	2,145	3,956
Additions during the period		
- Received from customers on delayed payment	8,864	6,988
- Shariah non-compliant income	239	170
	<u>9,103</u>	<u>7,158</u>
Distribution of Charity		
- Education	(3,400)	(960)
- Health	(2,300)	(5,047)
- Islamic Microfinance	(700)	(500)
- Community Development	(2,250)	(2,700)
	<u>(8,650)</u>	<u>(9,207)</u>
Accrual of profit on charity account	81	238
Closing balance	<u>2,679</u>	<u>2,145</u>
18.3.1 Charity was paid to the following:		
Ahmed E. H. Jaffer Foundation	350	-
Akhuwat Foundation	700	500
Alamgir Welfare Trust International	950	500
Bait us Salam Education Foundation	200	-
Bait us Salam Welfare Trust	500	-
Centre for Development of Social Services	300	-
Diya Pakistan	200	200
Dr. M. Nasir Jamal Pasha	-	200
Ghousia Free Dispensary	200	-
Indus Hospital	700	500
Infaq Memorial Trust	-	700
Karachi Relief Trust	150	-
Kharadar General Hospital	700	200
Koohi Goth Hospital	200	200
Markaz-e-Umeed	200	-
Mr. Sajid Inayat	-	322
Mrs. Ishrat Afzal Butt	-	1,900
Mrs. Shahnaz Khan	150	975
Ms. Mehak Ruba	-	60
National University of Sciences & Technology	500	-
Pakistan Navy Education Trust (PNET)	200	-
Pakistan Navy Educational Trust - Bahria Model School	250	-
Qindeel Academy	-	200
Sahara Public Rights Welfare	200	-
Saylani Welfare International Trust	-	500
Shoukat Khanum Memorial	500	500
Syeda Anayah Nadeem	-	250
Tasha Trust	500	-
The Citizen Foundation	1,000	500
Wasil Trust Charity	-	1,000
	<u>8,650</u>	<u>9,207</u>
18.3.2	Charity was not paid to any staff of the holding company or to any individual / organisation in which a director of the holding company or his spouse had any interest at any time during the year.	

19 SHARE CAPITAL**19.1 Authorised capital**

	2017	2016	Note	2017	2016
	----- Number of Shares -----			----- Rupees in '000 -----	
	1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000

19.2 Issued, subscribed and paid up capital

	2017	2016		2017	2016
	----- Number of Shares -----			----- Rupees in '000 -----	
	1,007,912,090	1,007,912,090	Ordinary shares of Rs 10 each	10,079,121	10,079,121
			Fully paid in cash		

20 RESERVES

Statutory Reserves	20.1	676,266	363,636
Reserve for bad debts and contingencies	20.2	250,000	250,000
		<u>926,266</u>	<u>613,636</u>

20.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20% of the profit of the holding company is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital of the holding company (i.e. Bank). Thereafter, an amount of not less than 10% of the profit is required to be transferred to such reserve fund.

20.2 The Board of Directors of the holding company in its meeting held on March 6, 2015 had approved transfer of an amount of Rs. 250 million out of "unappropriated profit" to "reserve for bad debts and contingencies".

	Note	2017	2016
		----- Rupees in '000 -----	

21 SURPLUS ON REVALUATION OF ASSETS**Surplus / (Deficit) arising on revaluation of:**

Fixed Assets (attributable to equity shareholders of the Bank)	21.1	830,266	840,664
Non Banking Assets (attributable to equity shareholders of the Bank)	21.2	176,178	67,968
Available for sale securities, attributable to:			
- Equity shareholders of the Bank		221,144	806,634
- Non-controlling interest		(25,675)	26,061
	21.3	<u>195,469</u>	<u>832,695</u>
		<u>1,201,913</u>	<u>1,741,327</u>

21.1 Surplus on revaluation of fixed assets

Freehold Land	112,087	112,087
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Building on lease hold land

Surplus on revaluation of fixed assets at January 1	1,120,887	1,136,858
---	-----------	-----------

Transferred to un-appropriated profit / (accumulated loss) in respect of incremental depreciation charged during the year	(10,398)	(10,381)
Related deferred tax liability in respect of incremental depreciation charged during the year	(5,599)	(5,590)
	<u>(15,997)</u>	<u>(15,971)</u>
	<u>1,104,890</u>	<u>1,120,887</u>

Related deferred tax liability on surplus as at January 1	(392,310)	(397,900)
Related deferred tax liability in respect of incremental depreciation charged during the year	5,599	5,590
	<u>(386,711)</u>	<u>(392,310)</u>
	<u>718,179</u>	<u>728,577</u>
	<u>830,266</u>	<u>840,664</u>

	2017	2016
	----- Rupees in '000 -----	
21.2 Surplus on revaluation of Non Banking Assets		
Freehold Land		
Surplus on revaluation of Non Banking Assets at January 1	59,367	-
Surplus recognised during the year	107,252	59,367
	<u>166,619</u>	<u>59,367</u>
Building on lease hold land		
Surplus on revaluation of Non Banking Assets at January 1	13,233	-
Surplus recognised during the year	1,890	13,491
Transferred to un-appropriated profit / (accumulated loss) in respect of incremental depreciation charged during the year	(270)	(168)
Related deferred tax liability in respect of incremental depreciation charged during the year	(145)	(90)
	<u>(415)</u>	<u>(258)</u>
	14,708	13,233
Related deferred tax liability on surplus as at January 1	(4,632)	-
Related deferred tax liability on surplus arising during the year	(662)	(4,722)
Related deferred tax liability in respect of incremental depreciation charged during the year	145	90
	<u>(5,149)</u>	<u>(4,632)</u>
	9,559	8,601
	<u>176,178</u>	<u>67,968</u>
21.3 Surplus on revaluation of available for sale securities		
Federal Government Securities		
- GOP Ijarah Sukuks - Islamic	415,764	1,096,826
Sukuk certificates		
- Sukuks listed	(585)	1,721
- Sukuks unlisted	(0)	(3,783)
Fully paid up ordinary shares / Units		
- Modaraba Certificates - Islamic	6,513	9,019
- Ordinary shares of listed companies - Islamic	34,468	(2,868)
- Units of Open end Mutual Funds - Islamic	(990)	50
- Al Jomaih Power Limited (pertaining to BIPL Securities Limited) - Conventional	(114,376)	135,821
	<u>340,794</u>	<u>1,236,786</u>
Related deferred tax liability	(145,325)	(404,091)
	<u>195,469</u>	<u>832,695</u>
22 CONTINGENCIES AND COMMITMENTS		
22.1 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
- Government	704,137	875,950
- Others	9,393,558	11,828,695
	<u>10,097,695</u>	<u>12,704,645</u>
22.2 Trade-related contingent liabilities		
Import letter of Credit	5,808,063	4,348,098
Acceptances	1,627,253	1,983,434
	<u>7,435,316</u>	<u>6,331,532</u>
22.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Group has not acknowledged as debt	<u>150,000</u>	<u>150,000</u>

- 22.3.1** These mainly represent counter claims filed by the borrowers for restricting the Group for disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Group was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.
- 22.3.2** Consequent to the amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation in which the Group has been made a party. The management based on the opinion of its legal counsel is confident that there will be dismissed by the Honourable Court.
- 22.4** The Deputy Commissioner Inland Revenue (DCIR) passed certain assessment orders against the Group vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69.431 million was raised against the Group mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government.

The Group filed an appeal for the stay of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment order were confirmed by the Commissioner Inland Revenue (Appeals). The stay application was heard on February 23, 2013. The ATIR accepted the stay application and had verbally directed that no recovery of demand should be initiated against the holding company till the decision of the main case by the ATIR. The holding company had initially deposited an amount of Rs. 10.4 million for filing appeal against the said case. During the year 2015, the holding company had further deposited an additional amount of Rs. 8 million on the verbal instructions of the authorities. The ATIR has set aside the stay appeal in respect of income from dealing in foreign currencies and remanded back the case to the Commissioner Inland Revenue for fresh reassessment proceedings. The management of the holding company is confident that the above matter will be decided in favour of the holding company and therefore, no provision for any liability which may arise in this respect has been made in these consolidated financial statements.

- 22.5** 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 along with an order restraining the person to deal with the shares pending future hearing and disposal of the suit. The winding up petition as filed by the same party was also dismissed by the High Court.

After dismissal, the party filed a suit against the Group in the Banking Court, Karachi, claiming Rs 19,200,000. The management of the Group, based on the opinion of the Group's lawyer, is confident that the Group has a strong case and the suit filed against the Group will be dismissed. Accordingly, no provision has been made in these financial statements in respect of the above.

- 22.6** The audited financial statements of the defunct KASB Bank Limited as at May 07, 2015 include a sum of Rs. 981.410 million representing advance against issue of right shares which had been treated as a part of equity. This amount was received from Mr. Nasir Ali Shah Bukhari, a former sponsor of the defunct KASB Bank Limited and other shareholders. The defunct KASB Bank Limited, when it was under the management and control of Mr. Bukhari, did not issue shares against the said advance, amongst other reasons, due to default on the part of the sponsors for meeting the minimum capital requirement. The amount was reported by the defunct KASB Bank Limited as a part of the shareholders equity in the financial statements with the

permission of SBP consistent with the practice followed by other Banks in Pakistan. The defunct KASB Bank Limited is now amalgamated with and into the BIPL, with effect from May 7, 2015, as per the Scheme of Amalgamation sanctioned by the Federal Government. The KASB Corporation Limited and one of its sponsors has filed a suit no: 1102/2015 in the Honorable High Court of Sindh, wherein, they prayed for restraining the BIPL from using or transferring the amount of advance for any purpose whatsoever during the pendency of the instant proceedings. Pursuant to the said suit, an order has been passed by the Honorable High Court of Sindh on July 1, 2015, whereby, the Bank has been asked to submit a statement of financial position and keep the amount in the same position. The Bank is of the view that, in addition to other reasons, as Advance against future issue of right shares appeared as shareholders equity in the financial statements prepared by the defunct KASB Bank Limited itself, it did not form part of the assets and liabilities of the defunct Bank transferred to the Bank under the scheme of amalgamation. The same position has been maintained.

22.7 After the acquisition of defunct KASB Bank, the Group came to know about certain transactions, identified by SBP including but not limited to fraudulent activities. SBP instructed the Bank to initiate legal actions in this respect and accordingly separate complaints have been lodged with National Accountability Bureau (the Bureau) which were later converted into formal inquiries by the Bureau. It may be noted without prejudice to the Bank's claim, the related amounts have not been recorded in these financial statements as a matter of prudence.

22.8 The Income Tax authorities Substituted Section 5A of Income Tax ordinance 2001 through Finance Act 2017 which requires one of the Group company to be subjected to additional tax of 7.5% of the accounting profit before tax if it fails to distribute at least 40 % of profit after tax within six months of the end of tax year through cash or bonus. However, company has filed an appeal before the Honorable High Court of Sindh at Karachi. The Honorable High Court of Sindh has granted Stay orders in favour of the company and the proceedings thereof are pending till date. The management is confident that the eventual outcome of the matters will be decided in favour of the company. Accordingly, no provisions has been made in these financial statements.

	2017	2016
	----- Rupees in '000 -----	
22.9 Commitments in respect of contracts		
Purchases		
- Forward purchase of foreign currencies	1,269,645	5,974,455
Sales		
- Future sale of shares	157,705	478,565
- Forward sale of foreign currencies	1,575,981	6,336,881
22.10 Commitments for the acquisition of operating fixed assets	152,968	217,107
22.11 Commitments in respect of financing facilities		

The Group makes commitments to extend financing 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.

22.12 Taxation

- 22.12.1** The income tax returns of the holding company have been filed and tax assessments have been made by the tax authorities upto tax year 2016. The returns filed for the tax year 2014 to tax year 2016 are treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.
- 22.12.2** During the year 2014 (relating to the defunct KASB Bank Limited), the learned Additional Commissioner Inland Revenue (ACIR) passed amended assessments order under section 122(5A) of the Income Tax Ordinance, 2001 for tax Years 2011 and 2013 by imposing minimum tax on turnover disregarding gross loss position of the bank. ACIR has also amended taxability of capital gain and dividend income. The aggregate tax impact comes to Rs.116.002 million. Against the said order, the bank filed appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year the learned CIRA issued order under section 129 of the Ordinance by deleting the tax charged on capital gain and dividend income and upheld the levy of minimum tax. The learned ACIR has passed appeal effect order under section 124 of the Ordinance. After appeal effect order the aforesaid demand has now been reduced to Rs.89.928 million. Against the order of the learned CIRA, the Group has filed an appeal before the Honourable Appellate Tribunal Inland Revenue (ATIR). However, the department has filed appeal against the CIRA Order on the issue of capital gain and dividend income. Therefore, cross appeal for the tax year 2011 and 2013 is pending before ATIR.
- 22.12.3** During the year 2014 (relating to the defunct KASB Bank Limited), in respect of Income tax assessments of International Housing Finance Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007) for tax year 2005, CIR Appeals has maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs 12.997 million. The defunct KASB Bank Limited has preferred appeals before the ATIR for tax year 2005.
- 22.12.4** During the year 2013 (relating to defunct KASB Bank Limited), the Appellate Tribunal Inland Revenue (ATIR) passed an order for the tax years 2005 to 2009 in favour of the defunct KASB Bank Limited by allowing certain deductions including provision for non-performing advances, impairment on investments, other provisions, amortization of goodwill and allocation of expenses having an aggregate tax impact of Rs. 712.550 million. However, the ATIR has disallowed deductions relating to carry over transactions having tax impact of Rs. 86.377 million for the tax years 2005 to 2008. The defunct KASB Bank Limited has preferred an appeal before the Honorable High Court of Sindh against the said decision of the ATIR. No development has taken place during the current period.
- 22.12.5** During the year 2013 (relating to defunct KASB Bank Limited), the Income tax assessments of KASB Capital Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2008) for tax years 2008 and 2009 were amended by the Taxation Officer to the extent of apportionment of expenses having an aggregate tax impact of Rs 125.880 million. The Bank has preferred an appeal before the Honorable High Court of Sindh against the said decision of tax authorities. No development has taken placed till the current period.
- 22.12.6** For tax years 2003 and 2004 (relating to defunct KASB Bank Limited), the Commissioner Inland Revenue Appeals (CIR Appeals) has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of Rs. 33.748 million. The defunct KASB Bank Limited has preferred appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above referred orders of the CIR Appeals. No development has taken place during the current period.

- 22.12.7 For assessment years 2001-2002 and 2002-2003 and tax years 2003, 2004 and 2005 (relating to defunct KASB Bank Limited) the income tax authorities of AJK region have passed appellate orders by adding interest on surplus funds transferred to head office, resulting in an additional tax demand of Rs. 14.587 million. The defunct KASB Bank Limited has filed reference with the Azad Kashmir High Court against such additions for the above mentioned assessment/ tax years upto 2004. For tax year 2005, the Commissioner Income Tax (Appeals) - AJK has passed order in favour of the defunct KASB Bank Limited. However, the tax department has preferred appeal before the Appellate Tribunal Inland Revenue (ATIR) - AJK against interest on surplus head office funds, having tax impact of Rs. 5.337 million. For tax years 2006 and 2008, AJK tax department passed orders under section 122(5A) of the Ordinance. As a result of these orders, aggregate demand of Rs 19.178 million was raised against the defunct KASB Bank Limited. However, the order for the tax year 2008 has subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax year 2006 and 2008 reduced to Rs. 13.304 million. During last year the learned Commissioner Income Tax (Appeals) - AJK has passed orders under section 129 of the Ordinance for the tax year 2006 and 2008 whereby he has confirmed all additions. Therefore, the defunct KASB Bank Limited has preferred an appeal before the ITAT - AJK. An appeal against the order of CIRA for the tax year 2006 and 2008 has been filed by the Bank before the Appellate Tribunal Inland Revenue (ATIR) - AJK.
- 22.12.8 In respect of tax year 2009 and 2010 the Additional Commissioner (Inland Revenue) under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions. The Bank filed an appeal against the said decision with the Commissioner (Inland Revenue Appeals). The Commissioner (Inland Revenue Appeals) had deleted certain disallowances and remanded back the remaining disallowances to Additional Commissioner (Inland Revenue). The remanded back disallowances were further restricted to Rs. 29.911 million and Rs 46.009 million respectively for Tax year 2009 and Tax year 2010. The Bank has filed appeal before the Commissioner (Inland Revenue Appeals) against these disallowances / add backs.
- 22.12.9 In respect of tax year 2011, the Additional Commissioner (Inland Revenue) under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by Rs. 306.387 million. The Bank has filed an appeal against the said decision with the Commissioner (Inland Revenue Appeals).

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and consequently no additional provision has been made in these financial statements.

	2017	2016
	----- Rupees in '000 -----	
22.13 Other commitments		
Bills for collection	1,753,408	1,806,470
23 PROFIT / RETURN EARNED		
On financings to:		
- Customers	6,686,518	5,401,723
- Financial institutions	1,105,459	2,242,709
	7,791,977	7,644,432
On investments in available for sale securities	2,408,000	2,386,777
On deposits / placements with financial institutions	43,916	8,586
Others	79,834	76,044
	10,323,727	10,115,839

	Note	2017 ----- Rupees in '000 -----	2016
24 PROFIT / RETURN EXPENSED			
Deposits		4,663,305	4,858,482
Due to financial institutions		567,197	905,706
		<u>5,230,502</u>	<u>5,764,188</u>
25 GAIN ON SALE OF SECURITIES			
Unlisted Securities			
Shares		20,899	-
Mutual Funds		57,796	-
Sukuk certificates		43,405	97,772
		<u>122,100</u>	<u>97,772</u>
26 OTHER INCOME			
Rent on property		10,349	12,739
Gain on termination of financing		35,656	9,274
Gain on sale of property and equipment		13,577	29,855
Amount recovered from staff	26.1	6,154	6,263
Income from tracker charges		12,116	8,115
Others		-	7,427
		<u>77,852</u>	<u>73,673</u>

26.1 Represents amount recovered from outgoing employees in respect of unserved notice period.

	Note	2017 ----- Rupees in '000 -----	2016
27 ADMINISTRATIVE EXPENSES			
Salaries, allowances, and other benefits	27.1	2,627,559	2,564,446
Charge for defined benefit plan	34.6	81,604	73,126
Contribution to defined contribution plan	35	86,632	74,415
Non-executive directors' fees, allowances and other expenses		4,153	1,820
Remuneration to Shariah Board Members		900	900
Takaful and tracker charges on consumer car Ijarah		195,075	179,805
Rent, taxes, insurance, electricity, etc.		1,215,181	1,160,315
Legal and professional charges		46,164	44,484
Communications		181,718	233,850
Repairs and maintenance		164,367	148,581
Stationery and printing		103,919	78,914
Advertisement and publicity		89,137	141,830
Auditors' remuneration	27.2	10,347	8,565
Depreciation on operating fixed assets		707,844	634,381
Amortisation		63,180	60,927
Depreciation on non banking assets		6,634	6,533
CDC and share registrar services		16,580	18,273
Entertainment expense		54,166	49,497
Security service charges		305,408	305,532
Brokerage and commission		6,985	28,253
Travelling and conveyance		30,943	34,192
Fees and subscription		178,557	158,243
Vehicle running and maintenance		72,167	53,487
Others		46,558	94,600
		<u>6,295,778</u>	<u>6,154,969</u>

27.1 This includes Rs. 165.795 million (2016: Rs. 142.411 million) paid to employees in respect of car monetisation allowance.

	2017 ----- Rupees in '000 -----	2016
27.2 Auditors' remuneration		
Audit fee	5,423	4,363
Fee for the review of half yearly financial statements	1,726	1,500
Special certifications and sundry advisory services	2,248	1,650
Out-of-pocket expenses	950	1,052
	<u>10,347</u>	<u>8,565</u>
28 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	21,733	1,044
Worker's Welfare Fund	-	16,692
	<u>21,733</u>	<u>17,736</u>
29 FINANCIAL RESULTS OF BIPL SECURITIES LIMITED		
Total income for the period	396,428	308,288
Total expenses for the period	317,392	298,820
Profit before taxation	<u>79,036</u>	<u>9,468</u>
Taxation		
- Current	19,143	9,852
- Prior years	(941)	(580)
- Deferred	26,393	(10,983)
	<u>44,595</u>	<u>(1,711)</u>
Profit/ (loss) after taxation	<u>34,441</u>	<u>11,179</u>
30 TAXATION		
- Current year	141,711	106,229
- Prior years	74	(20)
- Deferred	(1,560,361)	283,779
	<u>(1,418,576)</u>	<u>389,988</u>

30.1 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these consolidated financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the holding company has filed the return of income for the tax years 2006 to 2017 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

30.2 During the year, the Bank revised its income tax return for the tax year 2016 and also reassessed the consequential impact of such revision on the tax provision for the year 2017 based on technical advice from its consultant.

As per the above revision, certain elements of the accumulated tax losses are considered as eligible for adjustments in tax year 2016 and 2017 due to change suggested by the consultant in the manner in which certain tax adjustments may be claimed in respect of the said years. As a result of the above, the carry forward tax losses in respect of accumulated tax depreciation and provision for financings have increased as of 31 December 2017 with a deferred tax impact of Rs. 1,754.62 million.

31	BASIC AND DILUTED EARNINGS PER SHARE	Note	2017	2016
			----- Rupees in '000 -----	
	Profit after taxation for the year (Attributable to equity shareholders of the Bank)		1,676,676	644,503
			----- Number of shares -----	
	Weighted average number of ordinary shares in issue		1,007,912,090	1,007,912,090
			----- Rupees -----	
	Earnings per share - basic / diluted	31.1	1.6635	0.6394

31.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2017 and December 31, 2016.

32	CASH AND CASH EQUIVALENTS	Note	2017	2016
			----- Rupees in '000 -----	
	Cash and balances with treasury banks	7	11,784,180	8,921,433
	Balances with other banks	8	1,149,355	1,324,167
			12,933,535	10,245,600

33	STAFF STRENGTH	2017	2016
		----- Number of employees -----	
	Permanent	2,694	2,511
	Contractual basis	854	877
	Group's own staff strength at the end of the year	3,548	3,388
	Outsourced	679	643
	Total staff strength	4,227	4,031

34 DEFINED BENEFIT PLAN

34.1 General description

The Group operates separate gratuity funds for its employees of the holding company and the BankIslami Modaraba Investments Limited. The fund entitles the members to lump sum payment at the time of retirement, resignation or death. Permanent staff are eligible for such benefits after three years of service.

The number of employees covered under the defined schemes are 2,538 (2016: 2,392). The latest actuarial valuation of the holding company's gratuity scheme was carried out as at December 31, 2017 and BankIslami Modaraba Investments Limited as at June 30, 2017. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

34.2	Actuarial assumption	2017	2016
		----- Percent -----	
	-Valuation Discount Rate	9.50%	9.50%
	-Salary Increase Rate	8.50%	9.00%
	-Expected Return on Plan Assets	9.50%	9.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with one year age set back.

	2017	2016
	-----Rupees in '000-----	
34.3 Reconciliation of receivable from defined benefit plan		
Present value of defined benefit obligations	329,540	271,842
Fair value of plan assets	(283,799)	(307,215)
Asset / (liability) recognised in the consolidated statement of financial position	45,741	(35,373)

34.4 Plan assets consist of the following:

	2017		2016	
	(Rs in '000)	%	(Rs in '000)	%
Holding:				
Amount in Bank	227,662	80.22%	245,040	79.76%
Units of Mutual Funds	53,958	19.01%	61,397	19.99%
Subsidiary assets	2,179	0.77%	778	0.25%
	283,799	101%	307,215	100%

34.5 The movement in the defined benefit obligation over the year is as follows:

	2017		
	Present value of obligation	Fair value of plan assets	Total
	------(Rupees in '000)-----		
At January 1	272,349	(307,723)	(35,374)
Current service cost	84,963	-	84,963
Return expense / (income)	24,438	(27,797)	(3,359)
	381,750	(335,520)	46,230
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense / (income)	-	47	47
-Gain from change in financial assumptions	(100)	-	(100)
-Experience (gains) / losses	(22,110)	22,042	(68)
	(22,210)	22,089	(121)
	359,540	(313,431)	46,109
Transferees	680	(680)	-
Contribution	-	(368)	(368)
Benefit payments	(30,680)	30,680	-
At December 31	329,540	(283,799)	45,741
	2016		
	Present value of obligation	Fair value of plan assets	Total
	------(Rupees in '000)-----		
At January 1	215,794	(242,291)	(26,497)
Current service cost	79,263	-	79,263
Return expense / (income)	21,617	(27,754)	(6,137)
	316,674	(270,045)	46,629
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense / (income)	-	38	38
-Gain from change in financial assumptions	(7)	-	(7)
-Experience (gains) / losses	(23,608)	5,663	(17,945)
	(23,615)	5,701	(17,914)
	293,059	(264,344)	28,715
Contribution	-	(64,088)	(64,088)
Benefit payments	(21,217)	21,217	-
At December 31	271,842	(307,215)	(35,373)

34.6 Charge for the Defined Benefit Plan

	2017	2016
	— Rupees in '000 —	
Current service cost	84,963	79,263
Net financial charges	(3,359)	(6,137)
	81,604	73,126

34.7 The plan assets and defined benefit obligations are based in Pakistan.

34.8 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation - Increase / (Decrease)	
		Increase in assumption	Decrease in assumption
		— (Rupees in '000) —	
Salary growth rate	1.0%	366,908	294,215
Life expectancy / Withdrawal rate		327,666	327,558

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Consolidated Statement of Financial Position.

34.9 The weighted average duration of the defined benefit obligation is 11.84 years (for holding company).

34.10 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

At December 31, 2017	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	— Rupees '000 —				
Gratuity	17,900	15,121	58,075	1,179,603	1,270,699

34.11 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Expected Gratuity Expense of the holding company for the next year works out to Rs. 76.404 million as per the actuarial valuation report of the holding company as of December 31, 2017.

34.12 Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Investment Risks	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Longevity Risks	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
Salary Increase Risk	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Withdrawal Risk	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

34.13 The disclosure made in notes 34.1 to 34.12 are based on the information included in the actuarial valuation report of the holding company as of December 31, 2017.

35 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The holding company operates a contributory provident fund for all permanent employees. The employer and employee both contribute 10% of basic salary to the fund every month. Equal monthly contributions by employer and employees during the year amounted to Rs. 86.632 million (2016: Rs. 74.415 million) each.

36 COMPENSATION OF DIRECTORS AND EXECUTIVES OF THE HOLDING COMPANY

	President / Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	Rupees in '000					
Fees	-	-	4,153	1,550	-	-
Managerial remuneration	29,883	27,406	-	-	468,559	431,708
Bonus	-	-	-	-	33,881	-
Charge for defined benefit plan	-	-	-	-	16,056	18,265
Salary in lieu of provident fund	2,327	2,741	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	39,027	31,280
Rent and house maintenance	642	757	-	-	210,471	194,269
Utilities	2,327	2,741	-	-	46,772	43,170
Medical	2,327	2,741	-	-	45,623	43,174
Others	-	-	-	-	114,420	49,454
	37,506	36,386	4,153	1,550	974,809	811,320
Number of persons	1	1	7	7	560	478

36.1 The holding company's President / Chief Executive is also provided with car allowance of Rs. 5.449 million (2016: Rs. 5.419 million) as per the policy of the Bank.

36.2 In addition to above, the Executives have also been given car allowance amounting to Rs. 124,918 million (2016: Rs. 119.685 million) during the current year.

36.3 The remuneration and other benefits paid to the Chief Executive Officer of the BankIslami Modaraba Investments Limited and BIPL Securities Limited amounted to Rs 8.559 million (2016: 8.562 million) and Rs 14.019 million (2016: 12.423 million) respectively.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted investments is based on quoted market prices. Unquoted equity securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with the accounting policy as stated in note 5.4.5 to these consolidated financial statements.

Fair values of all other financial assets and liabilities cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and in case of financing and deposits these are frequently repriced.

37.1 Off-balance sheet financial instruments

	2017		2016	
	Cost	Fair value	Cost	Fair value
(Rupees in '000)				
Forward purchase of foreign currencies	1,269,645	1,270,703	5,974,735	5,974,455
Forward sale of foreign currencies	1,575,981	1,583,801	5,857,020	5,855,003
Future sale of shares	157,705	153,437	478,565	481,878

37.2 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

	2017			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
Items carried at fair value				
<i>Financial Assets and Liabilities</i>				
Available for sale securities				
Ordinary shares - listed	434,126	-	-	434,126
GOP Sukuks	-	34,256,300	-	34,256,300
WAPDA Sukuks	-	100,452	-	100,452
Modarabas	8,855	-	-	8,855
Units of open ended mutual funds	4,031	-	-	4,031
Held for trading securities				
Ordinary shares - listed	182,176	-	-	182,176
Commitments in respect of contracts				
Forward purchase of foreign exchange contracts	-	1,270,703	-	1,270,703
Forward sale of foreign exchange contracts	-	1,583,801	-	1,583,801
Future sale of listed ordinary shares	153,437	-	-	153,437
Non-Financial Assets				
Operating fixed assets - Land and building	-	-	4,141,401	4,141,401
Non Banking Asset	-	-	1,258,478	1,258,478

	2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Items carried at fair value				
Available for sale securities				
Ordinary shares - listed	588,296	-	-	588,296
GOP Sukuks	-	38,853,454	-	38,853,454
WAPDA Sukuks	-	233,931	-	233,931
Modarabas	11,361	-	-	11,361
Units of open ended mutual funds	70	-	-	70
Held for trading securities				
Ordinary shares - listed	551,065	-	-	551,065
Commitments in respect of contracts				
Forward purchase of foreign exchange contracts	-	5,974,455	-	5,974,455
Forward sale of foreign exchange contracts	-	5,855,003	-	5,855,003
Future sale of shares	481,878	-	-	481,878
Non-Financial Assets				
Operating fixed assets - Land and building	-	-	4,254,010	4,254,010
Non Banking Asset	-	-	1,149,336	1,149,336

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 during the year.

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
GOP Sukuks	The fair value of GOP Ijarah Sukuks and WAPDA Sukuks quoted are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from 6 different pre-defined / approved dealers / brokers.
WAPDA Sukuks	Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.

Valuation techniques used in determination of fair values within level 3

Operating fixed assets - Land and building	Land and buildings are revalued by professionally qualified valuers as per the accounting policy disclosed in note 6.6.1. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.
Non Banking Assets	Non banking assets are revalued by professionally qualified valuers as per the accounting policy disclosed in note 6.20. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
2017					
(Rupees in '000)					
Total income	889,182	6,303,149	3,967,126	233,136	11,392,593
Total expenses	797,756	5,703,037	2,753,752	1,867,056	11,121,601
Net income / (loss)	91,426	600,112	1,213,374	(1,633,920)	270,992
Segment assets (gross)	74,072,473	20,596,848	121,029,258	17,068,127	232,766,706
Segment non-performing financings & advances	-	1,776,465	13,975,241	85,339	15,837,045
Segment provision required	-	1,441,664	10,176,190	56,093	11,673,947
Segment liabilities	12,664,925	109,293,224	78,548,033	2,500,497	203,006,679
Segment return on assets (ROA) (%)	0.12%	2.91%	1.00%	-	-
Segment cost of funds (%)	6.08%	3.11%	3.60%	-	-

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
2016					
(Rupees in '000)					
Total income	1,685,841	5,269,232	3,669,389	308,380	10,932,842
Total expenses	633,929	5,273,469	1,683,841	2,304,617	9,895,856
Net income / (loss)	1,051,912	(4,237)	1,985,548	(1,996,237)	1,036,986
Segment assets (gross)	78,585,072	17,351,038	94,809,632	6,822,790	197,568,532
Segment non-performing financings & advances	-	1,804,282	12,665,563	64,122	14,533,967
Segment provision required	-	1,402,588	10,683,220	46,476	12,132,284
Segment liabilities	7,191,550	91,817,563	65,856,893	4,061,300	168,927,306
Segment return on assets (ROA) (%)	1.34%	-0.02%	2.09%	-	-
Segment cost of funds (%)	5.94%	3.42%	4.40%	-	-

39 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include associated companies with or without common directors, principal shareholders, retirement benefit funds, directors and their close family members, and key management personnel.

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.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposits transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

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 36 are as follows:

	2017	2016
	----- Rupees '000 -----	
<u>Associates</u>		
Islamic Financing and related assets		
At beginning of the year	722,105 *	93,314
Disbursed during the year	674,190	687,850
Repayments during the year	(814,211)	(14,089)
At the end of the year	582,084	767,075
Prepayments		
At beginning of the year	-	27,691
Additions during the year	-	56,562
Amortised during the year	-	(46,966)
At the end of the year	-	37,287
Deposits		
At beginning of the year	36,199	16,289
Deposits during the year	8,143,322	11,024,912
Withdrawals during the year	(8,153,672)	(11,005,002)
At the end of the year	25,849	36,199
Payable on deposits	54	75
Receivable on financing	6,797	10,118
Contingencies and Commitments	128,170	103,227
Transactions, income and expenses		
Profit earned on financing	51,455	51,790
Return on deposits expensed	738	662
Administrative expense	240	706
Other Income	176	-

* Balances pertaining to parties that were related at the beginning of the year but ceased to be related during any part of the current period are not reflected as part of the opening balance of the current year, and parties became related parties during the year have been added in opening balances.

	2017	2016
	----- Rupees '000 -----	
<u>Key management personnel</u>		
Islamic financing and related assets		
At beginning of the year	224,215 *	217,412
Disbursed during the year	31,426	30,375
Repayments during the year	(43,975)	(52,557)
At the end of the year	211,666	195,230
Deposits		
At beginning of the year	27,962 *	19,079
Deposits during the year	267,450	285,149
Withdrawals during the year	(260,938)	(271,132)
At the end of the year	34,474	33,096
Payable on deposits	13	9
Receivable on financing	199	-
Other receivables	830	-
Transactions, income and expenses		
Profit earned on financing	10,588	7,907
Return on deposits expensed	120	236
Remuneration	137,446	130,351
Bonus	2,424	-
Proceeds on disposal of operating fixed assets	10	-
Gain on sale of operating fixed assets	10	-
Administrative expenses	8,081	6
<u>Other related parties</u>		
Islamic financing and related assets		
At beginning of the year	836,022 *	-
Disbursed during the year	6,780,093	42,689
Repayments during the year	(5,735,737)	-
At the end of the year	1,880,378	42,689
Deposits		
At beginning of the year	770,305 *	1,511,264
Disbursed during the year	12,843,245	6,625,358
Repayments during the year	(12,711,469)	(7,025,442)
At the end of the year	902,081	1,111,180
Payable on deposits	20	4,277
Receivable on financing	11,882	-
Contingencies and Commitments	722,177	-
Other receivables	-	17,880

	2017	2016
	----- Rupees '000 -----	
Transactions, income and expenses		
Profit earned on financing	68,119	-
Return on deposits expensed	44,905	65,124
Administrative expenses	-	19,961
<u>Employee benefit plans</u>		
Contribution to employees gratuity fund	368	64,088
Charge for defined benefit plan	81,604	73,126
Contribution to employees provident fund	86,632	74,415

* Balances pertaining to parties that were related at the beginning of the year but ceased to be related during any part of the current period are not reflected as part of the opening balance of the current year, and parties became related parties during the year have been added in opening balances.

40 CAPITAL MANAGEMENT

Capital Management aims to safeguard the Group's ability to continue as a going concern so that it could continue to provide adequate returns to the shareholders by pricing products and services commensurately with the level of risk. For this the Group ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Group maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

This process is managed by the Asset Liability Committee (ALCO) of the holding company. The objective of ALCO is to derive the most appropriate strategy in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movement, liquidity constraints and capital adequacy and its implication on risk management policies.

The Group prepares Annual Budget and Projections outlining its future growth and direction keeping in consideration the economic and political factors in the country and region. Adequacy of capital to support the expected growth in balance sheet is also ascertained.

Stress testing of the holding company is regularly performed to ensure that the holding company remains well capitalised and able to sustain any shocks under any of the specified risk factors.

The State Bank of Pakistan (SBP) introduced guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Basel III which were introduced by the SBP in August 2013 for implementation by the banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The SBP vide its BPRD Circular No. 11 of 2014 dated November 5, 2014 has specified the disclosure requirements with respect to capital adequacy related information. The disclosures below have been prepared on the basis of the SBP's circular:

40.1 Goals of managing capital

The goals of managing capital of the Group are as follows:

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Group operates;
- Maintain strong ratings and to protect the Group against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to enable the Group to operate adequately and provide reasonable value addition for the shareholders and other stakeholders.

40.2 Capital Structure

Under Basel III framework, Group's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc. after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50% after incorporating transitional provisions), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles. The State Bank of Pakistan vide its letter no BPRD(R&P-02)/625-112/2017/4809 dated February 24, 2017 has given relaxation to the Group for non-deduction of goodwill and deferred tax assets pertaining to defunct KASB Bank Limited portfolio from CET 1 capital till December 30, 2018 for the purpose of calculating the Capital Adequacy Ratio (CAR) of the Bank. Accordingly, the amounts of goodwill and deferred tax asset have not been deducted from CET 1 capital. Instead, the amount of goodwill and deferred tax assets pertaining to defunct KASB Bank Limited portfolio have been risk weighted at 100% for CAR purposes.
 - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after regulatory deduction for investments in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

Presently the Group does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (upto a maximum of 78%), and any balance specifically allowed by the regulator.

Group's operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

40.3 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk is presented below:

Particulars	2017	2016
	Amount	
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	10,079,121	10,079,121
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on issue of shares	(79,042)	(79,042)
General / Statutory Reserves	926,266	613,636
Gains / (losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profit	1,893,736	518,942
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	61,818	76,011
CET1 before Regulatory Adjustments	12,881,899	11,208,668
Total regulatory adjustments applied to CET1 (Note 40.3.1)	(711,227)	(516,345)
Common Equity Tier 1	12,170,672	10,692,323
Additional Tier 1 (AT1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium of which:		
- classified as equity	-	-
- classified as liabilities	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	6,284	4,811
- of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	6,284	4,811
Total of Regulatory Adjustment applied to AT1 capital (Note 40.3.2)	-	-
Additional Tier 1 capital after regulatory adjustments	6,284	4,811
Tier 1 Capital (CET1 + admissible AT1)	12,176,956	10,697,134
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium*	2,581,488	2,360,757
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	-	-
- of which: instruments issued by subsidiaries subject to phase out	22,064	45,025
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	223,878	192,927
Revaluation Reserves (net of taxes)	-	-
of which:		
- Revaluation reserves on fixed assets	738,937	655,718
- Unrealized gains/losses on AFS	173,967	649,502
Foreign Exchange Translation Reserves	-	-
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	3,740,334	3,903,929
Total regulatory adjustment applied to T2 capital (Note 40.3.3)	-	-
Tier 2 capital (T2) after regulatory adjustments	3,740,334	3,903,929
Tier 2 capital recognized for capital adequacy	3,740,334	3,903,929
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	3,740,334	3,903,929
TOTAL CAPITAL (T1 + admissible T2)	15,917,290	14,601,063
Total Risk Weighted Assets (RWA) {for details refer Note 40.5}	109,817,306	107,135,466

* Considered as Tier II capital as per the SBP's approval vide letter no BPRD(R&P-02)/625-112/2017/4809 dated February 24, 2017.

Particulars	2017	2016
	Amount	
	Rupees in '000	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	11.08%	9.98%
Tier-1 capital to total RWA	11.09%	9.98%
Total capital to total RWA	14.49%	13.63%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:		
- capital conservation buffer requirement	-	-
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	5.08%	3.98%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
CCB (Consisting of CET 1 only)	1.28%	0.65%
Total Capital plus CCB	11.28%	10.65%

Particulars	2017		2016	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
	Rupees in '000			
40.3.1 Common Equity Tier 1 capital: Regulatory adjustments				
Goodwill (net of related deferred tax liability)	-	-	13,107	13,107
All other intangibles (net of any associated deferred tax liability)	236,405	236,405	221,679	221,679
Shortfall of provisions against classified assets	474,822	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	260,335	433,891
Defined-benefit pension fund net assets	-	-	21,224	35,373
Reciprocal cross holdings in CET1 capital instruments	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:	-	-	-	-
- significant investments in the common stocks of financial entities	-	-	-	-
- deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	711,227	236,405	516,345	704,050

40.3.2 Additional Tier 1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-	-

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

Particulars	2017		2016	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
----- Rupees in '000 -----				
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-	-	-

This column highlights items that are still subject to Pre Basel III treatment during the transitional period

40.3.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Amount of Regulatory Adjustment applied to T2 capital	-	-	-	-

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

40.3.4 Risk Weighted Assets subject to pre-Basel III treatment

	2017	2016
----- Rupees in '000 -----		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
	3,445,915	1,988,276
	-	14,149
insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	132,636	-
Deferred tax assets arising from temporary differences (net of related tax liability)	4,034,471	3,572,345
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	223,878	192,927
Cap on inclusion of provisions in Tier 2 under standardized approach	1,234,083	1,190,048
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

40.3.5 Leverage ratio

According to Basel III instructions issued by State Bank of Pakistan (BPRD circular # 06 dated August 15, 2013), it is mandatory for all the banks to calculate and report the Leverage Ratio on a quarterly basis with the minimum benchmark of 3%.

The reason for calculating leverage ratio is to avoid excessive On- and Off-balance sheet leverage in the banking system. A simple, transparent and non-risk based Ratio has been introduced with the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

Particulars	2017	2016
	Rupees in '000	
On balance sheet exposures		
1 On-balance sheet items (excluding unrealised gain on forward contracts)	216,997,510	181,477,295
2 Forward exchange commitments with positive fair values	7,934	35,174
Total on balance sheet exposures	217,005,444	181,512,469
Off balance sheet exposures		
3 Off-balance sheet items	20,270,204	22,107,012
4 Commitment in respect of forward exchange contracts	9,510	119,118
Total Off balance sheet exposures	20,279,714	22,226,130
Capital and total exposures		
5 Tier 1 capital (Note 40.3)	12,176,956	10,697,134
6 Total exposures	237,285,158	203,738,599
Basel III leverage ratio	5.13%	5.25%

The current year's leverage ratio is 5.13% (2016: 5.25%) whereas total tier 1 capital and total exposures are Rs. 12,176.956 million (2016: Rs. 10,697.134 million) and Rs. 237,285.158 million (2016: Rs. 203,738.599 million) respectively.

40.4 Capital Structure Reconciliation

40.4.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting - Step 1

Particulars	Balance sheet as in published financial	Under regulatory scope of reporting
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	11,784,180	11,784,180
Balances with other banks	1,149,355	1,149,355
Due from financial institutions	21,371,787	21,371,787
Investments	42,363,753	42,363,753
Islamic financing and related assets	119,006,779	119,006,779
Operating fixed assets	9,148,064	9,148,064
Deferred tax assets	7,613,022	7,613,022
Other assets	4,796,975	4,796,975
Total assets	217,233,915	217,233,915
Liabilities and Equity		
Bills payable	2,988,996	2,988,996
Due to financial institutions	15,570,390	15,570,390
Deposits and other accounts	179,001,578	179,001,578
Sub-ordinated loans	-	-
Deferred tax liabilities	-	-
Other liabilities	5,445,715	5,445,715
Total liabilities	203,006,679	203,006,679
Share capital	10,079,121	10,079,121
Discount on issue of shares	(79,042)	(79,042)
Reserves	926,266	926,266
Unappropriated profit	1,893,736	1,893,736
Minority Interest	205,242	205,242
Surplus on revaluation of investments - net of tax	1,201,913	1,201,913
Total liabilities and equity	217,233,915	217,233,915

40.4.2 Reconciliation of balance sheet to eligible regulatory capital - Step 2

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
----- Rupees in '000 -----			
Assets			
Cash and balances with treasury banks		11,784,180	11,784,180
Balances with other banks		1,149,355	1,149,355
Due from financial institutions		21,371,787	21,371,787
Investments		42,363,753	42,363,753
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	-	-
- others	e	-	-
Islamic financing and related assets		119,006,779	119,006,779
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	223,878	223,878
Operating fixed assets		9,148,064	9,148,064
- of which: Intangibles	k	3,180,702	3,180,702
Deferred tax assets		7,613,022	7,613,022
of which:			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	3,576,408	3,576,408
- DTAs arising from temporary differences exceeding regulatory threshold	i	4,034,471	4,034,471
Other assets		4,796,975	4,796,975
of which:			
- defined-benefit pension fund net assets	l	-	-
Total assets		217,233,915	217,233,915
Liabilities and Equity			
Bills payable		2,988,996	2,988,996
Due to financial institutions		15,570,390	15,570,390
Deposits and other accounts		179,001,578	179,001,578
Sub-ordinated loans of which:			
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	-	-
Deferred tax liabilities of which:			
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		5,445,715	5,445,715
Total liabilities		203,006,679	203,006,679
Share capital			
- of which: amount eligible for CET1	s	10,079,121	10,079,121
- of which: amount eligible for AT1	t	-	-
Reserves of which:			
- portion eligible for inclusion in CET1 - Statutory reserve		926,266	926,266
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase	u	926,266	926,266
- portion eligible for inclusion in CET1 - General reserve		-	-
- portion eligible for inclusion in Tier 2 General reserve	v	-	-
Discount on issue of shares		(79,042)	(79,042)
Unappropriated profit	w	1,893,736	1,893,736
Minority Interest of which:			
- portion eligible for inclusion in CET1	x	205,242	205,242
- portion eligible for inclusion in AT1	y	61,818	61,818
- portion eligible for inclusion in Tier 2	z	6,284	6,284
Surplus on revaluation of assets of which:			
- Revaluation reserves on Property		22,064	22,064
- Unrealized Gains/Losses on AFS	aa	1,201,913	1,201,913
- In case of Deficit on revaluation (deduction from CET1)	ab	1,006,444	1,006,444
		195,469	371,647
Total liabilities and Equity		217,233,915	217,233,915

40.4.3 Basel III Disclosure (with added column) - Step 3

Particulars		Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital		10,079,121
2	Balance in share premium account		-
3	Discount on issue of shares	(s)	(79,042)
4	Reserve for issue of bonus shares		-
5	General / Statutory Reserves		926,266
6	Gain / (Losses) on derivatives held as Cash Flow Hedge	(u)	-
7	Unappropriated / unremitted profits	(w)	1,893,736
8	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	61,818
9	CET 1 before Regulatory Adjustments		12,881,899
Common Equity Tier 1 capital: Regulatory adjustments			
10	Goodwill (net of related deferred tax liability)	(j) - (s)	-
11	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	236,405
12	Shortfall of provisions against classified assets	(f)	474,822
13	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * %	-
14	Defined-benefit pension fund net assets	(l) - (q) * %	-
15	Reciprocal cross holdings in CET1 capital instruments	(d)	-
16	Cash flow hedge reserve		-
17	Investment in own shares / CET1 instruments		-
18	Securitization gain on sale		-
19	Capital shortfall of regulated subsidiaries		-
20	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
21	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
22	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
23	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
24	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
25	National specific regulatory adjustments applied to CET1 capital		-
26	Investment in TFCs of other banks exceeding the prescribed limit		-
27	Any other deduction specified by SBP (mention details)		-
28	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
29	Total regulatory adjustments applied to CET1		711,227
	Common Equity Tier 1		12,170,672
Additional Tier 1 (AT1) Capital			
30	Qualifying Additional Tier-1 instruments plus any related share premium of which:		-
31	- Classified as equity	(t)	-
32	- Classified as liabilities	(m)	-
33	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	6,284
34	- of which: instrument issued by subsidiaries subject to phase out		-
35	AT1 before regulatory adjustments		6,284

	Particulars	Source based on reference number from 41.4.2	Component of regulatory capital reported by bank (Rupees in '000)
	Additional Tier 1 Capital: regulatory adjustments		
36	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
37	Investment in own AT1 capital instruments		-
38	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
39	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
40	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
41	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
43	Total of Regulatory Adjustment applied to AT1 capital		-
44	Additional Tier 1 capital		-
45	Additional Tier 1 capital recognised for capital adequacy		6,284
	Tier 1 Capital (CET1 + admissible AT1)		12,176,956
	Tier 2 Capital		
46	Qualifying Tier 2 capital instruments under Basel III		2,581,488
47	Capital instruments subject to phase out arrangement from Tier 2	(n)	-
48	Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	22,064
	- of which: instruments issued by subsidiaries subject to phase out		-
49	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	223,878
50	Revaluation Reserves eligible for Tier 2 of which:		
51	- portion pertaining to Property		738,937
52	- portion pertaining to AFS securities	78% of (aa)	173,967
53	Foreign Exchange Translation Reserves	(v)	-
54	Undisclosed / Other Reserves (if any)		-
55	T2 before regulatory adjustments		3,740,334
	Tier 2 Capital: regulatory adjustments		
56	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
57	Reciprocal cross holdings in Tier 2 instruments		-
58	Investment in own Tier 2 capital instrument		-
59	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
60	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
61	Amount of Regulatory Adjustment applied to T2 capital		-
62	Tier 2 capital (T2)		3,740,334
63	Tier 2 capital recognised for capital adequacy		3,740,334
64	Excess Additional Tier 1 capital recognised in Tier 2 capital		-
65	Total Tier 2 capital admissible for capital adequacy		3,740,334
	TOTAL CAPITAL (T1 + admissible T2)		15,917,290

40.4.4 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	BankIslami Pakistan Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BIPL - CDC Symbol
3	Governing law(s) of the instrument	Listing Regulations of Karachi Stock Exchange Limited
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	10,079,121.00
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 02, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/ A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/ A
16	Subsequent call dates, if applicable	N/ A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	
18	coupon rate and any related index/ benchmark	N/ A
19	Existence of a dividend stopper	N/ A
20	Fully discretionary, partially discretionary or mandatory	No
21	Existence of step up or other incentive to redeem	Fully discretionary
22	Noncumulative or cumulative	No
23	Convertible or non-convertible	Non-cumulative
24	If convertible, conversion trigger (s)	Non-convertible
25	If convertible, fully or partially	N/ A
26	If convertible, conversion rate	N/ A
27	If convertible, mandatory or optional conversion	N/ A
28	If convertible, specify instrument type convertible into	N/ A
29	If convertible, specify issuer of instrument it converts into	N/ A
30	Write-down feature	N/ A
31	If write-down, write-down trigger(s)	No
32	If write-down, full or partial	N/ A
33	If write-down, permanent or temporary	N/ A
34	If temporary write-down, description of write-up mechanism	N/ A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/ A
		Residual interest
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	No

40.5 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2017	2016	2017	2016
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	2,050	1,825	18,180	17,132
Public sector entities	6,847	6,983	60,728	65,564
Banks	557,208	643,422	4,941,975	6,041,517
Corporate	4,324,567	4,087,650	38,355,360	38,381,688
Retail	897,430	1,031,077	7,959,467	9,681,472
Residential mortgage	493,216	258,968	4,374,424	2,431,624
Past due loans	561,057	319,840	4,976,116	3,003,190
Operating fixed assets	672,820	660,209	5,967,362	6,199,142
All other assets	1,622,076	1,342,785	14,386,479	12,608,306
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	6,243	146,181	55,374	1,372,589
Corporate	319,896	360,142	2,837,219	3,381,616
Retail	211,791	17,696	1,878,410	166,157
Others	52,799	32,967	468,286	309,547
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	1	2,147	7	20,157
Customers	1,811	3,560	16,060	33,432
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	143,124	181,668	1,269,389	1,705,803
Investment in commercial entity	1,221,108	1,042,095	10,830,230	9,784,930
Recognised portion of significant investment	37,387	-	331,590	-
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	(0)	24,224	(1)	302,799
Equity position risk	125,198	261,228	1,564,975	3,265,350
Foreign Exchange risk	7,803	15,029	97,538	187,863
Operational Risk				
Capital requirement for operational risk	754,251	654,047	9,428,138	8,175,588
TOTAL	12,018,682	11,093,743	109,817,306	107,135,466
Capital Adequacy Ratio	Required	Actual	Required	Actual
	December-17		December-16	
CET1 to total RWA	7.28%	11.08%	6.65%*	9.98%
Tier-1 capital to total RWA	7.50%	11.09%	7.50%	9.98%
Total capital to total RWA	11.28%	14.49%	10.65%*	13.63%

* Capital adequacy requirement inclusive of Capital Conservation Buffer (CCB) requirement.

41 RISK MANAGEMENT

The objective of Risk Management is to effectively manage uncertainties that arise 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. The Group follows effective risk governance which commensurate well with its current size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. Further, the SBP has decided to implement Basel III framework in a phased manner with effect from December 31, 2013 to December 31, 2019, to revise and update capital reforms and clarifications and further strengthen the existing capital adequacy framework prescribed under Basel II. The Group adheres to the regulatory requirement in this respect, and conducts its business accordingly.

As a prelude to countering the financial debacle of the recent past, the Basel Committee (Internationally) is raising the resilience of the banking sector by strengthening the regulatory capital framework, essentially building on the three pillars of the Basel II structure. The reforms raise both the quality and quantity of the regulatory capital base and enhance the risk coverage of the capital framework. The SBP (State Bank of Pakistan) while being cognizant of the various reforms in the offing, is reviewing the impact of Basel III (B3) guidelines on the capital structure and CAR (Capital Adequacy Ratio) through quantitative impact studies. Accordingly, the SBP has implemented first phase of Basel III framework with effect from December 31, 2013.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it then needs to be reinforced through a strong control culture that promotes sound risk governance. The Group's Risk Management Framework 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,
- While the reward may well commensurate the level of risk, it has to be viewed in entirety and not in isolation; and
- Critical decision making should be based on relevant research, proper analysis and effective communication within the Group.

Strategic Level

At the strategic level, the risk related functions are approved by the senior management and the Board. These include: defining risks, setting parameters, ascertaining the 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 review of various portfolios; stress test and scenario analysis for portfolio resilience; application of statistical tools and information in time series for developing strong inferences are all performed at this level.

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:

- Business line acquisition, strong adherence to the credit and other related criteria.
- Middle Office monitoring function for a sound risk assessment of various risks inherent in treasury operations.
- Detailed review of various processes and operating procedures, for operational and other risk related assessments.

Risk appetite of the Group

The risk appetite of the Group is an outcome of its corporate goal, economic profitability, available resources (size and business life cycle) and most significantly; the controls. The Group believes in a cautious yet steady approach towards its business objectives and takes a holistic view of its investment and financing requirement.

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

Risk organization

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Group's 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 at an enterprise level. Risk governance must involve all relevant parties and should be sanctioned by the bank's leadership.

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

Business line accountability

One of the most important features of the risk management process is the business line accountability. Business has to understand the risk implication of specific transaction on the business / portfolio. Some specific risks e.g. reputation risk affects the entire banking business and is not limited to one business line or the other. The Group entity, as in any other reputable organization, responsibility comes with accountability. Each business segment is responsible for the profit / loss of the business. The management of risk is as much a line function as it is support's.

Business lines are equally responsible for the risks they are taking. Because line personnel understand the risks of the business. Lack of an understanding of this by the line management may lead to risk management in isolation.

41.1 Credit Risk

The Group manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. Credit Risk has certain sub-categories as follows:

i) Price risk

There is a risk that the asset repossessed due to default of the customer 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 (Murabahah, 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

Country Risk can be defined as the risk of adverse impact of certain factors on a country's specific economic, political and social scenario which affects the ability of the country (or a borrower in that country) to repay its obligations. Country risk may be a combination of Transfer Risk and Sovereign Risk.

41.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of Islamic financing and related assets, Deposits, Contingencies and Commitments.

41.1.1.1 Segments by class of business

	2017					
	Islamic financing and related assets and Advances		Deposits		Contingencies and Commitments **	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	1,262,160	0.97%	6,676,565	3.73%	52,103	0.23%
Mining and Quarrying	983	0.00%	808,189	0.45%	427,414	1.89%
Textile	10,148,614	7.78%	764,214	0.43%	755,041	3.35%
Chemical and Pharmaceuticals	3,009,832	2.31%	2,278,519	1.27%	221,603	0.98%
Cement	1,776,578	1.36%	369,420	0.21%	271,113	1.20%
Sugar	4,623,716	3.54%	268,793	0.15%	300,500	1.33%
Footwear and Leather garments	30,660	0.02%	76,818	0.04%	13,073	0.06%
Automobile and transportation equipment	1,211,606	0.93%	988,858	0.55%	1,259,916	5.58%
Education	18,543	0.01%	2,570,628	1.44%	54,621	0.24%
Electronics and electrical appliances	2,703,726	2.07%	358,910	0.20%	942,548	4.18%
Production and transmission of energy	-	0.00%	20,084,795	11.19%	1,468,113	6.51%
Construction	7,788,465	5.97%	4,310,218	2.41%	2,539,833	11.26%
Power (electricity), Gas, Water, Sanitary	12,807,899	9.82%	74,101	0.04%	150	0.00%
Wholesale and Retail Trade	38,832,338	29.76%	35,955,053	20.09%	4,325,869	19.17%
Exports / Imports	857,503	0.66%	154,395	0.09%	165,055	0.73%
Transport, Storage and Communication	590,972	0.45%	1,379,363	0.77%	248,473	1.10%
Financial	3,442,453	2.64%	21,125,299	11.80%	3,099,866	13.74%
Insurance	2,433	0.00%	2,266,445	1.27%	-	0.00%
Services	4,795,027	3.67%	5,233,025	2.92%	1,024,108	4.54%
Individuals	25,851,391	19.81%	52,004,962	29.05%	312,635	1.39%
Food and beverages	4,767,396	3.65%	1,005,990	0.56%	723,020	3.20%
Private Trust & NGO	4,424	0.00%	6,554,999	3.66%	-	0.00%
Packing and Paper products	696,282	0.53%	106,763	0.06%	-	0.06%
Others [*]	5,265,395	4.04%	13,635,246	7.62%	4,355,462	19.31%
	130,488,396	100.00%	179,001,578	100.00%	22,560,516	100.00%

	2016					
	Islamic financing and related assets and Advances		Deposits		Contingencies and Commitments **	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	1,921,096	2.14%	6,326,370	4.11%	1,506,000	5.54%
Mining and Quarrying	3,183	0.00%	877,168	0.57%	55,474	0.20%
Textile	9,197,464	10.26%	742,689	0.48%	72,283	0.27%
Chemical and Pharmaceuticals	4,013,467	4.48%	1,453,263	0.94%	223,163	0.82%
Cement	1,776,221	1.98%	257,317	0.17%	326,248	1.20%
Sugar	3,642,141	4.06%	631,497	0.41%	-	0.00%
Footwear and Leather garments	253,631	0.28%	128,296	0.08%	18,645	0.07%
Automobile and transportation equipment	1,309,014	1.46%	2,476,085	1.61%	2,118,588	7.79%
Education	15,458	0.02%	1,603,708	1.04%	-	0.00%
Electronics and electrical appliances	2,484,160	2.77%	237,863	0.15%	810,040	2.98%
Production and transmission of energy	-	0.00%	20,136,016	13.09%	595,033	2.19%
Construction	6,103,179	6.81%	2,161,476	1.41%	1,394,743	5.13%
Power (electricity), Gas, Water, Sanitary	10,620,970	11.85%	24,708	0.02%	87,056	0.32%
Wholesale and Retail Trade	12,225,686	13.64%	30,084,018	19.56%	320,657	1.18%
Exports / Imports	693,663	0.77%	127,132	0.08%	19,230	0.07%
Transport, Storage and Communication	626,988	0.70%	875,802	0.57%	344,040	1.27%
Financial	2,586,073	2.89%	15,844,400	10.30%	10,989,090	40.42%
Insurance	5,227	0.01%	1,762,813	1.15%	-	0.00%
Services	4,321,401	4.82%	5,881,989	3.82%	104,651	0.38%
Individuals	18,709,243	20.87%	47,053,495	30.59%	291,434	1.07%
Food and beverages	5,441,174	6.07%	1,871,521	1.22%	764,236	2.81%
Private Trust & NGO	22,796	0.03%	5,312,842	3.45%	-	0.00%
Packing and Paper products	766,993	0.86%	14,805	0.01%	-	0.06%
Others [*]	2,898,177	3.23%	7,941,075	5.16%	7,143,598	26.28%
	89,637,405	100.00%	153,826,348	100.00%	27,184,209	100.00%

* Others include Sole Proprietors, fund accounts and Govt deposits etc.

** Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities

41.1.1.2 Segment by sector

	2017					
	Islamic financing and related assets and Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	44,963,174	34.46%	11,201,145	6.26%	704,137	3.12%
Private	85,525,222	65.54%	167,800,433	93.74%	21,856,379	96.88%
	130,488,396	100.00%	179,001,578	100.00%	22,560,516	100.00%

	2016					
	Islamic financing and related assets and Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	11,460,059	12.78%	7,110,306	4.62%	875,950	3.22%
Private	78,177,346	87.22%	146,716,042	95.38%	26,308,259	96.78%
	89,637,405	100.00%	153,826,348	100.00%	27,184,209	100.00%

41.1.1.3 Details of non-performing Islamic financing and related assets and specific provisions by class of business segment:

	2017		2016	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
Wholesale and Retail trade	619,696	576,431	818,087	629,640
Agriculture, Forestry, Hunting and Fishing	77,247	33,316	858,824	168,450
Textile	4,644,114	4,145,397	2,559,194	2,401,362
Chemical and Pharmaceuticals	992,808	764,418	170,230	38,102
Power (electricity), Gas, Water, Sanitary	21,964	21,366	649	51
Cement	540,000	540,000	3,183	3,183
Electronics and electrical appliances	5,081	5,081	4,231,623	4,214,866
Construction	971,411	955,180	1,050,182	983,859
Services	129,678	58,404	362,870	172,619
Financial	245,401	245,189	245,401	245,189
Paper Product	13,000	13,000	13,000	13,000
Food and Beverages	2,749,955	183,945	5,000	-
Individuals	2,346,387	2,001,122	1,994,522	1,322,902
Automobile and transportation equipment	100,359	100,359	-	-
Footwear and leather garments	2,459	2,459	2,459	2,459
Manufacturing	-	-	-	-
Sugar	9,750	-	782,195	309,049
Transport, storage and communication	1,205,473	739,053	467,864	467,864
Others	1,161,262	1,065,349	968,684	966,764
	15,837,045	11,450,069	14,533,967	11,939,359

41.1.1.4 Details of non-performing Islamic financing related assets and specific provisions by sector:

	2017		2016	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
Public / Government	-	-	-	-
Private	15,837,045	11,450,069	14,533,967	11,939,359
	15,837,045	11,450,069	14,533,967	11,939,359

41.1.1.5 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments*
	Rupees in '000			
Pakistan	270,992	217,233,915	14,227,236	22,560,516
	2016			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments*
	Rupees in '000			
Pakistan	1,036,986	181,993,640	13,066,334	27,184,209

41.1.2 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 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.

41.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach and 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 the Group in internally rating the credit clients.

Types of Exposures and ECAI's used

Exposures	2017			2016		
	JCR - VIS	PACRA	Others	JCR - VIS	PACRA	Others
Corporate	✓	✓	N/A	✓	✓	N/A
Banks	✓	✓	✓	✓	✓	✓

Credit Exposures subject to Standardised approach

Exposures	SBP grade	Rating Category	2017			2016		
			Amount Outstanding Credit Equivalent	Deduction CRM	Net amount	Amount Outstanding Credit Equivalent	Deduction CRM	Net amount
			Rupees in '000					
Cash and cash equivalent		0%	4,174,039	-	4,174,039	3,565,605	-	3,565,605
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR		0%	82,043,985	232	82,043,753	53,523,964	160,134	53,363,830
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan		0%	416,052	-	416,052	320,908	-	320,908
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR		0%	-	-	-	-	-	-
	1	20%	-	-	-	-	-	-
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	12,120	-	12,120	11,421	-	11,421
	Unrated	100%	-	-	-	-	-	-

Exposures	SBP grade	Rating Category	2017			2016		
			Amount Outstanding Credit Equivalent	Deduction CRM	Net amount	Amount Outstanding Credit Equivalent	Deduction CRM	Net amount
			Rupees in '000					
Claims on Public Sector Entities in Pakistan		0%	-	-	-	-	-	-
	1	20%	1,050,560	65,372	985,188	1,827,818	1,500,000	327,818
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
	Unrated	50%	1,958,467	1,600,452	358,015	418,811	233,931	184,880
Claims on Banks		0%	-	-	-	-	-	-
	1	20%	1,704,305	-	1,704,305	1,475,213	-	1,475,213
	2,3	50%	42	-	42	2,641,265	-	2,641,265
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
	Unrated	50%	443,829	-	443,829	249,881	-	249,881
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less		0%	-	-	-	-	-	-
	1,2,3	20%	269,952	-	269,952	249,939	-	249,939
	4,5	50%	1,114	-	1,114	7,420	-	7,420
	6	150%	-	-	-	-	-	-
	unrated	20%	2,245,005	-	2,245,005	880,290	-	880,290
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR		0%	-	-	-	-	-	-
		20%	19,655,020	-	19,655,020	27,218,665	-	27,218,665
Claims on Corporates (excluding equity exposures)		0%	-	-	-	-	-	-
	1	20%	15,741,256	4,617,201	11,124,055	11,055,570	3,575,000	7,480,570
	2	50%	6,713,965	248,315	6,465,650	1,367,631	150,000	1,217,631
	3,4	100%	61,704	53,238	8,466	54,834	53,081	1,753
	5,6	150%	-	-	-	-	-	-
	Unrated 1	100%	23,608,001	294,042	23,313,959	29,265,154	1,618,720	27,646,434
	Unrated 2	125%	9,930,775	761	9,930,014	9,612,741	4,591	9,608,150
Claims categorized as retail portfolio		0%	-	-	-	-	-	-
		20%	-	-	-	-	-	-
		50%	-	-	-	-	-	-
		75%	14,888,528	1,771,359	13,117,169	15,203,380	2,073,209	13,130,171
Claims fully secured by residential property (Residential Mortgage Finance as defined in Section 2.1)		35%	12,498,355	-	12,498,355	6,947,496	-	6,947,496
Past Due loans:								
1.1 where specific provisions are less than 20 percent of the outstanding amount of the past due claim.		150%	2,868,280	276,250	2,592,030	1,355,312	276,250	1,079,062
1.2 where specific provisions are no less than 20 percent of the outstanding amount of the past due claim.		100%	602,743	-	602,743	822,119	-	822,119
1.3 where specific provisions are more than 50 percent of the outstanding amount of the past due claim.		50%	251,371	-	251,371	253,918	-	253,918
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired		100%	319,608	-	319,608	398,727	-	398,727
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and / or impaired and specific provision held there against is more than 20% of outstanding amount		50%	80,067	-	80,067	73,583	-	73,583
Investment in commercial entity (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated associate		100%	1,083,023	-	1,083,023	978,493	-	978,493
Significant investment and DTAs above 15% threshold (refer to Section 2.4.10 of Basel III instructions)		250%	132,636	-	132,636	-	-	-
Unlisted equity investments (other than that deducted from capital) held in banking book		150%	846,259	-	846,259	1,137,202	-	1,137,202
Investments in premises, plant and equipment and all other fixed assets		100%	5,967,362	-	5,967,362	6,199,142	-	6,199,142
Claims on all fixed assets under operating lease		100%	-	-	-	-	-	-
All other assets		100%	14,539,447	-	14,539,447	12,825,413	-	12,825,413

41.1.2.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standard and IRB Approaches

The 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 the 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.

41.2 Equity Position Risk in the Banking book

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 the consolidated profit and loss account.

41.3 Yield / Profit Rate Risk in the banking book

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

The Group estimates changes in the economic value of equity due to changes 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.

41.4 Market Risk

Market risk is defined as the risk of losses in on-and-off balance sheet positions arising from movements in market prices e.g. fluctuations in values in tradable, marketable or leasable assets. The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates and benchmark yields.

The Group uses various tools and techniques to assess market risk including but not limited to full valuation, stress testing, scenario analysis. These assessment methods enable the Group to estimate changes in the value of the portfolio, if exposed to various risk factors.

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.

The VaR reports are complemented by various other position and sensitivity limit structures, including stress, sensitivity, gap and scenario analysis. The capital charge for market risk has been calculated by using Standardized Approach.

41.4.1 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuations of exchange rates.

In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the Group purchases or sells currencies in today / ready and gives or receives unilateral promises for sale or purchase of FX at future dates in a long or short position in different currency pairs. These positions expose the Group to foreign exchange risk. To control this risk, the Group primarily uses notional principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Group. The Group also strictly adheres to all associated regulatory limits.

Following is the summary of the assets of the Group subject to foreign exchange risk.

2017				
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
Pakistan Rupee	213,727,468	199,264,948	(7,206,404)	7,256,116
United States Dollar	2,611,705	2,924,961	6,242,049	5,928,793
Great Britain Pound	479,939	477,915	300,010	302,034
Japanese Yen	12,381	6,690	388,986	394,677
Euro	301,912	314,384	258,114	245,642
UAE Dirham	22,344	14,803	6,407	13,948
Asian Currency Unit	71,996	-	-	71,996
Swiss Franc	1,306	-	10,838	12,144
Australian Dollar	2,921	1,147	-	1,774
Saudi Riyal	1,493	-	-	1,493
Canadian Dollar	313	1,831	-	(1,518)
Turkish Lira	136	-	-	136
	<u>217,233,915</u>	<u>203,006,679</u>	<u>-</u>	<u>14,227,236</u>
2016				
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
Pakistan rupee	208,437,654	194,385,424	(6,197,348)	7,854,882
United States dollar	8,121,391	8,032,902	5,438,503	5,526,992
Great Britain pound	315,222	280,151	183,998	219,069
Japanese yen	18,887	6,107	-	12,780
Euro	297,758	298,682	574,847	573,923
UAE Dirham	3,301	6	-	3,295
Asian Currency Unit	41,841	-	-	41,841
Swiss Franc	3,574	-	-	3,574
Australian Dollar	3,242	1,223	-	2,019
Saudi Riyal	656	-	-	656
Canadian Dollar	116	2,841	-	(2,725)
Turkish Lira	138	-	-	138
	<u>217,243,780</u>	<u>203,007,336</u>	<u>-</u>	<u>14,236,444</u>

41.4.2 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

2017									Non-profit bearing financial instruments
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	

Rupees in '000

On-balance sheet financial instruments

Assets										
Cash and balances with Treasury Banks	11,784,180	-	-	-	-	-	-	-	-	11,784,180
Balances with other Banks	1,149,365	345,553	-	-	-	-	-	-	-	803,812
Due from financial institutions	21,371,787	13,174,971	7,644,730	441,669	100,417	-	-	-	-	-
Investments - net	42,363,753	884,371	220,000	4,697,936	-	34,280,266	-	-	-	2,331,180
Islamic financing and related assets										
and Advances (net)	119,006,779	9,815,376	26,072,520	41,199,331	19,936,261	961,925	1,037,921	2,759,615	130,689	15,231,849
Other assets	4,164,740	-	-	-	-	-	-	-	-	4,164,740
	199,880,594	24,220,271	33,937,250	46,338,936	20,046,678	35,222,191	1,037,921	2,759,615	130,689	34,255,751
Liabilities										
Bills payable	2,988,996	-	-	-	-	-	-	-	-	2,988,996
Due to financial institutions	15,570,390	4,983,365	1,917,492	1,917,492	5,000,000	-	-	-	2,580,488	-
Deposits and other accounts	179,001,578	120,193,132	-	-	-	-	-	-	-	58,808,446
Other liabilities	2,248,162	-	-	-	-	-	-	-	-	2,248,162
	199,809,126	125,176,497	1,088,045	1,917,492	5,000,000	-	-	-	2,580,488	64,095,604

On-balance sheet gap

	31,468	(100,956,226)	32,849,205	44,421,444	15,046,678	35,222,191	1,037,921	2,759,615	(2,450,799)	1,891,292	(29,789,863)
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NON FINANCIAL ASSETS

Operating fixed assets	9,148,064
Deferred tax assets	7,613,022
Other assets	632,236
	17,393,321

NON FINANCIAL LIABILITIES

Deferred tax liabilities	-
Other liabilities	3,197,553
	14,227,236

TOTAL NET ASSETS

Total Yield / Profit Risk Sensitivity Gap	(100,956,226)	32,849,205	44,421,444	15,046,678	35,222,191	1,037,921	2,759,615	(2,450,799)	1,891,292	(29,789,863)
Cumulative Yield / Profit Risk Sensitivity Gap	(100,956,226)	(68,107,021)	(23,685,577)	(8,638,899)	26,583,292	27,621,213	30,380,828	27,930,029	29,821,321	(29,789,863)

Effective Yield / Profit rate	Total	2016								Non-profit bearing financial instruments
		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	

On-balance sheet financial instruments

Assets

Cash and balances with Treasury Banks	8,921,433	-	-	-	-	-	-	-	-	8,921,433
Balances with other Banks	1,324,167	26,675	-	-	-	-	-	-	-	1,297,492
Due from financial institutions	27,218,665	5,722,557	9,135,008	-	12,361,100	-	-	-	-	-
Investments	46,643,174	903,986	37,953,818	5,240,230	-	-	-	-	-	2,548,140
Islamic financing and related assets	77,667,276	10,146,567	12,872,093	8,133,853	15,271,335	1,153,956	2,877,474	10,067,761	8,729,235	2,077,051
Other assets	4,077,364	-	-	-	-	-	-	-	-	4,077,364
	165,852,079	16,796,785	59,960,919	13,374,083	27,632,435	1,153,956	2,877,474	10,067,761	8,729,235	18,921,480

Liabilities

Bills payable	2,273,934	-	-	-	-	-	-	-	-	2,273,934
Due to financial institutions	6,066,307	1,030,000	634,000	204,1550	-	-	-	-	2,360,757	-
Deposits and other accounts	153,826,348	104,845,285	-	-	-	-	-	-	-	48,981,063
Other liabilities	2,829,823	-	-	-	-	-	-	-	-	2,829,823
	164,996,412	105,875,285	634,000	204,1550	-	-	-	-	2,360,757	54,084,820

On-balance sheet gap

	855,667	(89,078,500)	59,326,919	11,332,533	27,632,435	1,153,956	2,877,474	10,067,761	6,368,449	6,337,980	(35,163,340)
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NON FINANCIAL ASSETS

Operating fixed assets	9,412,129
Deferred tax assets	5,820,956
Other assets	908,476
	16,141,561

NON FINANCIAL LIABILITIES

Deferred tax liabilities	-
Other liabilities	3,930,894
TOTAL NET ASSETS	13,066,334

Total Yield / Profit Risk Sensitivity Gap

	(89,078,500)	59,326,919	11,332,533	27,632,435	1,153,956	2,877,474	10,067,761	6,368,449	6,337,980	(35,163,340)
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Cumulative Yield / Profit Risk Sensitivity Gap

	(89,078,500)	(29,751,581)	(18,419,048)	9,213,387	10,367,343	13,244,817	23,312,578	29,681,027	36,019,007	(35,163,340)
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41.5 Liquidity Risk

Liquidity risk is the potential loss to the Group arising from its inability either to meet its obligations (financial) or to fund increases in assets as they fall due without incurring unacceptable costs or losses.

BIPL's liquidity at various levels (day to day, short term, long term) is managed by the Treasury along with the Asset and Liability Management Committee (ALCO), which is one of the most important management level committees. Its role cannot be overemphasized here, it serves as a part of the critical trio with risk management and treasury department, monitoring and maintaining key liquidity ratios, a viable funding mix, depositor concentration, reviewing contingency plans etc.

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Bank's activities and in the management of its assets. The Bank maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new financings, participate in new investments when opportunities arise, and to meet any other commitments. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Bank calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per SBP Basel III Liquidity Standards issued under BPRD circular no 08 dated June 23, 2016. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile of Bank which requires banks to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days period. As of December 31, 2017, Bank's LCR stood at 123.69% against the SBP's minimum requirement of 90%.

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. Banks are expected to meet the NSFR requirement of at least 100% on an ongoing basis from December 31, 2017.

Governance of Liquidity risk management

Liquidity and related risks are managed through standardized processes established in the Bank. Board and senior management are apprised about liquidity profile of the Bank on periodic basis so as to ensure proactive liquidity management and to avoid abrupt shocks. The management of liquidity risk within the Bank is undertaken within limits and other policy parameters set by ALCO, which meets monthly and reviews compliance with policy parameters. Day to day monitoring is done by the treasury while overall compliance is monitored and coordinated by the ALCO and includes reviewing the actual and planned strategic growth of the business and its impact on the statement of financial position and monitoring the Bank's liquidity profile and associated activities. Bank's treasury function has the primary responsibility for assessing, monitoring and managing bank's liquidity and funding strategy. Treasury Middle Office being part of Risk management group is responsible for the independent identification, monitoring & analysis of risks inherent in treasury operations. The bank has in place duly approved Treasury investment policy and strategy along with liquidity risk tolerance/appetite levels. These are communicated at various levels so as to ensure effective liquidity management for the Bank.

Funding Strategy

Bank's prime source of liquidity is the customer's deposit base. Within deposits, Bank strives to maintain a healthy core deposit base in form of current and saving deposits and avoid concentration in particular products, tenors and dependence on large fund providers. Further, Bank relies on Interbank borrowing for stop gap funding arrangements but same is less preferred source of liquidity. Within borrowing, sources of funding are also diversified to minimize concentration. Usually Interbank borrowing is for short term. The bank follows centralized funding strategy so as to ensure achievement of strategic and business objectives of the Bank.

Liquidity Risk Mitigation techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like cash to deposits, financing to deposit ratio, liquid assets to total deposits, Interbank borrowing to total deposits and large deposits to total deposits which are monitored on daily basis against different triggers levels and communicated to senior management and to ALCO forum regularly. Further, Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time buckets. For maturity analysis, behavioral study techniques are also used to determine the behavior of non-contractual assets and liabilities based on historic data and statistical techniques. The Bank also ensures to maintain statutory cash and liquidity requirements all times.

Liquidity Stress Testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits and increase in assets, withdrawals of wholesale / large deposits & interbank borrowing and utilization of undrawn credit lines etc. Results of same are escalated at the senior level so as to enable the senior management to take proactive actions to avoid liquidity crunch for the Bank.

Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity management framework of the bank which identifies the trigger events that could cause a liquidity crisis and describes the actions to be taken to manage the crisis. At Bank, a comprehensive liquidity contingency funding plan is prepared which highlights liquidity management chain that needs to be followed. Responsibilities and crisis management phases are also incorporated in order to tackle the liquidity crisis. Moreover, CFP highlights possible funding sources, in case of a liquidity crisis.

Main drivers of LCR Results

Main drivers of LCR Results are High Quality Liquid Assets and Net cash outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are as prescribed by the regulator.

Composition of High Quality Liquid Assets - HQLA

High Quality Liquid Assets composed of Level-1 Assets which can be included in the stock of liquid assets at 100% of their market value. Bank has taken Cash & treasury balances, Investments in GoP Ijarah Sukuks classified as Available for Sale category and foreign currency Placements issued by sovereigns. Further, Level 2-A asset category includes investment in corporate sukuk.

Concentration of Funding Sources

Being a commercial bank, it relies on funds provided by depositors. However the Bank has been continuously improving upon its ratio of core deposits. Current and Saving accounts consist of 76.02% of total deposits, term deposits are 23.98% and borrowing from SBP and financial institutions is 4% of total deposits. Moreover the Bank does not rely on top few depositors to meet its funding requirements. This clearly shows that the funding sources for the Bank are well diversified.

Currency Mismatch in the LCR

Currency mismatch is minimal as FCY deposits are 2.11% of Bank's total deposits.

41.5.1 MATURITIES OF ASSETS AND LIABILITIES

	2017																	
	Up to 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	
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity
Assets																		
Cash and balances with treasury banks	11,784,130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,140,355	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	21,371,787	13,174,971	7,644,730	110,417	441,669	-	110,417	-	-	-	-	-	-	-	-	-	-	-
Investments - net	42,383,743	1,269,980	-	-	-	-	-	-	34,781,332	-	-	-	100,452	-	3,139,484	-	1,081,505	-
Islamic financing and related assets and advances (net)	119,406,779	13,401,544	23,663,254	12,192,303	32,868,536	-	12,192,303	-	2,450,956	-	6,691,411	-	12,678,907	-	6,335,879	-	8,723,589	-
Operating fixed assets	9,148,044	171,042	-	-	-	-	-	-	116,979	-	144,195	-	-	-	1,442	-	-	-
Deferred tax assets	7,613,022	-	-	-	-	-	-	-	-	-	-	-	386,332	-	-	-	-	-
Other assets	4,796,975	2,379,042	-	-	-	-	-	-	-	-	-	-	7,613,022	-	-	-	-	-
	217,235,915	15,883,619	27,837,495	1,461	31,307,984	283,325	12,302,720	173,432	37,305,271	-	6,691,411	-	7,999,354	12,779,376	3,247,642	11,466,805	6,687,785	9,805,494
Liabilities																		
Bills payable	2,383,596	2,383,596	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	15,570,394	4,983,365	1,688,045	-	1,917,492	-	5,600,400	-	-	-	-	-	-	-	-	2,581,488	-	-
Deposits and other accounts	179,901,578	16,819,397	5,051,189	8,666,098	6,710,912	-	14,176,195	29,602,838	2,481,107	59,602,838	2,359,785	-	-	-	-	1,552	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,445,715	2,122,307	-	-	240,278	-	398,566	-	-	-	-	-	2,444,274	-	-	-	-	-
	203,006,679	21,930,700	283,350	9,754,143	240,278	8,628,404	388,266	19,176,195	29,602,838	2,481,107	29,602,838	2,359,785	2,444,274	-	2,583,140	-	-	-
Net assets	14,229,236	6,447,080	17,807,941	(23,189)	21,359,541	16,700	24,681,501	18,152	(6,297,499)	(9,297,566)	34,242,64	(4,911,638)	5,555,080	9,229,692	9,247,662	8,883,763	6,887,785	9,805,494

Rupees in '000

Share capital	10,09,121
Discount on issue of shares	(9,042)
Reserves	926,266
Unappropriated profit	1,893,726
Non Controlling Interest	245,242
Surplus on revaluation of assets	1,201,913
	<u>14,227,236</u>

Assets	2016															
	Up to 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	
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity
Cash and balances with treasury banks	8,921,433	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,324,167	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	27,218,645	5,722,558	-	9,135,007	-	12,361,100	-	-	-	-	-	-	-	-	-	-
Investments	46,643,174	1,108,064	-	-	-	1,969,073	-	326,247	-	-	37,423,000	-	123,635	-	-	5,683,159
Islamic financing and related assets and advances (net)	77,667,276	11,428,055	-	12,875,161	-	8,134,121	-	15,298,280	-	1,332,404	3,098,608	-	10,106,651	-	3,989,563	6,384,943
Operating fixed assets	9,412,129	-	-	-	-	46,218	-	38,231	62,716	-	-	-	886,318	-	1,565,510	-
Deferred tax assets	5,820,956	-	-	-	-	-	-	-	-	-	-	-	5,820,956	-	-	-
Other assets	4,933,640	3,507,685	-	-	-	13,250	-	454,765	-	-	-	-	-	970,140	-	-
	181,993,641	13,793,285	18,238,697	22,010,163	59,468	22,464,264	454,765	15,298,280	364,478	1,415,191	40,526,618	6,707,274	10,230,285	2,336,650	8,989,563	6,813,136
Liabilities																
Bill payable	2,273,334	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	6,066,307	1,030,000	-	634,000	-	2,041,550	-	-	-	-	-	-	-	2,360,757	-	-
Deposits and other accounts	125,826,348	7,890,845	-	8,443,413	-	6,379,652	-	11,074,028	27,093,961	2,699,381	2,612,423	-	4,196,899	-	653,88	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,760,717	2,948,910	-	59,106	-	138,308	-	997,810	-	-	-	-	2,616,583	-	-	-
	188,927,506	60,925,498	8,920,815	9,077,415	138,308	8,421,202	997,810	11,074,028	27,093,961	2,699,381	2,612,423	2,616,583	4,196,899	2,360,757	653,88	-
Net assets	13,066,234	147,132,213	9,317,882	12,932,748	178,840	14,043,062	543,045	4,224,252	16,729,463	1,284,191	12,867,210	379,143	4,090,691	6,033,387	17,4393	6,813,136
	13,066,234															12,072,888

Rupees in '000

Share capital	10,079,121
Discount on issue of shares	(79,042)
Reserves	613,636
Unappropriated profit	518,942
Non Controlling Interest	192,350
Surplus on revaluation of assets	1,741,327
	13,066,234

41.6 Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external / internal events. The risk is different from the others, since it has a greater level of uncertainty and may be termed as a little difficult to measure. The Group believes that (prudence) should be lived and breathed through the organizational culture.

At a more formal level, the Group has strengthened its risk management framework by developing policies, guidelines and manuals. Operational and other risk assessment tool e.g. Risk Control and Self Assessment (RCSA) is being effectively used to assess, mitigate and monitor possible risk that may arise in any of the Group's financial product or department. Operational Loss Database (OLD) records all the internal / external potential operational losses which helps the management understand the causes and impact of these risks.

41.7 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 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.

41.8 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 Group actively supports these organizations through its membership of the relevant Grouping industry association i.e. Pakistan Groups Association ("PBA"). The Group also takes account of systemic risk by means of careful management of counter party risks in the inter-Group market.

41.9 Shariah Non-compliance Risk

Shariah non-compliance risk is the risk that arises from an Islamic bank's failure to comply with the Shariah rules and principles prescribed by the State Bank of Pakistan and / or the Shariah Advisor of the Group. It remains' the most important operational risk for an Islamic bank. Compliance of shariah guidelines must permeate throughout the organization and its adherence should be reflected in the products and activities.

42 TRUST ACTIVITIES

Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These are not assets of the Group and, therefore, are not included in consolidated statement of financial position. Following is the list of assets held under trust:

Category	Type	No. of IPS account		-----Rupees in '000-----	
		2017	2016	Face Value	
				2017	2016
Insurance Companies	Sukuks	2	1	278,000	220,000
Asset Management Companies	Sukuks	22	24	1,206,740	1,426,240
Employee Funds / NGO's	Sukuks	4	5	28,000	138,250
Individuals	Sukuks	8	9	103,295	137,795
Others	Sukuks	25	21	6,091,965	4,537,715
		61	61	7,708,000	6,460,000

43 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2017:

- General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
- Special Mudaraba Deposits Pool
- Treasury Special Pools

The deposits and funds accepted under the General Deposit Mudarabah Pool is provided to different sectors of economy mainly to 'Textile and Allied', 'Energy', 'Fertilizer', 'Trading', 'Consumer Finance' and 'GOP Ijarah Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy via different Islamic financing modes such as Murabahah, Istisna etc.

Key features and risk & reward characteristics of all pools

The 'General Deposit Mudarabah Pool' for both local and foreign currency is to cater all depositors of BIPL and provide profit / loss based on actual returns earned by the pool. Depositors are Rabb-ul-Maal as they are the provider of capital while the Bank acts as Mudarib by investing these funds in business. Since there are more than one Rabb-ul-Maal (depositor), their mutual relationship is that of Musharakah. Profit is shared among Mudarabah partners (Bank and depositors) as per pre-agreed profit sharing ratio. Whereas, profit sharing among the depositors is based on pre-assigned weightages. Loss, if any, is borne by Rabb-ul-Maal as per the principles of Mudarabah.

The IERS Pool caters to the 'Islamic Export Refinance Scheme' requirements based on the guidelines issued by the SBP. In this Scheme, SBP enters into a Musharakah arrangement with the Bank for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabahah, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the Bank's IERS Musharakah pool. IERS pool consists of blue chip companies to whom the Bank has provided financing facilities on Shariah compliant modes including IERS facility. Profit is shared according to an agreed weightage and loss is shared according to the investment ratio. The Special Mudarabah Deposits Pools for local currency are created to attract and retain clients expecting specific returns. The funds received against these deposits are invested in various Shariah compliant assets.

Treasury Pools are managed on the basis of Musharakah, wherein BIPL and partner (Financial Institution) share actual return earned by the pool according to pre-defined profit sharing ratio.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool. The pool is exposed to following kinds of risks:

- 1 **Asset Risk:** The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Bank has prepared detailed product manuals in order to identify and properly mitigate such risk. The Bank also analyses transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professionals having considerable experience in the field of Islamic banking and finance. Nevertheless since Islamic banking is a nascent industry, we believe that the process of further improvement will continue as the business grows.
- 2 **Credit Risk:** Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 40.1 to these financial statements.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Gross income (Revenue less cost of goods sold and after deduction of other direct expenses), generated from relevant assets is calculated at the end of the month. The income is shared between the Bank and the depositors as per agreed profit sharing ratio after deduction of commingled Bank's equity share on pro rata basis. The residual is shared among depositors as per agreed weightages. These weightages and profit sharing ratios are declared by the Bank in compliance with the requirements of the SBP and Shariah.

The allocation of income and expenses to different pools is based on pre-defined basis and accounting principles / standards. Direct expenses are charged to respective pool, while indirect expenses are borne by the Bank as Mudarib. The direct expenses charged to the pool are direct cost in financing / investment transactions (i.e. Murabahah, Ijarah, Diminishing Musharakah, Istisna, Karobar Financing, Salam, etc.) and depreciation of Ijarah assets. The general and specific provisions created against non-performing Islamic financing and related assets and diminution in the value of investments as under prudential regulations and other SBP directives have been borne by the Bank as Mudarib.

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					(Rupees in '000)			

PKR Pool	Monthly	8.30%	50.00%	50.00%	3,395,301	4.17%	29.71%	1,008,762
USD Pool	Monthly	0.69%	50.00%	50.00%	5,991	0.37%	12.02%	720
GBP Pool	Monthly	0.05%	50.00%	50.00%	45	0.03%	18.33%	8
EURO Pool	Monthly	0.01%	50.00%	50.00%	8	0.00%	0.00%	-

Specific Musharakah Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Client Share %	Bank Share %	Bank Share	Profit rate return distributed	Percentage of Hiba to Client	Amount of Hiba to IERS Client
					(Rupees in '000)			

Islamic Export Refinance (IERS) Musharakah Pool	Monthly	4.94%	22.30%	77.70%	150,910	1.97%	0.00%	-
---	---------	-------	--------	--------	---------	-------	-------	---

Specific Mudarabaha Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Depositor Share %	Mudarib Share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba to special remunerative deposits.
					(Rupees in '000)			

(i) Special Mudarabaha Deposits PKR Pool	Monthly	7.82%	50.00%	50.00%	65,444	5.93%	51.83%	33,922.51
--	---------	-------	--------	--------	--------	-------	--------	-----------

- (ii) In addition to the above, 149 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

44 GENERAL

- 44.1** Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.

The figures in the consolidated financial statements have been rounded off to the nearest thousand rupee.

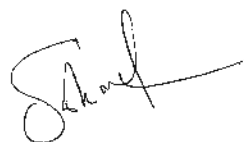
44.2 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the year except as disclosed below:

		2017
Reclassified from	Reclassified to	Rupees in '000
Fee, commission and brokerage income	financing and related assets and advances - net	89,817

45 DATE OF AUTHORISATION FOR ISSUE

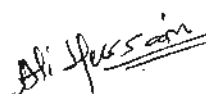
These consolidated financial statements were authorised for issue on April 6, 2018 by the Board of Directors of the Holding Company.



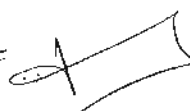
CHIEF FINANCIAL
OFFICER



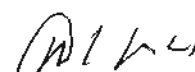
PRESIDENT /
CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR

Annexure I

Details of disposal of fixed assets to the Chief Executive Officer or to a Director or to Executives, irrespective of the value, and to any other person having cost more than Rs 1 million or net book value of Rs 250,000 or above are as follows:

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
	Rupees in '000						
HP Laptop Probook 4530	-	-	-	5	5	Bank Policy	Sadrudin Piyar Ali - HOD Admin
Lenovo T420 Laptop	130	129	-	5	5	Bank Policy	Yaser Abbas - HOD Auto Finance
Laptop	123	123	-	5	5	Bank Policy	Bilal Zuberi - AOM
Laptop	123	123	-	5	5	Bank Policy	Aslam Arain - Section Head Internal Audit
Laptop	12	12	-	5	5	Bank Policy	Zawar Hussain - Section Head CAD
Laptop	125	125	-	5	5	Bank Policy	Hasan Aziz Bilgrami - CEO
Laptop	125	125	-	5	5	Bank Policy	Asif Shafi - Unit Head ISD
Laptop	123	123	-	5	5	Bank Policy	Hasan Rizvi - Section Head Internal Audit
Laptop	123	123	-	5	5	Bank Policy	Shamshad Ahmed - HOD Trade Finance
Laptop	123	123	-	5	5	Bank Policy	Saud Usmani - Section Head ISD Infrastructure
Laptop	123	123	-	5	5	Bank Policy	Mahmood Pasha - Section Head System Security
Laptop	123	123	-	5	5	Bank Policy	Shahzad Hussain - Section Head Core Banking ISD
Laptop	25	25	-	5	5	Bank Policy	Mohammad Ali - Section Head Finance
Laptop	133	133	-	5	5	Bank Policy	Wasim Sharif - Section Head Internal Audit Central
Genset	1,217	1,143	75	281	206	Tender	M/s. Adam Traders
Genset	1,031	886	145	188	43	Tender	M/s. Adam Traders
Genset	1,011	896	113	164	51	Tender	M/s. Adam Traders
Genset	6,558	6,132	426	2,800	2,374	Tender	M/s. Adam Traders
Network Equipment	8,167	8,167	-	-	-	Tender	M/s. Total Engineering
Routers & Thin Client	757	504	253	758	505	Takaful Claim	M/s. Pak Qatar Takaful Insurance Claim
Total	20,153	19,141	1,012	4,261	3,249		

Annexure II

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2017

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities				Principal written off	Profit / Mark-up written off	Other financial relief	Rupees in '000	
				Principal	Profit	Others	Total (5+6+7)				Total (9+10+11)	12
				5	6	7	8	9	10	11		
1	2	3	4									
1	Gold Mark Associates Suite # 301, 3rd Floor, Baitala House, M. Petro Street, Jodia Bazar, Karachi - 74000	Noor Ahmed Sheikh 42101-1542330-1	Akhlaq Hussain	1,999	280	-	2,279	485	280	-	765	
2	Hafiz Brothers Room No. 15, Old American Centre, Kashmir Road, Rawalpindi	Adesh Roohan 37405-1915360-9	Roohan Din	3,999	1,258	-	4,857	-	1,258	-	1,258	
3	Atlas Cables (Pvt) Limited 9th Floor, Textile Plaza, Mumtaz Hassan Road, Karachi	1) S. Anehad Javed 42201-0255323-3 2) S. Danish Javed 42201-0255323-7 3) S. Almas Javed 42201-0430580-9 4) S. Adil Javed 42201-3345330-5	1) S. Nizar Hussain 2) S. Anehad Javed 3) S. Anehad Javed 4) S. Anehad Javed	11,339	7,166	-	18,505	10,339	7,166	-	17,505	
4	Shahin Textile Plot No. L-25, C-32, Block No. 22, Scheme No. 16, Federal B. Area, Karachi	1) Naim Ahmed 42000-0409635-9 2) Syed Ali Ahmed 42101-1493421-7 3) Musamill Hussain 42201-0254722-1 4) Fahad Ahmed 42201-0307107-5	1) Syed Aziz Ahmed 2) Syed Aziz Ahmed 3) Abdul Majid 4) Naim Ahmed	19,311	3,534	-	22,845	-	3,534	-	3,534	
5	Synthetic Fibres (Pvt.) Ltd. 10-A, North Central Avenue, Phase-I, DHA, Karachi	1) Syed Aliy Mehtab 42301-9669356-5 2) Mrs. Farukh Zehra 42301-5809755-6	1) Syed Aliy Imran Jafri 2) Syed Aliy Mehtab	9,989	2,866	-	12,755	-	2,866	-	2,866	
6	Alladin CMC Station Chakdian Awan, Main Kahuta Road, Islamabad	IRFICAR Ahmed Qureshi 37405-6532485-5	Sabir Hussain	4,835	1,059	-	5,594	-	1,059	-	1,059	
7	Isam Sana Shop No. 5, Tayyaba Shopping Centre, Karachi Road, Nawabshah	Muhammad Nadir Mirza 45402-0977356-7	Mrs. Isam Ul Haq	4,991	1,548	-	6,539	-	1,548	-	1,548	
8	Manzoor / Zubaida House # 83, Ghulam Hyder Shah Colony, Block B-5, Nawabshah	1) Manzoor 45402-0743325-3 2) Zubaida 45402-4388193-4	1) Muhammad Sadiq 2) Manzoor Ali	2,998	1,402	-	4,400	-	1,402	-	1,402	
9	Idam Manzoor House # 83, Ghulam Hyder Shah Colony, Block B-5, Nawabshah	Idam Manzoor 45402-1251782-1	Manzoor Ali Raizer	1,998	931	-	2,929	-	931	-	931	
10	Amira International E1 No. 187, Ahmad Block, New Garden Town, Lahore	1) Maszar Amir 35202-2850321-9 2) Shaheela Amir 35202-2679104-6	1) Amir Ahmed Khan 2) Maszar Amir	16,810	5,331	-	22,141	-	5,331	-	5,331	
11	Unwar Ali Unwar House No. C-46/47, Housing Society, Nawabshah	Unwar Ali Unwar 45402-0574830-1	Zaimul Abidin Unwar	6,000	2,248	-	8,248	-	2,248	-	2,248	
12	Imdad Ali Unwar House No. C-46/47, Housing Society, Nawabshah	Imdad Ali Unwar 45402-0974835-3	Zaimul Abidin Unwar	4,486	2,021	-	6,507	-	2,021	-	2,021	
13	Bromed Surgical Hakeem Street, Rahimpur, Kutchiyum Post Office, Burch, Sialkot	1) Salman Sheikh 34603-1036768-5 2) Usman Majid Sheikh 34603-2134540-9 3) Nighman Sheikh 34603-0528864-9	1) Sheikh Abdul Majid 2) Sheikh Abdul Majid 3) Sheikh Abdul Majid	16,000	792	-	16,792	-	792	-	792	

شعر

خط نستعلیق

نستعلیق دو الفاظ سے مل کر بنا ہے نسخ اور تعلیق یہ ایران کے منشیوں اور قلم کاروں کا ایجاد کردہ ہے
اس خط کو میر علی تبریزی نے ۸۱۳-۸۲۸ھ میں ترقی دی اور اس کے اصول مقرر کئے

Khat-e-Nastaleeq

This script was composed using Khat-e-Naskh and Khat-e-Taleeq. It was emanated by Iranian accountants and writers. The first person to use it properly was Mir Ali Tabrezi during 784 to 813 Hijri.

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Annexure II

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2017

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities				Principal written off	Profit / Mark-up written off	Other financial relief	Rupees in '000		
				Principal	Profit	Others					Total (5+6+7)	11	12
						5	6						
1	2	3	4	5	6	7	8	9	10	11	12		
14	Bromed Surgical Haleem Street, Rahimpur, Khichiyen Post Office, Bhatti, Sialkot	1) Salman Sheikh 34603-1036786-5 2) Usman Majid Sheikh 34603-2134360-9 3) Nagma Sheikh 34603-0526866-9	1) Sheikh Abdul Majid 2) Sheikh Abdul Majid 3) Sheikh Abdul Majid	16,000	5,594	-	21,594	-	5,594	-	5,594		
15	Mazra Sugar Mills 65-Infantry Road, Military Accounts Colony, Lahore	1) Raja Qadeer 35702-4999717-1 2) Muhammad Imshad Butt 35202-8944663-1	1) Muhammad Imshad Butt 2) Abdul Aziz Butt	40,000	7,690	-	47,690	-	7,690	-	7,690		
16	Muhammad Tahir Khan C/o. KASB Bank Ltd. 6th Floor, Capital Plaza, 11 Chundrigar Road, Karachi.	Muhammad Tahir Khan 42102-0697846-5	Muhammad Jahangir Khan	440	516	66	1,022	-	516	66	582		
17	Ebrahim Ilyas Bawany 69-A, New Queens Road, Lalazar, Karachi.	Ebrahim Ilyas Bawany 87650-6834624-1	Ilyas Bawany	7,804	37,553	-	45,357	-	37,802	-	37,802		
18	Ahmer Ahmed / Naseem Jahan Ara House # 9-H, 3rd Floor, Aslam-1, Ch. Khaliq Uz Zaman Road, Clifton, Karachi.	Ahmer Ahmed 42301-9488101-1	Muhammad Hussain	6,624	2,910	-	9,534	-	2,910	-	2,910		
19	Muhammad Iqbal Ul Haq House No. 14-C, Liaquat Town, Near Ideal Bakera, Faisalabad.	Muhammad Iqbal Ul Haq 35100-0612726-1	Iqbal Muhammad	4,070	1,077	-	5,147	-	1,074	3	1,077		
20	Fatid Akhtar House No. E-44, Gulshan-e-Iqbal, Block- 4, Karachi.	Fatid Akhtar 42201-5317784-5	Hadi Hasan	5,299	2,068	-	7,367	-	1,192	-	1,192		
21	Naseem Bano House # A-5, Naseem Deluxe Housing, Qasimabad, Hyderabad.	Naseem Bano 41306-1744633-6	Jamil Ahmed	854	630	11	1,496	-	546	-	546		
22	Sardar Naseem House # 20, College Road, P-7/2, Islamabad.	Sardar Naseem 61101-2500194-3	Sardar Muhammad Aslam	22,995	34,255	-	57,250	-	29,250	-	29,250		
				288,071	122,719	77	330,867	10,824	111,010	69	171,903		

Annexure to Directors' Report

Pattern of Shareholding

AS AT DECEMBER 31, 2017

No. of Shareholders	Shareholdings' Slab		Total Shares Held
	From	To	
766	1	100	16,191
14743	101	500	7,013,181
3175	501	1000	2,390,833
1671	1001	5000	3,140,310
174	5001	10000	1,313,445
52	10001	15000	642,039
32	15001	20000	576,326
21	20001	25000	463,364
9	25001	30000	257,010
17	30001	35000	560,066
5	35001	40000	188,112
5	40001	45000	215,966
10	45001	50000	491,134
3	50001	55000	157,798
4	55001	60000	233,308
5	60001	65000	310,739
1	65001	70000	69,531
3	70001	75000	220,951
2	80001	85000	169,000
1	90001	95000	92,712
2	95001	100000	199,614
1	110001	115000	111,873
2	115001	120000	239,913
1	130001	135000	130,829
1	140001	145000	140,500
1	145001	150000	150,000
1	155001	160000	157,500
2	175001	180000	355,970
1	185001	190000	185,937
1	200001	205000	203,000
1	205001	210000	210,000
1	215001	220000	217,500
1	225001	230000	229,053
1	235001	240000	236,500
1	245001	250000	247,816
1	255001	260000	255,202
1	320001	325000	320,500
1	395001	400000	400,000
1	430001	435000	434,000
1	475001	480000	475,175
1	515001	520000	519,084

سہولت

خطِ مُحَقَّق

خطِ کوفی کی پہلی ترقی یافتہ شکل مُحَقَّق ہے عہدِ مامون ۱۹۸-۲۱۸ھ میں اس خط سے دلچسپی اور شوق عام طور پر پھیل گیا تھا اس خط میں حروف کی بناوٹ تحقیق کی بناء پر کی جاتی ہے اس لئے اسے خطِ مُحَقَّق کہتے ہیں دلچسپ حقیقت یہ ہے کہ پانچ صدیوں تک قرآن مجید اور دیگر کتابیں خطِ مُحَقَّق میں لکھی جاتی رہیں

Khat-e-Mohaqiq

The first script developed after Khat-e-Kufic was Khat-e-Mohaqiq. In the Mamoon era from 198 to 218 Hijri, this script became very popular. The shape of every letter was researched upon, therefore it is called Mohaqiq. An interesting fact is that for 5 centuries, it was used for copying the Holy Quran and other books.

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No. of Shareholders	Shareholdings' Slab		Total Shares Held
	From	To	
1	935001	940000	939,697
1	995001	1000000	1,000,000
1	1980001	1985000	1,980,500
1	3180001	3185000	3,184,500
1	3205001	3210000	3,206,000
1	4345001	4350000	4,345,345
1	4615001	4620000	4,618,428
1	5700001	5705000	5,702,050
1	6160001	6165000	6,160,067
1	6600001	6605000	6,603,975
1	7045001	7050000	7,045,200
1	9565001	9570000	9,568,500
1	12250001	12255000	12,250,976
1	14590001	14595000	14,593,000
1	15700001	15705000	15,703,637
1	16210001	16215000	16,213,281
1	16705001	16710000	16,709,207
1	18300001	18305000	18,300,705
1	18785001	18790000	18,786,781
1	23290001	23295000	23,291,693
1	27995001	28000000	28,000,000
1	50290001	50295000	50,293,194
2	99020001	99025000	198,047,276
1	144200001	144205000	144,200,144
1	158965001	158970000	158,967,492
1	214255001	214260000	214,258,460
20750			1,007,912,090

Annexure to Directors' Report

Categories of Shareholders

AS AT DECEMBER 31, 2017

PARTICULARS	SHAREHOLDERS	SHAREHOLDING PERCENTAGE
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	3	
JAHANGIR SIDDIQUI & CO. LTD.	214,258,460	21.26
DUBAI BANK PJSC	144,200,144	14.31
SAJ CAPITAL MANAGEMENT LTD	50,293,194	4.99
SUB TOTAL	408,751,798	40.55
MUTUAL FUNDS	5	
CDC - TRUSTEE MEEZAN BALANCED FUND	875	0.00
CDC - TRUSTEE AKD OPPORTUNITY FUND	6,160,067	0.61
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	875	0.00
CDC - TRUSTEE MEEZAN ISLAMIC FUND	875	0.00
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	247,816	0.02
SUB TOTAL	6,410,508	0.64
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN	6	
ALI HUSSAIN	158,967,492	15.77
AMJAD WAHEED	500	0.00
FAWAD ANWAR	1,750	0.00
HASAN AZIZ BILGRAMI	939,697	0.09
NOMAN YAKCOB	16,709,207	1.66
SIRAJ AHMED DADABHOY	5,000	0.00
SUB TOTAL	176,623,646	17.52
PUBLIC SECTOR COMPANIES AND CORPORATIONS	1	190
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS	6	7,656,130
General Public		
a. Local	20,675	335,370,022
b. Foreign	9	125,150
Foreign Companies	3	29,512,827
Others	42	43,461,819
Totals	20,750	1,007,912,090
		100.00

ADDITIONAL INFORMATION AS AT DECEMBER 31, 2017

FIVE % AND ABOVE

JAHANGIR SIDDIQUI & CO. LTD.	214,258,460	21.26
ALI HUSSAIN	158,967,492	15.77
DUBAI BANK PJSC	144,200,144	14.31
AHMED G. M. RANDEREE	99,023,638	9.82
SHABIR AHMED RANDEREE	99,023,638	9.82

بَيْتُكَ إِسْلَامِي



BankIslami

BankIslami Debit Cards



The Power to Pay Directly

Shopping



Fuel



Dining



Travel



Grocery



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111-ISLAMI (111-475264)

Islami Amadni Certificate



Save Savings, Halal Profit

With **Islami Amadni Certificate**, you get the best of both the worlds in a safe, secure and flexible package to perfectly meet your needs. **Islami Amadni Certificate** provides you with the following features:

- Minimum investment amount of Rs. 10,000/-
- Profit payment at maturity
- No penalty on premature encashment of investment
- Internet Banking facility and Mobile App
- Investment tenure from 1– 5 years
- Monthly Halal profit payment

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Correspondent Banking Network

COUNTRY	NAME OF BANK
AUSTRALIA	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
AUSTRIA	RAIFFISENLANDESBANK OBEROESTERREICH
BAHRAIN	AL BARAKA ISLAMIC BANK BANK AL HABIB LIMITED BMI BANK BSC(C) NATIONAL BANK OF PAKISTAN
BANGLADESH	BANK ALFALAH LIMITED BANK ASIA LIMITED EASTERN BANK LIMITED HABIB BANK LIMITED SOUTHEAST BANK LIMITED STANDARD BANK LIMITED
BEIRUT	BANK OF BEIRUT
BELARUS	JOINT-STOCK SAVINGS BANK BELARUSBANK
BELGIUM	BELFIUS BANK SA / NV BYBLOS BANK EUROPE S.A. HABIB BANK LIMITED KBC BANK NV
CANADA	HABIB CANADIAN BANK
CHINA	AGRICULTURAL BANK OF CHINA LIMITED BANK OF CHENGDU COMPANY LIMITED BANK OF CHINA BANK OF DALIAN BANK OF DEYANG COMPANY LIMITED BANK OF GUYANG COMPANY LIMITED BANK OF JIANGSU COMPANY LIMITED BANK OF RUIFENG CHANGSHU RURAL COMMERCIAL BANK CHINA EVERBRIGHT BANK EXPORT – IMPORT BANK OF CHINA HARBIN COMMERCIAL BANK HUAXIA BANK INDUSTRIAL AND COMMERCIAL BANK OF CHINA JIANGSU ZHANGJIAGANG RURAL COMMERCIAL BANK COMPANY LIMITED JPMORGAN CHASE BANK (CHINA) COMPANY LIMITED PING AN BANK COMPANY LIMITED RURAL COMMERCIAL BANK COMPANY LIMITED ZHANGJIAGANG SHENGJING BANK TAICANG RURAL COMMERCIAL BANK YINZHOU BANK

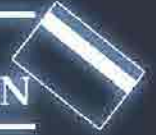
COUNTRY	NAME OF BANK
	ZHEJIANG CHOUZHOU COMMERCIAL BANK COMPANY LIMITED ZHEJIANG PINGHU RURAL COOPERATIVE BANK ZHEJIANG XIAOSHAN RURAL COMMERCIAL BANK COMPANY LIMITED
CZECH REPUBLIC	CESKA SPORITELNA AS CITIBANK EUROPE PLC UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA AS
DENMARK	DANSKE BANK A/S
DJIBOUTI	BANQUE POUR LE COMMERCE ET L'INDUSTRIE-MER GROUPE
EGYPT	MASHREQ BANK PSC
FINLAND	DANSKE BANK A/S DANSKE BANK PLC
FRANCE	HABIB BANK LIMITED NATIONAL BANK OF PAKISTAN
GERMANY	DANSKE BANK A/S DEUTSCHE BANK A.G. LANDESBANK HESSEN THUERINGEN GIROZENTRALE NATIONAL BANK OF PAKISTAN RAIFFEISENLANDESBANK OBEROESTERREICH AKTIENGESELL UNICREDIT BANK AG
GREECE	EUROBANK ERGASIAS S.A.
HONG KONG	BANK OF AMERICA HABIB BANK LIMITED HBZ FINANCE LIMITED ICICI BANK LIMITED JPMORGAN CHASE BANK NATIONAL ASSOCIATION MASHREQ BANK PSC NATIONAL BANK OF PAKISTAN UNION BANK OF INDIA UNION DE BANQUES ARABES ET FRANCAISES
INDIA	JPMORGAN CHASE BANK NATIONAL ASSOCIATION MASHREQ BANK PSC PUNJAB NATIONAL BANK TAMILNAD MERCANTILE BANK LIMITED UNION BANK OF INDIA
INDONESIA	JPMORGAN CHASE BANK NATIONAL ASSOCIATION PT BANK BUKOPIN PT BANK MANDIRI (PERSERO) TBK PT BANK MAYAPADA INTERNATIONAL TBK PT BANK SYARIAH MUAMALAT INDONESIA TBK
IRELAND	DANSKE BANK PLC
ITALY	BANCA POPLARE DELL'EMILIA ROMAGNA SOCIETA COOPERATIVA BANCA UBAE SPA BANCO POPLARE MILANO

BiBanking



DORMANT
ACCOUNT
ACTIVATION

CARD
ACTIVATION



CASH
WITHDRAWAL



PAYORDER
ISSUANCE

MOBILE
TOP UP



UTILITY BILLS
PAYMENT

FUNDS
TRANSFER



Pakistan's First Complete Biometric Banking Solution

BankIslami introduces BioBanking where customers can now use their Thumb impression as their identity mark to carry out branch banking transactions at all BankIslami branches.

With BioBanking the following branch banking transactions can be made:

- Cash Withdrawal
- Utility Bills Payment
- Dormant Account Activation
- Card Activation
- Payorder Issuance
- Mobile Top up
- Funds Transfer (Own Account, Third Party & IBFT)

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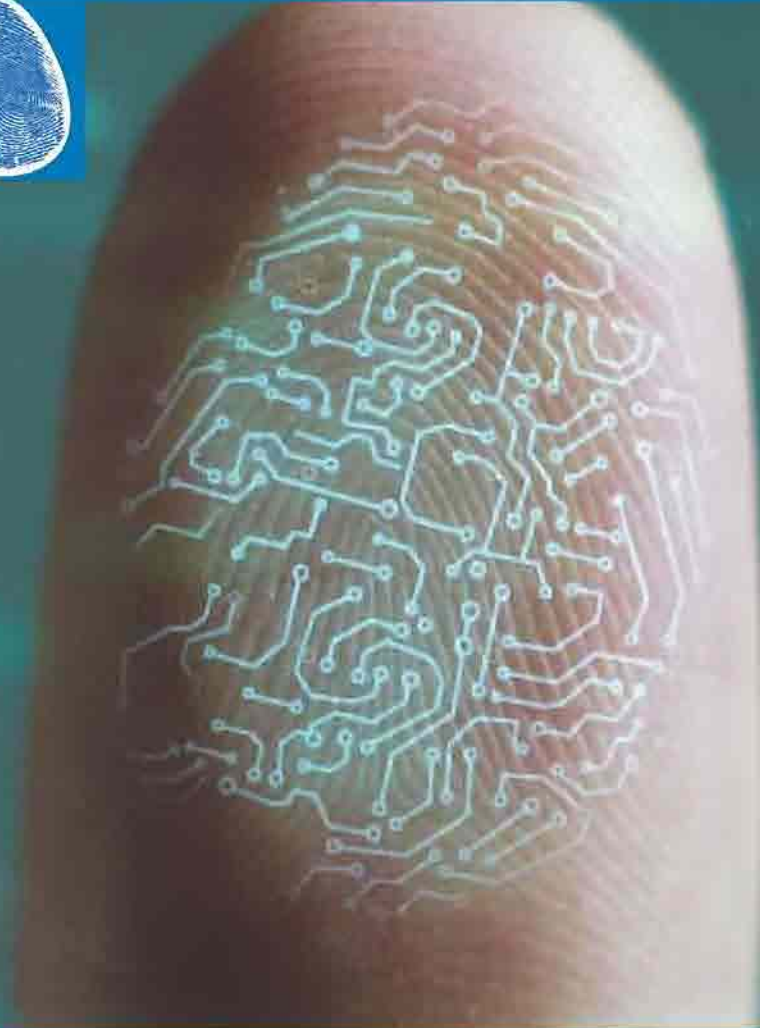
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111-ISLAMI (111-475264)

بَيْنَاكُمُ وَالْإِسْلَامِي



BankIslami

Cardless
ATM



An Impression is Enough

Pakistan's First Biometric & Cardless ATM

Your thumb impression is all you need for transaction at our ATMs.

1. Enter your CNIC 2. Place your Thumb on the scanner 3. Draw your desired amount

BankIslami is the pioneer of **Biometric ATM** in Pakistan since 2006. This service is available in 114 cities across Pakistan.

Serving you, the Right way

BankIslami Pakistan

www.bankislami.com.pk



24/7 Phone Banking
111-ISLAMI (111-475264)

COUNTRY	NAME OF BANK
	BANCO POPOLARE DI VERONA INTESA SANPAOLO SPA S.P.A.
JAPAN	JPMORGAN CHASE BANK, N.A. KOREA EXCHANGE BANK MIZUHO CORPORATE BANK LIMITED NATIONAL BANK OF PAKISTAN UNION DE BANQUES ARABES ET FRANCAISES
KENYA	GULF AFRICAN BANK LIMITED HABIB BANK AG ZURICH HABIB BANK LIMITED KENYA COMMERCIAL BANK LIMITED
KOREA	BUSAN BANK JPMORGAN CHASE BANK NATIONAL ASSOCIATION KOOKMIN BANK KOREA EXCHANGE BANK NATIONAL BANK OF PAKISTAN UNION DE BANQUES ARABES ET FRANCAISES WOORI BANK
KUWAIT	COMMERCIAL BANK OF KUWAIT SAK, THE
LEBANON	HABIB BANK LIMITED
LUXEMBOURG	DANSKE BANK INTERNATIONAL SA
MALAYSIA	BANK MUAMALAT MALAYSIA BERHAD JPMORGAN CHASE BANK BERHAD MIZUHO CORPORATE BANK LIMITED
MALTA	FIMBANK PLC
MAURITIUS	HABIB BANK LIMITED MAURITIUS
NEPAL	HIMALAYAN BANK LIMITED
NETHERLANDS	HABIB BANK LIMITED DEUTSCHE BANK A.G. DEUTSCHE BANK NEDERLAND N.V
NIGERIA	KEYSTONE BANK LIMITED
NORWAY	DANSKE BANK PLC
OMAN	HABIB BANK OMAN
PAKISTAN	ALBARAKA BANK (PAKISTAN) LIMITED ALLIED BANK LIMITED ASKARI BANK LIMITED BANK AL HABIB LIMITED BANK ALFALAH LIMITED BANK OF KHYBER (THE) BANK OF PUNJAB (THE) DEUTSCHE BANK A.G. DUBAI ISLAMIC BANK PAKISTAN LIMITED FAYSAL BANK LIMITED

COUNTRY	NAME OF BANK
	HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED INDUSTRIAL AND COMMERCIAL BANK OF CHINA KARACHI BRANCH JS BANK LIMITED MCB BANK LIMITED MCB ISLAMIC BANK LIMITED MEEZAN BANK LIMITED NATIONAL BANK OF PAKISTAN SAMBA BANK LIMITED SILKBANK LIMITED SINDH BANK LIMITED SONERI BANK LIMITED SUMMIT BANK LIMITED UNITED BANK LIMITED
PORTUGAL	DEUTSCHE BANK A.G.
POLAND	BANK ZACHODNI WBK SA DANSKE BANK A/S
QATAR	DOHA BANK MASHREQ BANK PSC MASRAF AL RAYAN QATAR ISLAMIC BANK UNITED BANK LIMITED
ROMANIA	ROMANIAN INTERNATIONAL BANK SA
RUSSIA	OPEN JOINT STOCK COMPANY 'RBS'
SAUDI ARABIA	BANK AL JAZIRA EMIRATES NBD PJSC JPMORGAN CHASE BANK NATIONAL ASSOCIATION NATIONAL BANK OF PAKISTAN NATIONAL COMMERCIAL BANK THE SAUDI HOLLANDI BANK
SINGAPORE	HABIB BANK LIMITED JPMORGAN CHASE BANK NATIONAL ASSOCIATION UNION DE BANQUES ARABES ET FRANCAISES WELLS FARGO BANK NA WOORI BANK
SOUTH AFRICA	HABIB OVERSEAS BANK LIMITED HBZ BANK LIMITED
SPAIN	BANCO ESPANOL DE CREDITO BANCO SANTANDER S.A.
SRI LANKA	HATTON NATIONAL BANK LIMITED
SWEDEN	DANSKE BANK A/S SVENSKA HANDELSBANKEN
SWITZERLAND	ARAB BANK (SWITZERLAND) LIMITED

COUNTRY	NAME OF BANK
	HABIB BANK AG ZURICH HABIBSONS BANK LIMITED LUZERNER KANTONAL BANK UNITED BANK A.G.
TAIWAN	DEUTSCHE BANK A.G. JPMORGAN CHASE BANK NATIONAL ASSOCIATION TAIWAN SHIN KOG COMMERCIAL BANK COMPANY LIMITED
THAILAND	EXPORT – IMPORT BANK OF THAILAND ISLAMIC BANK OF THAILAND JPMORGAN CHASE BANK NATIONAL ASSOCIATION
TURKEY	ASYA KATILIM BANKASI A.S. DENIZ BANK A.S HABIB BANK LIMITED KUVEYT TURK KATILIM BANKASI SA TEKSTIL BANKASI S.A. TURKIYE CUMHURİYETİ ZİRAAT BANKASI A.S. TURKIYE FINANS KATILIM BANK TURKIYE VAKIFLAR BANKKASI T.A.O.
U.A.E.	ABU DHABI COMMERCIAL BANK ABU DHABI ISLAMIC BANK EMIRATES NBD BANK PJSC HABIB BANK AG ZURICH HABIB BANK LIMITED MASHREQ BANK PSC MCB BANK LIMITED UNITED BANK LIMITED
UKRAINE	CREDIT DNEPR BANK DEMARK BANK JS
U.K.	INTESA SANPAOLO SPA BYBLOS BANK EUROPE S.A. DANSKE BANK A/S DANSKE BANK PLC HABIBSONS BANK LIMITED EMIRATES NBD PJSC DEUTSCHE BANK A.G. HABIB BANK UK HABIB BANK AG ZURICH AL RAYAN BANK PLC JPMORGAN CHASE BANK N.A. MASHREQ BANK PSC UNITED NATIONAL BANK WOORI BANK
USA	ATLANTIC BANK OF NEW YORK

COUNTRY	NAME OF BANK
	BOKF NA DEUTSCHE BANK TRUST COMPANY AMERICAS HABIB AMERICAN BANK JPMORGAN CHASE BANK NATIONAL ASSOCIATION MASHREQ BANK PSC NATIONAL BANK OF PAKISTAN SAEHAN BANK UNITED BANK LIMITED WACHOVIA BANK, NA WELLS FARGO BANK NA
VIETNAM	ASIA COMMERCIAL BANK JOINT STOCK COMMERCIAL BANK VIETNAM ASIA COMMERCIAL JOINT-STOCK BANK VINASIAM BANK WESTERN COMMERCIAL JOINT STOCK BANK
YEMEN	SABA ISLAMIC BANK UNITED BANK LIMITED

BiBanking



Pakistan's First Complete Biometric Banking Solution

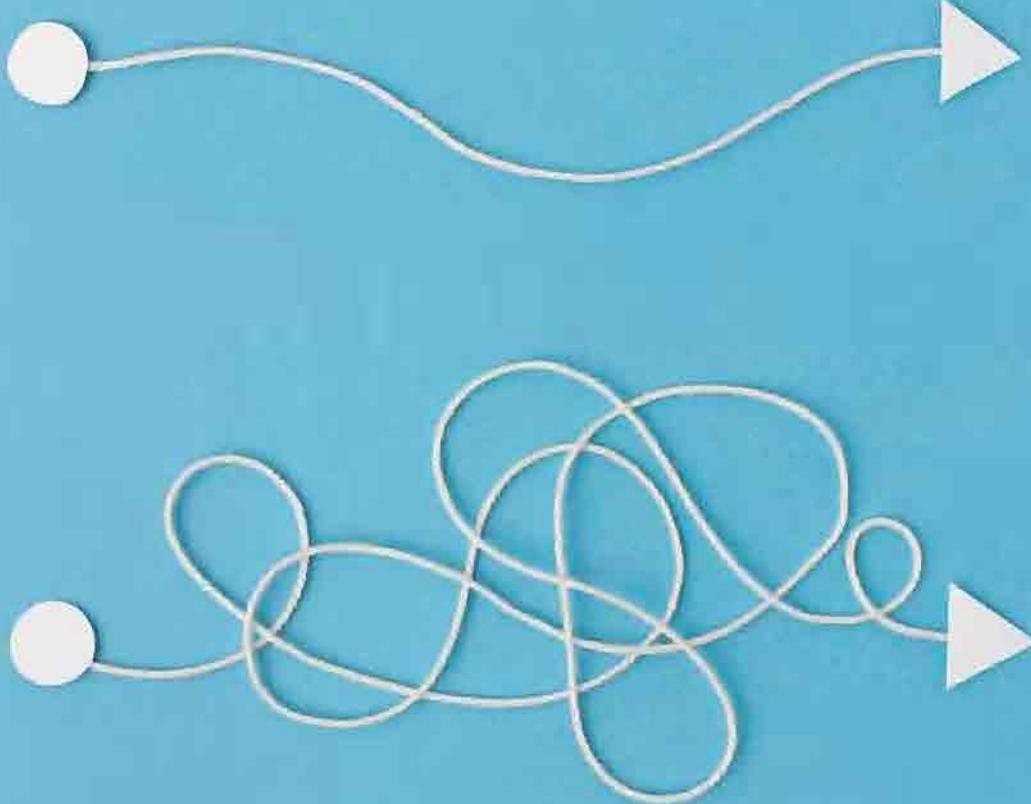
BankIslami introduces BioBanking where customers can now use their Thumb impression as their identity mark to carry out branch banking transactions at all BankIslami branches.

With BioBanking the following branch banking transactions can be made:

- Cash Withdrawal
- Utility Bills Payment
- Dormant Account Activation
- Card Activation
- Payorder Issuance
- Mobile Top up
- Funds Transfer (Own Account, Third Party & IBFT)

Serving you, the Right way

**Islami
saan
ccount**



Nothing can be more Simpler

BankIslami's Islami Asaan Account gives you freedom to open an account in 3 simple steps:

A. Visit your nearest branch

B. Fill Asaan account form

C. Submit CNIC copy

Features of Islami Asaan Account:

- Open your account with Rs. 100/-
- Free Cheque Book *
- Free E-Statement facility
- Free Payorder *
- Internet Banking facility and Mobile App
- VISA Debit Card facility
- SMS Banking facility
- Facility of opening a Current, Saving or Sahulat Account

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BankIslami Pakistan
www.bankislami.com.pk



24/7 Phone Banking
111-ISLAMI (111-475264)

*For Sahulat Account Only (i.e. on deposit of Rs. 25,000 & above)

Branch Network

Serial No.	Location	No of Branches
1	Abbotabad	1
2	Arifwala	1
3	Attock	2
4	Badin	1
5	Bahawalpur	2
6	Balakot	1
7	Batagram	1
8	Batkheila	1
9	Beesham	1
10	Booni	1
11	Buner	1
12	Burewala	1
13	Chakwal	1
14	Chaman	1
15	Chichawatni	1
16	Chillas	1
17	Chiniot	1
18	Chitral	1
19	D.G. Khan	2
20	D.I. Khan	1
21	Dadu	1
22	Dargai	1
23	Daulatpur Safan	1
24	Dinga	1
25	Dukki	1
26	Faisalabad	2
27	Fateh Jang	1
28	Gharo	1
29	Ghotki	1
30	Gilgit	1
31	Gojra	1
32	Golarchi	1
33	Gujjar Khan	1
34	Gujranwala	3
35	Gujrat	2
36	Hala	1
37	Haripur	1
38	Harnai	1
39	Haroonabad	1
40	Hasan Abdal	1

Serial No.	Location	No of Branches
41	Hattar	1
42	Hazro	1
43	Humak	1
44	Hyderabad	6
45	Islam Garh AJK	1
46	Islamabad	16
47	Jhang	1
48	Jhelum	2
49	Jhuddo	1
50	Kamoki	1
51	Kandhkot	1
52	Karachi	102
53	Kasur	1
54	Khairpur	1
55	Khanewal	1
56	Khanozai	1
57	Khanpur	1
58	Kharian	1
59	Kotri	1
60	Kuchlak	1
61	Lahore	49
62	Lalamusa	1
63	Larkana	1
64	Loralai	1
65	Mandi Bahauddin	1
66	Manshera	1
67	Mardan	1
68	Mehar	1
69	Mian Channu	1
70	Mianwali	1
71	Mingora Swat	1
72	Mirpur AJK	2
73	Mirpur Khas	2
74	Multan	6
75	Murree	1
76	Muslim Bagh	1
77	Naran	1
78	Nawabshah	2
79	Nowshera	1
80	Okara	2
81	Pakpattan	1
82	Peshawar	5
83	Pir Mahal	1

Serial No.	Location	No of Branches
84	Pishin	1
85	Qilla Saifullah	1
86	Quetta	9
87	Rahim Yar Khan	2
88	Rawalpindi	13
89	Sadiqabad	2
90	Sahiwal	2
91	Sambriyal	1
92	Sanghar	1
93	Sargodha	2
94	Sharigh	1
95	Sheikhupura	1
96	Shujabad	1
97	Sialkot	3
98	Sibbi	1
99	Sukkur	2
100	Talagang	1
101	Tando Adam	1
102	Tando Allah Yar	1
103	Tatral Kahun	1
104	Taxila	1
105	Thana Bula Khan	1
106	Timargara	1
107	Toba Tek Singh	1
108	Upper Dir	1
109	Vehari	1
110	Wah Cantt	1
111	Wazirabad	1
112	Zahir Pir	1
113	Zhob	1



Proxy Form

14th 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, holder of _____ ordinary shares as per Share Register Folio _____ No. / CDC _____ Account _____ No. _____ hereby appoint _____, Folio _____ No. / CDC _____ Account _____ No. _____ (if member), _____ of _____ or failing him / her _____ Folio _____ No. / CDC _____ Account _____ No. _____ (if member), _____ of _____ as my/our proxy in my / our absense to attend and vote for me / us, and on my / our behalf at the 14th Annual General Meeting of Bank to be held on Saturday, April 28, 2018 at 09:30 a.m. at Regent Plaza Hotel & Convention Centre, Shahrah-e-Faisal, Karachi and at any adjournment thereof.

Signed under my / our hand this _____ day of _____ .

Witness 1:

Name: _____
Address: _____
CNIC or Passport No. _____

Please affix
Rupees Five
Revenue Stamp

Witness 2:

Name: _____
Address: _____
CNIC or Passport No. _____

Signature of Member(s)

Notes:

1. Proxies in order to be effective, must be received by the company not less than 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

Please affix
Correct
Postage

The Company Secretary

BankIslami Pakistan Limited
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan

پراکسی فارم

چودھواں (14) سالانہ اجلاس عام

کمپنی سیکریٹری

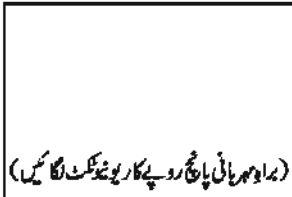
بینک اسلامی پاکستان لمیٹڈ،

گیارہواں فلور، ایگزیکٹو ٹاور،

ڈالین سٹی، میرین ڈرائیو،

کلفٹن، بلاک 4، کراچی، پاکستان۔

میں مسی / اسماة _____ ساکن _____ بحیثیت بینک اسلامی پاکستان لمیٹڈ کا ممبر حامل _____ عام حصص یافتہ بمطابق
شیر رجسٹرڈ فلیو / سی ڈی سی اکاؤنٹ نمبر _____ بذریعہ ہذا تقرری _____ فلیو / سی ڈی سی اکاؤنٹ نمبر (اگر
ممبر ہے) _____ ساکن _____ یا ان کی غیر موجودگی میں _____ فلیو / سی ڈی سی اکاؤنٹ
نمبر (اگر ممبر ہے) _____ ساکن _____ کو اپنی / ہماری طرف سے بروز _____ مورخہ _____ 2018 بوقت صبح
_____ بجے، بمقام _____ کراچی میں منعقد ہونے والے کمپنی کے حصص یافتگان کے 14 ویں سالانہ اجلاس عام میں شرکت اور
رائے دہی کیلئے اپنا / ہمارا پراکسی (حقار) مقرر کرتا ہوں / کرتے ہیں۔
آج بروز _____ مورخہ _____ 2018 کو بذات خود دستخط کئے گئے۔



گواہ نمبر 1:

رکن / ارکان کے دستخط

نام: _____

پتہ: _____

قومی شناختی کارڈ / پاسپورٹ نمبر: _____

دستخط: _____

گواہ نمبر 2:

نام: _____

پتہ: _____

قومی شناختی کارڈ / پاسپورٹ نمبر: _____

دستخط: _____

نوٹس:

- 1 - پراکسی فارم ہذا، باقاعدہ مکمل اور دستخط شدہ کمپنی کو اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل لازماً موصول ہو جانا چاہیے۔
- 2 - حصص یافتگان اور ان کے مختار ہر ایک سے درخواست ہے کہ کمپنی کو پراکسی فارم جمع کرانے سے قبل اپنے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ کاپی منسلک کریں۔

On behalf of BankIslami Pakistan Limited

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office:
CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shahr-e-Faisal,
Karachi - 74400, Pakistan.
Tel: 0800 - 23275
Fax: (92-21) 34326053
URL: www.cdcpakistan.com
Email: info@cdcpak.com

Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)



Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information:

Details of Shareholder	
Name of shareholder	
Folio / CDS Account No.	
CNIC No.	
Cell number of shareholder	
Landline number of shareholder, if any	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	P K (24 digits) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	
It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.	
Signature of shareholder Kindly ensure that the title of IBAN/Bank Account must be in your name.	

You are requested to kindly send us this letter immediately duly filled in and signed by you along with legible photocopy of your valid CNIC at our address, Share Registrar Services, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, Main Shahr-e-Faisal, Karachi. 74400, Pakistan.

Regards,

Share Registrar Department
Central Depository Company of Pakistan Limited
Share Registrar: BANKISLAMI PAKISTAN LIMITED

Note: This letter is being computer generated and does not require any signature.

سی ڈی سی / آر ٹی اے / بی آئی بی ایل ایئر 171

تاریخ

فولیو نمبر:

مالک حصص کا نام:

ایپ / شو بر کا نام:

پتہ:

نقد منافع مقسمہ کی ادائیگی کیلئے بینک اکاؤنٹ کی تفصیلات
(کمپنیز ایکٹ 2017 کے مطابق لازمی)

محترم مالک حصص،

اس کا مقصد آپ کو مطلع کرنا ہے کہ کمپنیز ایکٹ 2017 کی دفعہ 242 کے مطابق، نقد منافع مقسمہ کی ادائیگی صرف برقی ذرائع سے مستحق حصص مالک کے مزا کا اکاؤنٹ میں براہ راست کردی جائے گی۔ براہ کرم یہ نوٹ فرمائیں کہ نقد منافع مقسمہ کی ادائیگی کیلئے بینک کو لازمی اختیار حاصل ہے۔ ریگولیٹری قوانین پر عملدرآمد اور آپ کے بینک اکاؤنٹ میں منافع کی رقم کی براہ راست کریڈٹ کی سہولت کے حصول کیلئے، آپ سے درج ذیل معلومات کی فراہمی کی درخواست کی جاتی ہے:

حصص مالک کی تفصیلات

حصص مالک کا نام

فولیو نمبر

قومی شناختی کارڈ نمبر

حصص مالک کا موبائل نمبر

حصص مالک کا لینڈ لائن ٹیلیفون نمبر (اگر کوئی ہے تو)

بینک اکاؤنٹ کی تفصیلات

بینک اکاؤنٹ کا عنوان (مثلاً)

بین الاقوامی بینک اکاؤنٹ نمبر (IBAN) "لازمی" (24 بند سے)

برائے مہربانی اپنی متعلقہ برانچ سے مشاورت کے بعد اپنا درست IBAN نمبر فراہم کریں، کیونکہ یہ گئے IBAN نمبر میں کسی غلطی یا غفلت کی صورت میں، آپ کے نقد منافع مقسمہ کی ادائیگی میں کسی تاخیر یا کسی نقصان کیلئے کمپنی کسی بھی صورت سے ذمہ دار نہیں ہوگی۔

بینک کا نام

برانچ کا نام اور پتہ

یہ کہا گیا ہے کہ درج بالا بیان کردہ معلومات درست ہیں اور ان میں کسی تبدیلی کی صورت میں، میں اہم اس کے مطابق فوری طور پر شرکاء / شیئرز رجسٹرار کو آگاہ کریں گے۔

مالک حصص کے دستخط

آپ سے درخواست کی جاتی ہے کہ مکمل ورجین گئے اس خط کی نقول اپنے مضابطہ دستخط اور قابل اطلاق قومی شناختی کارڈ کی تصدیق شدہ نقول کے ساتھ ہمارے شیئرز رجسٹرار کو، ہمارے دفتر کے پتے شیئرز رجسٹرار، بینک اسلامی پاکستان لمیٹڈ، سینٹرل ڈیپازٹری کپٹی آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس، 99-بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی۔ 74000 پر جمع کرائیں۔

آپ کا مخلص، شیئرز رجسٹرار ڈیپازٹری، سینٹرل ڈیپازٹری کپٹی آف پاکستان لمیٹڈ

یہ ایک سسٹم کا تعلق کردہ خط ہے جسے کسی دستخط کی کوئی ضرورت درکار نہیں ہے۔

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

6 DC House, 99-B, Block 'B',
S M C H S Main Shahr-e-Faisal,
Karachi - 74400, Pakistan
Tel: 0800 - 23275
Fax: (92-21) 34326053
URL: www.cdc-pakistan.com
Email: info@cdcpak.com

On behalf of BANKISLAMI PAKISTAN LIMITED



**Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)**

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank accounts of entitled shareholder as designated by them. In pursuance of the direction given by Securities and Exchange Commission of Pakistan (SECP), kindly immediately contact your relevant CDC Participant/CDC Investor Account Services Department and provide them your bank mandate information including International Bank Account Number (IBAN) which is now mandatory for all cash dividend payments.

In order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide requisite bank mandate information to your respective Participant/CDC Investor Account Services Department immediately.

Kindly also ensure that the title of IBAN / Bank Account must be in your name.

You may also refer Circular No. CDC/LC&R/16 dated August 31st, 2017 issued by Central Depository Company of Pakistan Limited in this regard available on website www.cdc-pakistan.com

Regards,

Share Registrar Department
M/s. Central Depository Company of Pakistan Limited,
Share Registrar: BANKISLAMI PAKISTAN LIMITED

Note: This letter is being computer generated and does not require any signature.

سی ڈی ایس کے حصص مالکان کے لئے خط کی وضع

سی ڈی ایس آر ٹی اے اے جی آئی پی ایٹ الیگز 171

تاریخ

سی ڈی ایس اکاؤنٹ نمبر:

مالک حصص کا نام:

باپ / شوہر کا نام:

پتہ:

نقد منافع منقسمہ کی ادائیگی کے لئے بینک اکاؤنٹ کی تفصیلات

(کمپنیز ایکٹ 2017 کے مطابق لازمی)

محترم مالک حصص،

اس کا مقصد آپ کو مطلع کرنا ہے کہ کمپنیز ایکٹ 2017 کی دفعہ 242 کے مطابق نقد منافع منقسمہ کی ادائیگی صرف برقی ذرائع سے مستحق حصص مالک کے نامزد اکاؤنٹ میں براہ راست کردی جائے گی۔ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی طرف سے دی گئی ہدایات کے مطابق، برائے مہربانی اپنے متعلقہ سی ڈی ایس شرکاء سی ڈی ایس نوٹس اکاؤنٹ سرورس ڈیپازٹمنٹ سے فوری رابطہ کریں اور انہیں اپنے بینک اختیار کی لازمی معلومات بشمول بین الاقوامی اکاؤنٹ نمبر (IBAN) فراہم کریں، جو کہ اب تمام نقد منافع منقسمہ کی ادائیگیوں کے لئے لازمی ہے۔ ریگولیٹری قوانین پر عملدرآمد اور آپ کے بینک اکاؤنٹ میں منافع کی رقم کی براہ راست کریڈٹ کی سہولت کے حصول کیلئے، آپ سے لازمی بینک اختیاری معلومات کی اپنے متعلقہ شریک سی ڈی ایس نوٹس اکاؤنٹ سرورس ڈیپازٹمنٹ کو فوری طور پر فراہم کرنے کی درخواست کی جاتی ہے:

آپ کا تخلص،

شیئر رجسٹرار ڈیپازٹمنٹ،

میسرز سینٹرل ڈیپازٹری کمپنی پاکستان لمیٹڈ،

شیئر رجسٹرار، بینک اسلامی پاکستان لمیٹڈ

نوٹ: یہ ایک سسٹم کا تخلیق کردہ خط ہے جسے کسی دستخط کی کوئی ضرورت درکار نہیں ہے۔

طحاقت

المحمينا

المستورا

حج

بركت

ديانت

معيار

شفقت

شريع



BankIslami

سهولت

بينك وبيننا



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) 35378373

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