



HANDS ON THE *FUTURE*

Annual Report 2019

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Corporate Information

Board of Directors

Mr. Ali Hussain	Chairman
Mr. Fawad Anwar	Vice Chairman
Mr. Syed Amir Ali	President & Chief Executive Officer
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	
Dr. Amjad Waheed	
Mr. Muhammad Nadeem Farooq	
Mr. Noman Yakoob	
Mr. Siraj Ahmed Dadabhoy	

Shariah Supervisory Board

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

Audit Committee

Dr. Amjad Waheed	Chairman
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	Member
Mr. Muhammad Nadeem Farooq	Member
Mr. Noman Yakoob	Member

Risk Management Committee

Mr. Fawad Anwar	Chairman
Mr. Muhammad Nadeem Farooq	Member
Mr. Siraj Ahmed Dadabhoy	Member
Mr. Syed Amir Ali	Member

Human Resource Management Committee

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	Chairman
Mr. Fawad Anwar	Member
Mr. Muhammad Nadeem Farooq	Member
Mr. Siraj Ahmed Dadabhoy	Member
Mr. Syed Amir Ali	Ex-officio Member

Board Remuneration Committee

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

IT Committee

Mr. Muhammad Nadeem Farooq	Chairman
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	Member
Mr. Noman Yakoob	Member
Mr. Syed Amir Ali	Member

Executive Committee

Mr. Ali Hussain	Chairman
Mr. Fawad Anwar	Member
Mr. Muhammad Nadeem Farooq	Member
Mr. Siraj Ahmed Dadabhoy	Member
Mr. Syed Amir Ali	Member

Company Secretary

Mr. Muhammad Shoaib

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)

Aasim Salim
Bilal Fiaz
Burhan Hafeez Khan
Kashif Nisar
Mahmood Rashid
Masood Muhammad Khan
Mateen Mahmood
Muhammad Asadullah Chaudhry
Muhammad Shoaib
Muhammad Uzair Sipra
Rizwan Ata
Rizwan Qamar Lari
Sohail Sikandar
Syed Abdul Razzaq
Syed Amir Ali
Syed Arif Mahtab
Syed Ata Hussain Jaffri
Syed Muhammad Aamir Shamim
Tariq Ali Khan

General Manager Central
Head, Consumer Business
General Manager South West
Head, Products & Shariah Structuring
Head, Security & Government Relations
Head, Compliance
General Manager South East
Head, Human Resource
Company Secretary
Head, Legal
Country Head, Distribution
Head, Internal Audit
Chief Financial Officer
Head, Risk Management
President & CEO
Head, Operations
Head, Information System
Head, Treasury & Financial Institutions
General Manager North

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

CDC Share Registrar Services Limited
Head Office: CDC House, 99 – B, Block ‘B’,
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.
Tel: (92) 0800-23275 Fax: (92-21) 34326040
URL: www.cdcsrsl.com
Email: info@cdcsrsl.com

Public Dealing Timings of Share Registrar

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 1:00 pm

Website:

www.bankislami.com.pk

Discussion on Corporate Governance

The purpose of this section is to provide a holistic view of Bank's corporate governance culture and practices.

The Board of Directors of the Bank (the 'Board') aims to adopt best practices of the corporate governance to promote transparency in whatever we do, avoid conflicts and deliver sustainable value to shareholders. The Board performs its statutory roles and responsibilities diligently while ensuring that the Bank is functioning under the competent management team. The Board review and approve the Bank's strategy and risk appetite. It also approves the capital and operational plans for achieving strategic objectives on the recommendation of the management.

The Bank has adopted the requirements under Listed Companies Code of Corporate Governance Regulation, 2019 (CCG) issued by Securities and Exchange Commission of Pakistan (SECP), relevant for the year ended 31st December 2019, and these have been duly complied with. A statement to this effect is part of the Annual Report.

The Board aspires to achieve continuous improvement in Corporate Governance culture by enhancing its soundness and effectiveness in the years to come. We believe it as a key to successfully fulfilling our mission to become more responsible and agile Bank in an era of disruption and digitization. During the upcoming year, the Board aims to embrace gender diversity, enhancing representation of independent members, specialized training for board members and evaluation of the performance of the Board and its Committees by an independent expert. The election of the Board is due in the year 2020 and we aim to achieve above tasks during reconstitution of the Board.

The Board, while nominating and appointing its members, ensures that it possesses requisite skills and expertise through its members carrying diversified education and experience so as to govern the strategy, policies and operations of the Bank.

Profile of the Board

Following is the profile of the members of the Board:

- **Mr. Ali Hussain (Chairman of the Board – Non-Executive Director)**

Mr. Hussain holds a Master's degree in Electrical engineering from Stanford University. Mr. Ali Hussain has over forty five years of professional and managerial experience in both corporate and private entities. For the past thirty years he has been managing his own global organizations and international financial investments in the field of technology, medical electronics and strategic investments with operations in USA, Canada, Singapore, UK and Germany. Currently, Mr. Hussain manages a portfolio of banking, ecommerce, Fintech and digital technology investments along with family office. In Singapore he manages a technology incubator to promote entrepreneurship and invests in early stage companies.

Date of Joining the Board: April 29, 2011

Other Directorships / Offices held:

Chief Executive Officer, TechCube8 Pte Ltd
Managing Director, SAJ Capital Management Limited

- **Mr. Fawad Anwar (Vice Chairman of the Board – Non-Executive Director)**

Mr. Anwar has done his MBA from Drexel University, USA and BBA from Temple University, USA. He is a Managing Director of AlKaram Textile Mills (Private) Limited, which is part of one of the most renowned Business groups in Pakistan, the AlKaram Group. He has over 20 years of professional experience.

Date of Joining the Board: March 4, 2013

Other Directorships / Offices held:

Managing Director, Alkaram Textile Mills (Pvt) Limited
Director / Chief Executive Officer, Lakeside Energy (Pvt) Ltd
Director / Chief Executive Officer, Adira Capital Holdings (Private) Limited
Director, Alfa Beta Capital Markets (Pvt) Limited
Director, TPL Properties Limited
Director, Pakistan Oxygen Limited (formerly Linde Pakistan Limited)

- **Mr. Ali Mohamad Hussain Ali Mohamad Alshamali (Independent Director)**

Mr. Alshamali holds a MBA degree from University of Wollongong Dubai and Bachelors in Science degree from Seattle University, USA. He is the Chief Operating Officer at Amlak Finance, PJSC, UAE. He has over 17+ years of experience in Credit and risk management. Before his current position, he worked as Head of Credit and Risk at Amlak Finance and also in the Credit department of the Emirates Bank International.

Date of Joining the Board: January 16, 2014

Other Directorships / Offices held:

Chief Operating Officer, Amlak Finance
Partner, Alfa Electrical llc

• **Dr. Amjad Waheed (Independent Director)**

Dr. Amjad holds a Doctorate in Business Administration with a major in Investments and Finance from Southern Illinois University, USA and is also a Chartered Financial Analyst (CFA). He is the Chief Executive Officer of NBP Fund Management Limited (NBP Funds). Before joining the Company, he had been the Head of Equity Mutual Funds & Portfolios at Riyadh Bank, Saudi Arabia, Head of Asset Management at NIT, and Chief Operating Officer of FC-ABN AMRO Equities.

Date of Joining the Board: April 11, 2017

Other Directorships / Offices held:

Chief Executive Officer, NBP Fund Management Limited (formerly, NBP Fullerton Asset Management Ltd)

Director, Gul Ahmed Textile Mills Limited

Director, Mehran Sugar Mills Limited

Director, Katha Collieries Pak (Pvt) Limited

• **Muhammad Nadeem Farooq (Non-Executive Director)**

Mr. Nadeem is a Chartered Accountant from Institute of Chartered Accountants of Pakistan (ICAP). He is currently the Chief Executive Officer of Jura Energy Corporation. Jura Energy Corporation is an international upstream oil and gas exploration and production company, listed on Toronto Stock Venture Exchange. He has a proven record of excellence in managerial finance, corporate finance, governance, acquisitions, restructurings, accounting, tax, investor relations, negotiations and relationship management.

Date of Joining the Board: May 21, 2018

Other Directorships / Offices held:

Director / Chief Executive Officer, Energy Exploration Limited

Director / Chief Executive Officer, Spud Energy Pty Limited

Director / Chief Executive Officer, Jura Energy Corporation

Director, Spud Oilfield Services Limited

Director / Chief Executive Officer, Frontier Holdings Limited

Director, PetExPro Limited

Director, Frontier Oil and Gas Holdings Limited

• **Mr. Noman Yakoob, (Non-Executive Director)**

Mr. Yakoob has done his BSc (Hons) from Lahore University of Management Science (LUMS). and MSc from Kingston University, London. He is the Director of AlKaram Textile Mills (Pvt) Limited where he overlooks the financial matters of the Company. He is also a Director of Amna Industries Limited and Pakistan Synthetics Limited. He is currently serving as Vice President Landhi Association of Trade and Industry (LATI).

Date of Joining the Board: April 11, 2017

Other Directorships / Offices held:

Director, Alkaram Textile Mills (Pvt) Limited

Director, Pakistan Synthetics Limited

Director, Amna Industries (Pvt) Limited

• **Mr. Siraj Ahmed Dadabhoy (Non-Executive Director)**

Mr. Dadabhoy is a 1988 graduate of Indiana University, with a Bachelor of Science in Accounting and Finance. He is also a qualified Certified Public Accountant. He has more than 25 years of experience in the real estate and financial industries in a range of leadership roles. He is a founding partner and Executive Chairman of AION Partners, a New York based real estate operating and investment management company. He is also the founder and Managing Director of AION Global; an owner, operator and developer of real estate in the U.K.

Date of Joining the Board: June 7, 2016

Other Directorships / Offices held:

Director, Adira Capital Holdings (Private) Limited
Chairman, Aion Holdings Inc & Subsidiaries, USA
Director, 1508 London Limited, London, UK
Director, Alfa Beta Capital Markets (Pvt) Limited
Director, TPL Properties Limited
Director, Pakistan Oxygen Limited (formerly Linde Pakistan Limited)
Director, AION Global Partners Limited
Director, Crescent Holdings Inc & Subsidiaries, USA
Director, Paradigm Factors Private Limited.
Director, Paradiam RE Private Limited
Director, Paradigm Services Private Limited

• **Mr. Syed Amir Ali (President & Chief Executive Officer)**

Mr. Ali is a Chartered Accountant (Gold Medalist) from Institute of Chartered Accountants of Pakistan and in England & Wales, CFA Charterholder, MBA (Gold Medalist) and LLB are testament to his progression in the Financial Industry. He excelled in the ambit of Finance, Treasury, Investment & Corporate Banking throughout his association with domestic and international organizations i.e. A.F Ferguson & Co, Shell and Meezan Bank Limited. He spearheaded corporate and investment group of Meezan Bank before moving to BankIslami in 2018.

Date of Joining the Board: October 1, 2018

Other Directorships / Offices held:

None

Board Committees

In order to share the load of activities, the Board has formed specialized Committees consisting of Board members with clear objectives, agreed reporting procedures and scope of authority. Board Committees constitute an important element of the governance process. The Board acknowledges that establishing these Committees does not exonerate its responsibility to comply with fiduciary requirements. The Chairs of each committee report matters of significance to the Board after each meeting and the minutes of the meetings are made available to all Board members. The detailed roles and responsibilities of each committee are set out in its respective terms of reference. Following are the Board Committees along with relevant details:

• Audit Committee

Dr. Amjad Waheed (Chairman)
 Mr. Ali Mohamad Hussain Ali Mohamad Alshamali
 Mr. Muhammad Nadeem Farooq
 Mr. Noman Yakooob

Terms of Reference

The responsibilities of Audit Committee are governed by its Charter approved by the Board of Directors and are broadly categorized into following important areas:

- Financial Reporting and related internal controls
- Corporate governance and compliance
- Supervision of Internal Controls
- Review of Internal Audit activities

In specific, the Committee is responsible for review of periodic financial statements prepared by the management, review of management letter issued by external auditors and to ensure that appropriate measures are taken by the management to address the same, review of the Bank's statement on internal controls prior to its endorsement by the Board and meeting with external auditors to ascertain any major risks or significant changes expected in the financial reporting framework which may have a material effect on the Bank. Audit Committee is also responsible for overseeing the Bank's significant risk areas assessed by Management, Internal or external auditor as well as the related controls to mitigate such risk. It reviews and approves the internal audit charter, internal Audit strategy and recommend it to the Board for approval. It also reviews and approves the annual audit plan while ensuring that adequate resources are available to internal audit department. It reports matters of significant importance to the Board including major findings of investigations characterized by fraud, corruption and abuse of power and the management's response thereto.

• Risk Management Committee

Mr. Fawad Anwar (Chairman)
 Mr. Muhammad Nadeem Farooq
 Mr. Siraj Ahmed Dadabhoy
 Mr. Syed Amir Ali

Terms of Reference

The Risk Management Committee (RMC) shall oversee the effective working of the risk management framework, which includes risk related to Credit, Market, Operational and Compliance Risk areas. Risk and compliance related policies and other such documents requiring Board level approvals would be routed through the RMC. Management Credit Committee and Compliance Committee of management assists the RMC to facilitate in its functioning.

RMC also reviews the techniques developed and implemented to measure the Bank's risk exposure. Its responsibilities also include to evaluate the risk profile and appetite of the Bank, and ensuring that systems are in place for monitoring overall risk of the Bank. RMC reviews exception reports highlighting deviations from the approved policies as well as deliberates upon risk-related reports including early warning signals of potential risks emerging from Bank's activities.

- **Human Resource Management Committee**

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali (Chairman)
Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy
Mr. Syed Amir Ali (Ex-officio member)

Terms of Reference

The establishment of the Human Resource Management Committee (HRMC) is based on the premise that Human Resources stands as a strong pillar to support the Bank's operations. The core role of the HRMC is to review and recommend all aspects falling under the domain of human capital management, which includes broad areas of hiring, training, performance management, and HR policy. The HRMC comprises of at least three (3) Directors of the Bank, barring the CEO, who is an Ex-officio member. The committee shall be headed by a non-Executive Director and Head of HR shall be the Secretary of the committee. The HRMC acts to provide a necessary check and review before the Board takes any HR related decision coming under its purview. This is to ensure that BankIslami follows the best industry practices, without discrimination, to facilitate the Bank's strategic objectives, business growth and interests of customers and employees. The committee oversees the impact of HR choices on overall business plan, HR policy, evaluation & selection of management level direct reportees of CEO and also the positions of CFO, Company Secretary and Head of Internal Audit; performance management and training & development activities. It also holds responsibility for evaluation and succession planning of the CEO to safeguard the best interest of the Bank.

- **Board Remuneration Committee**

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali (Chairman)
Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy

Terms of Reference

The Board Remuneration Committee (BRC) drives the overall structure and framework of the Bank's compensation policy as per the standards recommended by the State Bank of Pakistan. The BRC consist of at least three (3) non-Executive Directors of the Bank, headed by a non-executive independent director provided that independent directors are not in majority. Head of HR shall be the Secretary of the committee and CEO shall be invited as and when required. The committee is accountable for the review and endorsement of the overall remuneration policy to the Board for bank-wide employees including the contractual employees and ensuring that it is as per the directives of State Bank of Pakistan. The committee is expected to review the policy atleast once every three (3) years, to update it as per market practice and business needs, if required. The BRC is required to develop a plan for creating a fair and competitive pay structure for all employees to generate higher performance and motivation and to minimize pay gap. Apart from overall compensation structure, the committee is also responsible for defining remuneration policy and package for Board members, Executive Directors, CEO, CFO, Company Secretary, Head of Internal Audit and other management level direct reportees of the CEO. Additionally, the definition of material risk takers and material risk controllers and conception of a separate remuneration structure, considering their criticality, also falls under the scope of this committee.

- **IT Committee**

Mr. Muhammad Nadeem Farooq (Chairman)
 Mr. Ali Mohamad Hussain Ali Mohamad Alshamali
 Mr. Noman Yakoob
 Mr. Syed Amir Ali

Terms of Reference

The Board IT Committee (“BITC”) has been constituted to assist Board in devising IT and Digital Strategies, reviewing IT Policies and risk management framework before submission to the Board in order to ensure IT related projects, procurements and operations are performed in line with Board approved IT and digital strategies as well as within regulatory framework. BITC reviews progress and implementation of the IT Strategic Plan and receive periodic updates from IT Steering Committee to monitor all technology-related projects approved by the Board. BITC also monitors latest developments on cyber security action plan and its implementation status before sending to the Board, implements IT risk management framework to assess and monitor IT related risks and provide directions to the management in addressing the IT Risks.

- **Executive Committee**

Mr. Ali Hussain (Chairman)
 Mr. Fawad Anwar
 Mr. Muhammad Nadeem Farooq
 Mr. Siraj Ahmed Dadabhoy
 Mr. Syed Amir Ali

Terms of Reference

The Executive Committee’s (Excom) authority is derived from the authority of the Board. It provides a mechanism for Board members to supervise, within the limits set by Board, management affairs and decision making on important organizational matters. The Excom advises the Board by doing the legwork and then presents its decisions for final approval of the Board thus supporting Board’s decision-making processes. It reviews the major issues facing the organization, weighing pros and cons and making preliminary decisions, to be ratified by the Board as a whole at the actual Board meeting. It guides management on strategic decisions, budgeting & planning and helps prepare recommendation for decisions to be made by the Board. It looks into management matters which must be moved further upward beyond the level of CEO and requires Board-level direction. It also serves as a body that helps coordination between Management and Board on issues that require decision-making above the level of CEO yet does not require involvement of entire Board as defined by the delegation of power manual and Credit and Investment policies. However, matters which are directly discussed or taken at the Board level may not necessarily require Excom’s recommendations.

- **Number of Board and Committee Meeting with Attendance**

The details of number of Board and Committee meeting held during the year along with attendance detail of each member is included in the Directors’ Report.

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.

Members of Other Shariah Boards:

Mufti Irshad Ahmad Aijaz holds positions in the Shariah Board of the following entities:

Chairman Shariah Board, Summit Bank
Member Shariah Board, Standard Chartered Bank
Chairman Shari'ah Advisory Committee, State Bank of Pakistan
Shariah Advisor, Allied Rental Modarabah
Shariah Director, Al Hilal Shariah Advisors (Pvt.) Limited

Other Engagements:

- Member, AAOIFI Shariah Standard Committee – Karachi
- Member, AAOIFI Ethics Committee
- Member, Sub-committee on Legal and Regulatory Framework by Ministry of Finance, Government of -Pakistan
- Member, Working Group on Islamic Alternatives for Liquidity Management, by State Bank of Pakistan
- Consultant, Shariah Review Bureau - Bahrain
- Member, ICAP- Committee on Accounting & Auditing Standards for Interest Free Modes of Financing and Investments

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.

• 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 is the author of famous book on Islamic Commercial Law, named "Asan Fiqh ul Muamalat". He has also 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 Muhammad Hussain Khaleel Khail is not on the Shariah Board of any other entities.

• **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, which has successfully completed urdu translation of all Standards, and which has been published recently. 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).

Mufti Javed Ahmad is also a Shariah Board member at Alfalah GHP Investment Management Limited.

Terms of Reference of Shariah Supervisory Board

The Shariah Supervisory Board is responsible to develop a comprehensive Shariah compliance framework for all areas of operations of the Bank. All products or services to be offered and/or launched by the Bank has prior approval of the Shariah Board. The Shariah Board reviews and approves all the procedure manuals, product programs/structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures. All reports of internal Shariah audit, external Shariah audit, Shariah compliance reviews and SBP Shariah compliance inspection are submitted to the Shariah Board for consideration and prescribing appropriate enforcement action. All decisions and rulings of the Shariah Board are in conformity with the directives, regulations, instructions and guidelines issued by SBP in accordance with the rulings of Shariah Advisory Committee of SBP.

The Shariah Board, meets at least on a quarterly basis during a calendar year. The Shariah Board ensures to cause that minutes of its meetings are properly recorded incorporating necessary details of all deliberations, decisions, rulings and fatawa issued along with the rationale and difference of opinion or dissenting note, if any. Further, the minutes are signed by all the Shariah Board Members who attended the meeting. The Shariah Board, based on the findings and reports of internal Shariah audit, external Shariah audit and Shariah compliance review, issue a report (duly signed by all members) on the Bank's Shariah compliance environment and conditions. The report is also placed before the BOD meeting for discussion. The Resident Shariah Board Member (One of the Shariah Board Member) oversees the procedures to be adopted for implementation of the resolutions, pronouncements and fatawa of the Shariah Board and provide guidance thereon.

Shariah Board Members are offered market competitive salaries and allowances considering their job responsibilities, details of the same is also disclose in note no. 41.4 of the unconsolidated financial statements.

Status of Meetings of Shariah Supervisory Board held during the Year 2019								
S.No.	Quarter (Q1, Q2, Q3, Q4)	Year	Meeting Held (Yes / No)	Meeting No.	Date of Meeting	Meeting Attended (Yes / No)		
						Chairman	Member	RSBM
1	Q1	2019	Yes	26 th	28-Feb-19	Yes	Yes	Yes
2	Q2	2019	Yes	27 th	13-Jun-19	Yes	Yes	Yes
3	Q3	2019	Yes	28 th	12-Sep-19	Yes	Yes	Yes
4	Q4	2019	Yes	29 th	25-Nov-19	Yes	Yes	Yes

Disclosure on Remuneration Policy of the Bank

Remuneration Policy of the bank is developed in line with the guidelines issued by the State Bank of Pakistan. The Remuneration Policy of Bank intends to inculcate a culture of “pay for performance” by rewarding merit. The review of this policy shall fall under the ambit of the Board Remuneration Committee (BRC) and shall be reviewed at least once in three (3) years. During the implementation phase, Internal Audit department shall also periodically watch over for effective remuneration setting mechanism.

Performance of employees is measured in the appraisal cycle and reflected through ratings derived from various relevant scorecards briefed as follows, which also include key risk elements:

- Business (Targets, Branch Scorecards etc.)
- Operations (KPI's for operational activities)
- Support staff (Measurable Objectives)

For MRTs and MRCs, balanced scorecards is based on key performance indicators and key risk indicators, some of which are listed below:

- Non-Performing Loans/Financing
- Risk Ratings
- Non-Compliance (Shariah, Legal & Regulatory)
- Breach of Organizational Discipline
- Breach of Credit Limits
- Breach of Interbank Limits
- Occurrence of Operational Risk

An effective monitoring mechanism with proper MIS record of performance and risk of MRTs and MRCs has been developed.

Bonus is not considered as employees' right, rather it is based on the Board approval considering the overall Bank's profitability against the targets set out by the Board. The bonus shall be paid out to Bank's permanent and contractual employees and not only to Material Risk Takers (who shall be entitled to at least 5% variable component) and Material Risk Controllers (whose variable component shall not exceed their fixed pay). Variable component shall be paid on the basis of deferral over 3 years and may be held or stopped in case any performance or risk factor, as has been defined, occurs. The deferred bonus pool will be remunerative and to be managed within the Bank.

Performance of the non-executive directors shall be presented to the shareholders with their approved remuneration. The Bank respects and as a result implements the minimum wage as per the law of the land. The Bank shall operate at reasonable pay-gaps whereby difference between average salaries within same level shall not exceed 100%.

The following criteria is being followed for identification of MRTs and MRCs:

- President/CEO or any other equivalent positions.
- Direct reportees (Key Executives) of President/CEO or the BOD.
- Members of Management Credit Committee and Asset Liability Committee.
- Business Heads managing aggregate assets of more than Rs. 1 billion in their respective products/segments.
- Approvers of credit proposals of more that Rs. 250 million(e.g. 2% of Tier 1 capital as per Annual Accounts of 2017 is Rs. 236 million).
- Dealers having the authority to take positions of more than Rs. 3,000 million.
- Any other position added by BRC on the basis of risk profile of such position.

Six Years' Horizontal Analysis

	2019		2018		2017		2016		2015		2014	
	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	14,640	2%	14,293	21%	11,784	32%	8,921	-1%	9,036	42%	6,361	30%
Balances with other banks	1,878	125%	833	4%	802	-30%	1,140	-36%	1,781	143%	734	-24%
Due from financial institutions	42,912	136%	18,174	-15%	21,372	-21%	27,219	-32%	39,824	119%	18,144	179%
Investments	55,194	42%	38,832	-8%	42,092	-9%	46,317	29%	35,886	17%	30,655	-3%
Islamic financing, related assets and advances	131,775	11%	118,571	0%	119,155	53%	77,817	13%	68,709	67%	41,097	7%
Operating fixed assets	15,819	62%	9,785	8%	9,072	-3%	9,348	6%	8,829	161%	3,380	14%
Deferred tax assets	5,622	-25%	7,530	-2%	7,702	30%	5,918	-10%	6,591	0%	-	0%
Other assets	15,256	97%	7,725	33%	5,813	0%	5,793	62%	3,575	122%	1,613	0%
	283,096	31%	215,743	-1%	217,792	19%	182,473	5%	174,231	71%	101,984	17%
Liabilities												
Bills payable	3,645	12%	3,242	-17%	3,928	34%	2,938	93%	1,524	66%	918	10%
Due to financial institutions	15,104	93%	7,820	-50%	15,570	157%	6,066	90%	3,198	470%	561	-78%
Deposits and other accounts	228,827	24%	184,693	4%	178,310	16%	153,736	0%	153,058	69%	90,331	20%
Subordinated sukuk	1,700	0%	-	0%	-	0%	-	0%	-	-100%	200	14%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	-	-	-
Other Liabilities	14,124	158%	5,473	-13%	6,308	-13%	7,288	38%	5,265	69%	3,107	69%
	263,400	31%	201,228	-1%	204,116	20%	170,028	4%	163,045	71%	95,117	18%
Net Assets	19,696	36%	14,515	6%	13,676	10%	12,445	11%	11,186	63%	6,867	10%
Represented by												
Share Capital - net	11,008	10%	10,000	0%	10,000	0%	10,000	0%	10,000	76%	5,680	8%
Reserves	1,186	22%	969	5%	926	51%	614	17%	523	92%	273	30%
Surplus on revaluation of assets - net of tax	4,626	150%	1,851	45%	1,276	-21%	1,618	94%	834	29%	647	-11%
Unappropriated profit / (loss)	2,876	70%	1,695	15%	1,474	592%	213	-225%	(171)	-164%	267	975%
	19,696	36%	14,515	6%	13,676	10%	12,445	11%	11,186	63%	6,867	10%
Profit & Loss Account												
Profit / return earned	23,651	94%	12,204	18%	10,353	2%	10,127	15%	8,834	13%	7,812	24%
Profit / return expensed	(12,860)	-108%	(6,170)	18%	(5,250)	-9%	(5,791)	-13%	(5,119)	-15%	(4,459)	-18%
Net Spread earned	10,791	79%	6,034	18%	5,103	18%	4,336	17%	3,715	11%	3,353	34%
Other income	1,633	29%	1,264	31%	965	51%	638	12%	570	-10%	632	39%
Other expenses	(7,794)	-14%	(6,859)	9%	(6,303)	2%	(6,160)	-22%	(5,039)	-45%	(3,475)	-38%
Profit / (loss) before provisions	4,630	952%	439	-287%	(235)	-80%	(1,186)	-57%	(754)	-248%	510	17%
Provisions and write offs - net	(2,799)	-7465%	(36)	-109%	392	-81%	2,030	321%	482	1305%	(40)	68%
Profit / (loss) before taxation	1,831	354%	403	157%	157	-81%	844	410%	(272)	-158%	470	53%
Taxation	(744)	-292%	(190)	-114%	1,406	-459%	(392)	-616%	76	149%	(156)	-27%
Profit / (loss) after taxation	1,087	410%	213	-86%	1,563	246%	452	331%	(196)	-162%	314	69%

Six Years' Vertical Analysis

	2019		2018		2017		2016		2015		2014	
	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	14,640	5%	14,293	7%	11,784	5%	8,921	5%	9,036	5%	6,361	6%
Balances with other banks	1,878	1%	833	0%	802	0%	1,140	1%	1,781	1%	734	1%
Due from financial institutions	42,912	15%	18,174	8%	21,372	10%	27,219	15%	39,824	23%	18,144	18%
Investments	55,194	19%	38,832	18%	42,092	19%	46,317	25%	35,886	21%	30,655	30%
Islamic financing, related assets and advances	131,775	47%	118,571	55%	119,155	55%	77,817	43%	68,709	39%	41,097	40%
Operating fixed assets	15,819	6%	9,785	5%	9,072	4%	9,348	5%	8,829	5%	3,380	3%
Deferred tax assets	5,622	2%	7,530	3%	7,702	4%	5,918	3%	6,591	4%	-	0%
Other assets	15,256	5%	7,725	4%	5,813	3%	5,793	3%	3,575	2%	1,614	2%
	283,096	100%	215,743	100%	217,792	100%	182,473	100%	174,231	100%	101,984	100%
Liabilities												
Bills payable	3,645	1%	3,242	2%	3,928	2%	2,938	2%	1,524	1%	918	1%
Due to financial institutions	15,104	6%	7,820	4%	15,570	8%	6,066	3%	3,198	2%	561	1%
Deposits and other accounts	228,827	87%	184,693	92%	178,310	87%	153,736	84%	153,058	88%	90,331	89%
Subordinated sukuk	1,700	1%	-	0%	-	0%	-	0%	-	0%	200	0%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other Liabilities	14,124	5%	5,473	3%	6,308	3%	7,288	4%	5,265	3%	3,107	3%
	263,400	100%	201,228	100%	204,116	100%	170,028	93%	163,045	94%	95,117	93%
Net Assets	19,696	7%	14,515	7%	13,676	6%	12,445	7%	11,186	6%	6,867	7%
Represented by												
Share Capital - net	11,008	4%	10,000	5%	10,000	5%	10,000	5%	10,000	6%	5,680	6%
Reserves	1,186	0%	969	0%	926	0%	614	0%	523	0%	273	0%
Surplus on revaluation of assets - net of tax	4,626	2%	1,851	1%	1,276	1%	1,618	1%	834	0%	647	1%
Unappropriated profit / (loss)	2,876	1%	1,695	1%	1,474	1%	213	0%	(171)	0%	267	0%
	19,696	7%	14,515	7%	13,676	6%	12,445	7%	11,186	6%	6,867	7%
Profit & Loss Account												
Profit / return earned	23,651	190%	12,204	167%	10,353	171%	10,127	204%	8,834	206%	7,812	196%
Profit / return expensed	(12,860)	-104%	(6,170)	-85%	(5,250)	-87%	(5,791)	-116%	(5,119)	-119%	(4,459)	-112%
Net Spread earned	10,791	87%	6,034	83%	5,103	84%	4,336	87%	3,715	87%	3,353	84%
Other income	1,633	13%	1,264	17%	965	16%	638	13%	570	13%	632	16%
Other expenses	(7,794)	-63%	(6,859)	-94%	(6,303)	-104%	(6,160)	-124%	(5,039)	-118%	(3,475)	-87%
Profit / (loss) before provisions	4,630	37%	439	6%	(235)	-4%	(1,186)	-24%	(754)	-18%	510	13%
Provisions and write offs - net	(2,799)	-23%	(36)	-1%	392	6%	2,030	41%	482	11%	(40)	-1%
Profit / (loss) before taxation	1,831	15%	403	6%	157	3%	844	17%	(272)	-6%	470	12%
Taxation	(744)	-6%	(190)	-3%	1,406	23%	(392)	-8%	76	2%	(156)	-4%
Profit / (loss) after taxation	1,087	9%	213	3%	1,563	26%	452	9%	(196)	-5%	314	8%

Statement of Value Added and Distribution

<u>Value Added</u>	2019 Rs in '000	2018 Rs in '000
Profit earned net of FE swap cost	23,612,709	12,203,445
Fee and commission income	617,932	842,235
Other non funded income	1,015,252	421,777
Operating expenses excluding salaries, depreciation* & amortization on owned assets and Workers Welfare Fund	(3,883,945)	(3,392,710)
Finance cost on lease liabilities against Right of Use Assets	(443,605)	-
Provisions	(2,798,657)	(36,835)
Value added available for distribution	18,119,686	10,037,912
<u>Allocation of Value Added</u>		
To Depositors, Sukuk Holders and Financial Institutions		
Profit expense on deposits and other dues	12,378,713	6,169,482
To Employees		
Salaries and other benefits	3,090,808	2,739,480
To Government		
Workers' Welfare Fund	35,904	8,216
Income tax	744,000	189,904
	779,904	198,120
To Business Growth		
Depreciation and amortization on owned assets	782,923	718,166
Retained earnings	1,087,338	212,664
	1,870,261	930,830
Total distribution	18,119,686	10,037,912

* does not include depreciation on non banking assets

Six Years' Financial Summary

Specific Provision	2019	2018	2017	2016	2015	2014	2013
Profit & Loss Account							
Profit/return Earned	23,650	12,204	10,354	10,127	8,834	7,812	6,289
Profit/return Expensed	(12,860)	(6,170)	(5,250)	(5,791)	(5,119)	(4,459)	(3,790)
Net Spread earned	10,790	6,034	5,104	4,336	3,715	3,353	2,500
Fee,commission,brokerage & exchange Income	802	1,073	735	404	490	560	368
Dividend and capital gains	671	109	151	122	15	32	7
Other Income	160	82	78	112	65	40	79
Total Other Income	1,633	1,264	964	638	570	632	454
Total Income	12,423	7,298	6,068	4,974	4,285	3,985	2,953
Other expenses	7,794	6,859	6,303	6,160	5,039	3,475	2,518
Profit/(loss) before tax and provisions	4,630	439	(235)	(1,187)	(754)	510	435
Provisions	2,799	36	(392)	(2,030)	(482)	40	127
Profit/(loss) before tax	1,831	403	157	843	(273)	470	308
Profit/(loss) after tax	1,087	213	1,563	452	(196)	314	185
Statement of Financial Position							
Paid up capital - net	11,008	10,000	10,000	10,000	10,000	5,680	5,280
Reserves	1,186	969	926	614	523	273	210
Unappropriated profit/(loss)	2,876	1,695	1,474	213	(171)	267	25
Shareholders' equity	15,070	12,664	12,400	10,827	10,352	6,220	5,515
Surplus on revaluation of assets-net of tax	4,626	1,851	1,276	1,618	834	647	727
Net Assets	19,696	14,515	13,676	12,445	11,186	6,867	6,242
Total Assets	283,096	215,743	217,792	182,473	174,231	101,984	86,856
Earning Assets	231,759	176,410	183,421	152,493	146,200	90,629	77,398
Gross Financings and advances	144,720	129,578	130,828	89,949	82,361	41,698	38,932
Financings-net of provisions	131,775	118,571	119,155	77,817	68,709	41,097	38,309
Non-performing Financings and advances (NPFs)	15,388	15,403	15,837	14,534	15,684	1,062	1,109
Investments	55,194	38,832	42,092	46,317	35,886	30,655	31,610
Total Liabilities	263,400	201,228	204,116	170,028	163,045	95,117	80,613
Deposits & other accounts	228,827	184,693	178,310	153,736	153,058	90,331	75,226
Current & Saving Deposits (CASA)	133,948	127,101	134,741	111,037	102,491	55,234	40,556
Due to financial institutions	15,104	7,820	15,570	6,066	3,198	561	2,538
Cost bearing Liabilities	173,397	132,768	136,010	110,912	110,800	73,688	65,141
Contingencies and commitments	26,652	23,135	22,435	25,557	29,022	9,538	10,308
Financial Ratios							
Profit before tax ratio(PBT/ total income)	14.74%	5.52%	2.58%	16.96%	-6.36%	11.79%	10.43%
Net Spread earned/Profit Earned	45.62%	49.44%	49.29%	42.82%	42.05%	42.92%	39.74%
Other income to total income	13.15%	17.32%	15.88%	12.82%	13.30%	15.86%	15.36%
Total income/ Other expense ratio (excl. provisions)	Times	1.59	1.06	0.96	0.81	0.85	1.15
Return on average equity (ROE)		7.84%	1.70%	13.46%	4.27%	-2.37%	5.35%
Return on average assets (ROA)		0.44%	0.10%	0.78%	0.25%	-0.14%	0.33%
Earning per share (EPS after tax)	Rs.	1.0600	0.2099	1.5509	0.4487	(0.2437)	0.5777
Gross financings/ deposit ratio		63.24%	70.16%	73.37%	58.51%	53.81%	46.16%
Net financings / deposit ratio		57.59%	64.20%	66.82%	50.62%	44.89%	45.50%
Breakup value per share (excl.surplus on rev. of assets)	Rs.	13.59	12.56	12.30	10.74	10.27	10.80
Breakup value per share (incl.surplus on rev. of assets)	Rs.	17.76	14.40	13.57	12.35	11.10	11.92
Earning assets to total assets ratio		81.87%	81.77%	84.22%	83.57%	83.91%	88.87%
Earning assets to profit bearing Liabilities	Times	1.34	1.33	1.35	1.37	1.32	1.23
CASA to Total Deposits		58.54%	68.82%	75.57%	72.23%	66.96%	61.15%
NPLs to Gross Financings ratio		10.63%	11.89%	12.11%	16.16%	19.04%	2.55%
Total Assets to Equity	Times	18.79	17.04	17.56	16.85	16.83	16.40
Deposit to share holder equity	Times	15.18	14.58	14.38	14.20	14.79	14.52
Capital Adequacy Ratio		14.95%	15.10%	14.68%	13.43%	12.34%	16.70%
Market value per share-Dec 31	Rs.	11.09	12.00	9.29	13.36	11.50	9.81
Non Financial Information							
Number of branches		334	330	330	321	317	201
Total number of employees		3,447	3,052	3,350	3,206	2,929	2,150

Chairman's Review

I am pleased to present my review, as Chairman of the Board of Directors of BankIslami Pakistan Limited (the 'Bank' or 'BankIslami'), for the year 2019.

The year 2019 proved to be a progressive year for BankIslami, *Alhamdulillah*, where the Bank not only produced impressive financial results but also successfully steered through the process of organizational transformation under the supervision of the Board. The Bank took number of initiatives during the year to enhance governance culture, ensuring transparency and strengthening corporate values. The Board performed its statutory roles and responsibilities diligently while ensuring that the Bank's management has the requisite expertise and skillset.

The Board has put in place a mechanism where each year the Board carries out an evaluation of its own performance and its sub-committees. For the year 2018, the overall performance of the Board and its sub-committees measured on the defined parameters was satisfactory. An action plan was also devised to enable the Board and its sub-committees to further improve going forward. With regards to evaluation for the year 2019, the Board is in process of conducting its performance evaluation by an external third party so as to bring objectivity to the whole process.

In 2019, the Bank's total assets and deposits grew by an impressive 31.2% and 23.9%, respectively. The growth was mainly driven on the back of a robust business strategy and well organized marketing campaigns. With the favorable movement in policy rate and growth in book size, your Bank was able to post a profit after tax of Rs. 1,087 Mn which is 4 times better than last year's bottom line, *Alhamdulillah*.

In order to strengthen its capital base, the Bank successfully completed the issuance of Right shares of Rs. 1 Bn which raised the total paid up capital to Rs. 11 Bn. To further support the balance sheet growth and improve its risk absorption capacity, BankIslami is also in process of issuing Pakistan's first ever Listed Islamic Additional Tier-I Capital Sukuk, branded as 'Ehad Sukuk'. The total issue size is capped at Rs. 2 Bn, of which Rs. 1.7 Bn has already been raised during the Pre-IPO phase whereas the remaining Rs. 300 Mn will be offered to general public through IPO at Pakistan Stock Exchange, subject to regulatory approvals.

The Bank fully acknowledges the importance of technological advancement and is aware of global development in this regard. Keeping this in mind, the Bank made meaningful investment in re-launching and promoting its state-of-the-art biometric based 'One Touch Banking' solution, which to-date serves as USP (Unique Selling Proposition) for BankIslami. While the card less bio-banking solution for ATM related transactions was already being offered by the Bank for last several years, the product has been fully revamped during the outgoing year with additional, unique and more convenient features that has allowed our customers to execute general banking transactions over-the-counter through biometric verification i.e. without the use of any banking instrument.

In this day and age of technological innovation, importance of security of customers' data is the most sensitive area. BankIslami gives extreme importance to the security of its customers' data. The Bank has made significant investment in enhancing its security infrastructure to ensure customer data privacy. The Bank is also cognizant of the fact that energy conservation is crucial for a sustainable eco-friendly environment hence it considers this a critical CSR activity. In line with this, the Bank over last 3 years has converted over half of its branch network on solar energy based hybrid model generating more than 601.8 KW of green energy.

Based on our focused strategy and ability to leverage our potential to increase market share, the Bank going forward will endeavor to grow its balance sheet and profitability through enhancing its (i) deposit base, (ii) financing and investment book, (iii) trade clientele, (iv) marketing activity and (v) branch network. The Bank will also continue to invest towards improving its human resource capital, service quality, compliance framework, technology infrastructure, information security and product innovation which will empower BankIslami to serve its customers and stakeholders - *'the right way'*.

BankIslami's most valuable asset is its people and we will continue to strengthen and empower them as they are responsible for the Bank's operations at all levels. The Board is sincerely thankful to them for their role in the growth of the Bank and enhancing its brand equity.

I would like to take this opportunity to convey our deep appreciation to the State Bank of Pakistan, Ministry of Finance, the Securities & Exchange Commission of Pakistan and Pakistan Stock Exchange for their continuous commitment and support towards the growth of Islamic financial system.

I would also like to express my acknowledgement to our valuable customers, shareholders, members of the Shariah Supervisory Board and Board Members as well as employees of the Bank, who have built their trust in us and have supported the cause of BankIslami to promote Islamic Banking in Pakistan.



Ali Hussain
Chairman, Board of Directors

February 27, 2020

تکنیکی جدت طرازی کے دور میں صارف کے ڈیٹا کی سیکورٹی کی اہمیت انتہائی حساس ہے۔ بینک اسلامی اپنے صارفین کے ڈیٹا کی سیکورٹی کو انتہائی اہمیت دیتا ہے۔ بینک نے صارفین کے ڈیٹا کے تحفظ کو یقینی بنانے کے لئے اپنے سیکورٹی انفراسٹرکچر کو مضبوط بنانے میں مناسب سرمایہ کاری کی ہے۔ بینک اس حقیقت سے بھی واقف ہے کہ پائیدار ماحول دوست ماحول کے لئے توانائی کا تحفظ بہت ضروری ہے لہذا وہ اس کو سی ایس آر کی ایک اہم سرگرمی سمجھتا ہے۔ اسی کے عین مطابق، بینک نے پچھلے 3 سالوں میں سٹیشی توانائی پڑنی ہا بھرڈ ماڈل پر اپنے نصف سے زیادہ برانچ نیٹ ورک میں 601.8 کلو واٹ سے زیادہ گرین انرجی تیار کی ہے۔

اپنی توجہ کی حامل حکمت عملی پر مبنی اور مارکیٹ شیئر میں اضافہ کی صلاحیت سے فائدہ اٹھاتے ہوئے بینک اپنے (i) ڈیپازٹ بیس، (ii) فنڈنگ اینڈ انوسٹمنٹ بک، (iii) trade clientele، (iv) مارکیٹنگ سرگرمی اور (v) برانچ نیٹ ورک کے ذریعے اپنی بیلنس شیٹ اور منافع کو بڑھانے کی کوشش کرے گا۔ بینک اپنے ہیومن ریسورس کمیٹیٹل، سروس کے معیار، کمپلائنس فریم ورک، ٹیکنالوجی انفراسٹرکچر، انفارمیشن سیکورٹی اور پروڈکٹ انوولوشن کی بہتری کے لئے بھی سرمایہ کاری جاری رکھے گا جو بینک اسلامی کو اپنے صارفین اور اسٹیک ہولڈر کی خدمت کے لئے درست انداز میں باختیار بنائے گی۔

بینک اسلامی کا سب سے قیمتی اثاثہ اس کے لوگ ہیں اور ہم انہیں مضبوط اور باختیار بناتے رہیں گے کیونکہ وہ ہر سطح پر بینک کے آپریشنز کے ذمہ دار ہیں۔ بورڈ بینک کی ترقی اور اس کی برانڈ ایکویٹی کو بڑھانے میں ان کے کردار پر مخلصانہ طور پر شکریہ ادا کرتا ہے۔

میں اس موقع پر اسٹیٹ بینک آف پاکستان، وزارت خزانہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کا اسلامی مالیاتی نظام کی ترقی کے لئے مستقل عزم اور حمایت پر ان کا تہہ دل سے شکریہ ادا کرنا چاہتا ہوں۔

میں اپنے قابل قدر صارفین، شیئر ہولڈرز، شریعہ سپروائزر اور بورڈ کے ارکان اور بینک ممبران کے ساتھ ساتھ بینک کے ملازمین کا بھی مشکور ہوں جنہوں نے ہم پر اعتماد کیا اور پاکستان میں اسلامی بینکاری کو فروغ دینے کے لئے بینک اسلامی کے مقصد کی حمایت کی۔

علی حسین

علی حسین

چیئر مین، بورڈ آف ڈائریکٹرز

27 فروری 2020ء

چیمبرمین کا جائزہ

مجھے سال 2019ء کے لئے بینک اسلامی پاکستان لمیٹڈ (دی بینک یا بینک اسلامی) کے بورڈ آف ڈائریکٹرز کے چیمبرمین کی حیثیت سے اپنا جائزہ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

الحمد للہ، سال 2019ء بینک اسلامی کے لئے ایک ترقی پسند سال ثابت ہوا جہاں بینک نے نہ صرف متاثر کن مالیاتی نتائج حاصل کئے بلکہ بورڈ کی نگرانی میں ادارہ جاتی اصلاحات کے عمل کے ذریعے تیز ترین کامیابی حاصل کی۔ بینک نے گورننس کلچر کو بڑھانے، شفافیت کو یقینی بنانے اور کاروباری اقدار کے استحکام کے لئے سال کے دوران متعدد اقدامات اٹھائے۔ بورڈ نے مستند طور پر اپنے قانونی کردار اور ذمہ داری کو بخوبی نبھایا اور اس بات کو یقینی بنایا کہ بینک کی انتظامیہ قابل اور مطلوبہ مہارت کی حامل ہے۔

بورڈ نے ایک ایسا طریقہ کار وضع کیا جہاں ہر سال بورڈ اپنی کارکردگی اور اپنی ذیلی کمیٹیوں کا جائزہ لیتا ہے۔ سال 2018ء کے دوران بورڈ اور اس کی ذیلی کمیٹیوں کی مجموعی کارکردگی جو طے شدہ پیرامیٹرز پر مانی گئی، اطمینان بخش تھی۔ بورڈ اور اس کی ذیلی کمیٹیوں کو آگے بڑھانے کے لئے ایک لائحہ عمل بھی مرتب کیا گیا۔ سال 2019ء کے جائزے کے حوالے سے بورڈ بیرونی فریق کے ذریعے اپنی کارکردگی کا جائزہ لینے کے عمل میں ہے تاکہ پورے عمل میں جانبداری لائی جاسکے۔

2019ء میں، بینک کے مجموعی اثاثوں اور ڈپازٹ میں بالترتیب %31.2 اور %23.9 کا اضافہ ہوا۔ ترقی کی بنیادی وجہ مضبوط کاروباری حکمت عملی اور اچھی طرح سے منظم مارکیٹنگ مہمات تھیں۔ پالیسی شرح میں سازگار تبدیلی اور بنینس شیٹ میں اضافے کے ساتھ، آپ کے بینک نے 1,087 ملین روپے کا بعد از ٹیکس منافع حاصل کرنے کے قابل ہوا جو پچھلے سال کے مقابلے میں 4 گنا زیادہ ہے، الحمد للہ۔

اپنے کپیٹل بیس کو مضبوط بنانے کے حوالے سے بینک نے کامیابی سے ایک ارب روپے کے رائٹ شیئرز کا اجراء مکمل کیا جس کے بعد بینک کا مجموعی کپیٹل 11 بلین تک پہنچ گیا۔ بنینس شیٹ میں اضافے اور اس کے خطرے کو کم کرنے کی صلاحیت کو بہتر بنانے کے لئے بینک اسلامی پاکستان کے پہلے لسٹڈ اسلامک ایڈیشنل ٹائر-1 کپیٹل سکوک ”عہد سکوک“ کے اجراء کے عمل میں ہے۔ اجراء کا مجموعی حجم 2 بلین روپے ہے جس میں سے 1.7 بلین روپے کا پہلے ہی Pre-IPO کے دوران اضافہ کیا گیا جبکہ بقیہ 300 ملین روپے ریگولیٹری منظوری کے تحت پاکستان اسٹاک ایکسچینج میں IPO کے ذریعے عام عوام کو پیش کئے جائیں گے۔

بینک تکنیکی ترقی کی اہمیت کو پوری طرح سمجھتا ہے اور اس حوالے سے عالمی ترقی سے آگاہ ہے۔ اس کو ذہن میں رکھتے ہوئے بینک نے اپنی جدید ترین بائیومیٹرک پڑنی ”ون ٹچ بینکنگ“ حل کے دوبارہ اجراء اور اسے فروغ دینے میں معنی خیز سرمایہ کاری کی جو اب تک بینک اسلامی کے لئے USP (Unique Selling Proposition) کے طور پر کام کر رہی ہے۔ اگرچہ اے ٹی ایم سے متعلق لین دین کے لئے کارڈ کے بغیر بائیو بینکنگ کا حل پہلے ہی گذشتہ کئی سالوں سے بینک کی طرف سے پیش کیا جا رہا تھا، اس پروڈکٹ کو گذشتہ سال کے دوران ایک اضافی، انوکھی اور زیادہ آسان خصوصیات کے ساتھ مکمل طور پر بہتر بنایا گیا ہے جس سے ہمارے صارفین کو بائیومیٹرک تصدیق کے ذریعے عام بینکنگ ٹرانزیکشن کرنے کا موقع ملا یعنی بغیر کسی بینکنگ انسٹرومیٹ کے۔

Directors' Report

Dear Shareholders,

On behalf of the Board, we would like to present the Directors' Report of BankIslami Pakistan Limited ('the Bank' or 'BankIslami') along with the Audited Annual Financial Statements for the year ended December 31, 2019.

Principal Activities

BankIslami principally operates as a licensed and full-fledged Scheduled Islamic Commercial Bank. The Bank is operating with 334 branches including 81 sub-branches as at December 31, 2019 and offers various Shariah compliant services to its clients which includes Corporate & Commercial Financing, SME & Agriculture Financing, Consumer Financing, Trade Finance, Retail Banking, Investment Banking, Treasury Services, Alternate Delivery Channels and Cash Management Services.

Macroeconomic Overview & Business Outlook

Macroeconomic overview

Pakistan's economy witnessed sluggish growth during FY19, where the country registered GDP growth of 3.3% as compared to growth of 5.8% achieved during FY18. The deceleration was mainly attributable to inflationary pressure, curtailment of public investment by the Government to deal with deficits and contractionary monetary stance adapted by the policy makers to restore domestic and external balances. To address rising inflation and encourage public savings, policy rates witnessed a hike of 325 bps during CY19. However, on account of these stabilization and monetary tightening measures exercised by the Government, there have been few major developments during first half of FY20 (Jun-Dec), comprising:

- The current account deficit has significantly reduced to 1.5% of GDP during FY20 as opposed to a deficit of 5.8% during the same period last fiscal year.
- Due to reduction in imports, slight increase in exports, modest inflow through workers' remittance and improvement in capital account; foreign exchange reserves have increased despite payment of USD 1 Bn pertaining to International Sukuk. The country's forex reserves rose by around USD 4.3 Bn to USD 18.1 Bn in Dec 2019 from the balance of USD 13.8 Bn at the end of Dec 2018.
- On the back of favorable balance of payments and improved foreign exchange reserves position, the Pak Rupee appreciated by 3.2% since June 2019.
- While overall inflation is projected at 11% - 12% for the FY20, the Monetary Policy Committee is expecting inflation to gradually go down to 5% - 7% by FY22, which will also be in line with other emerging markets.
- Debt rating outlook of Pakistan was changed to 'stable' from 'negative' by Moody's which was driven by improvement in balance of payments, long-term growth potential and on-going institutional enhancements.

Large scale manufacturing numbers depict improvement in export oriented industry more specifically, textile, tannery goods, engineering products, rubber, cement and fertilizer. Moreover, recent collection of data on agricultural side also indicated growth in crops, except cotton, in line with expectations. On the other hand, decline has been witnessed in consumer-auto, processed food, chemical, electronics and petroleum sectors on account of inflationary pressures ensuing in reduced domestic demand.

According to a recent report issued by World Bank, tight monetary policy and fiscal consolidation is expected to continue and hence real GDP growth of Pakistan is projected to bottom out at 2.4% in FY20. Nonetheless, the global financial body anticipates that real GDP growth will improve to 3.9% by FY21/22 on the back of structural reforms and investment support.

Banking Industry Outlook

Earnings of the banks are expected to remain positive due to higher interest rates and increase in banks' exposure towards government backed investments. In contrast, increase in credit risk due to deterioration in asset quality and slowdown in economic activity may put stress on earnings. Therefore, banks may adopt a risk averse approach towards lending. Deposits will remain the key source of balance sheet growth and upsurge in the same will remain dependent on banks' capacity to offer attractive profit rates; while mobilization of low cost CASA (current account and saving account) deposits may remain a challenge. The requirement to maintain minimum CAR (Capital Adequacy Ratio), including regulatory buffer, is now increased to 12.5% from December 2019 and onwards, hence banks will remain conservative in growing their Financing and Investment book in higher risk categories, while some banks will have to restructure their balance sheet growth strategy to become more CAR efficient.

Significant Transactions

Issuance of Right Shares

During the year, in order to strengthen its capital base, maintain a sound Capital Adequacy Ratio (CAR) and support the continuous growth in Balance Sheet, the Bank successfully completed issuance of 10% Ordinary Right Shares (rank pari passu) to its existing shareholders at par i.e Rs. 10 per share as approved by the Board of Directors in their meeting held on September 5, 2019. Subsequent to the Right Issue, the paid up capital of the Bank increased by Rs. 1.01 Bn in cash to a total of Rs. 11.01 Bn which is above the minimum capital requirement of Rs. 10 Bn. As of December 31, 2019, Bank's CAR stood at 14.95% which is also above the required level of 12.5%. The additional capital injected through this issue has been utilized in banking business.

Issuance of Additional Tier 1 Capital

In view of its strategy to further enhance its balance sheet size and risk absorption capacity, the Bank is in process of issuing Pakistan's first ever Listed Islamic Additional Tier-I Capital Sukuk (ADT-1). The instrument has been branded as 'Ehad Sukuk' considering its unique nature and significance for the Bank. The total issue size of this ADT-1 Sukuk has been capped at Rs. 2 Bn, of which Rs. 1.7 Bn has already been collected by the Bank during the Pre-IPO phase. The Bank is in process of floating remaining Rs. 300 Mn for general public subscription at Pakistan Stock Exchange through IPO, subject to approval of Securities & Exchange Commission of Pakistan.

Assets Classified as Held for Sale

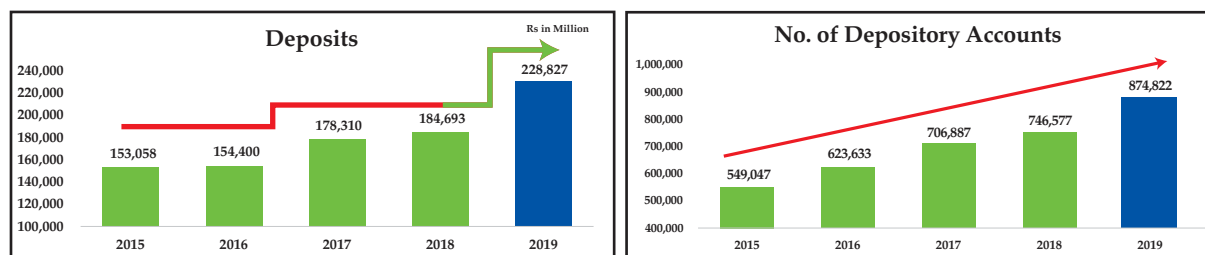
In line with the decision of the Board of Directors of the Bank, as also announced on Pakistan Stock Exchange on April 25, 2019, the Bank is in process of selling two of its subsidiaries, namely, BIPL Securities Limited and BankIslami Modaraba Investment Limited, sale of which had not been concluded till December 31, 2019. Nonetheless, the management of the Bank expects the sale to occur in the year 2020, as a result investment in these subsidiaries have been classified as held for sale in the accompanying financial statements.

Financial Performance

Statement of Financial Position	31-Dec-19	31-Dec-18	Variance
	----- Rs. in Million -----		
Net assets	19,696	14,515	35.69%
Deposits	228,827	184,693	23.90%
Financing and related assets	131,775	118,571	11.14%
Investments	55,194	38,832	42.14%
Due from FI's	42,912	18,174	136.12%

Profit and Loss Account	31-Dec-19	31-Dec-18	Variance
	----- Rs. in Million -----		
Profit / return earned	23,650	12,204	93.79%
Profit / return expensed	12,860	6,170	108.43%
Net spread earned	10,790	6,034	78.82%
Operating profit	4,630	439	9.5 times
Profit after taxation	1,087	213	4.1 times
Earnings per share (in Rupees)	1.060	0.210	4.1 times

The year 2019 proved to be exceptional year for BankIslami, where the Bank posted record financial results, *Alhamdulillah*. The deposit base of the Bank depicted remarkable growth of 23.9% beating the industry growth of 9.6%, an outcome of Bank's effective deposit mobilization strategy underwritten on the back of its wide spread branch network, product offerings and extensive marketing activity. CASA deposits of the Bank increased by 7.1% from Rs. 127.58 Bn in 2018 to Rs. 136.64 Bn at the end of 2019, whereas Term deposits witnessed a spike of 61.3% reflecting the shift in customers' preference during the current higher interest rate regime. This growth trend is expected to continue in the year ahead, however the same will gradually taper off once the rates will slope down over the next two years, in line with anticipated outcomes of macroeconomic stabilization measures being implement by the current Government. Bank plans to enhance its (i) trade business, (ii) cash management services, (iii) alternate delivery channel, (iv) SME relationships and (v) branch network; in order to aid the improvement in CASA mix going forward.



With the increase in deposit base, core earning assets of the Bank also increased during the year 2019 where funds were effectively channelized in Islamic Financing, SLR Eligible Investments and Money Market Placements.

With emphasis on maintaining a diversified and prudent Islamic financing portfolio, the net credit book of the Bank was cautiously increased by 11.14% from Rs. 118.57 Bn in Dec-18 to Rs. 131.78 Bn, of which major growth arose from expansion in Bank's corporate and commercial segment.

The year 2019 was a challenging year for the overall consumer banking industry due to increase in policy rate, inflation and decrease in consumer demand; despite this, BankIslami's consumer banking segment performed well in the market. On the housing finance side, the Bank maintained its position as one of the leading financiers with over Rs. 3 Bn disbursements during the year. Despite this, the overall portfolio reduced to Rs. 13.26 Bn at Dec 19 from Rs. 13.50 Bn at Dec 18 mainly attributable to pre-payments from customers. Due to low demand effect, automobile sales of the country decreased by 60% during 2019, nonetheless the Bank finished the year with 5% increase in its industry share and featured among the top 5 Auto Financing banks in Pakistan. Resultantly, Bank's Auto Finance portfolio grew by 13% to Rs. 12.11 Bn at Dec 19 from Rs. 10.72 Bn at Dec 18.

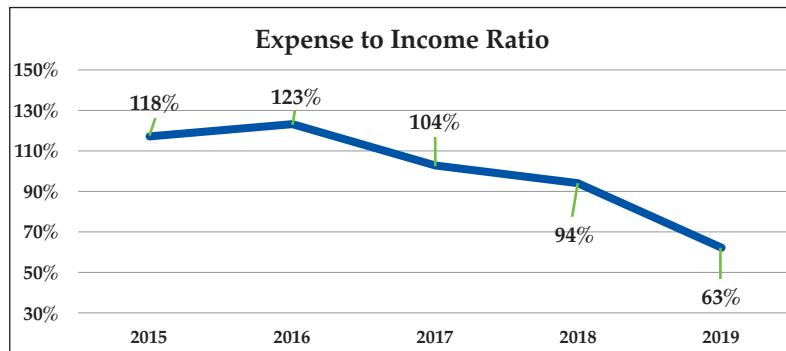
Increase in Investments of the Bank was attributable to BankIslami's participation in high yielding Pakistan Energy Sukuk, while rise in Due from FI's was a result of effective liquidity management through treasury placements.

Going forward, though the Bank envisages growth in its core earning assets, the current trend of high benchmark rates and prevailing inflationary pressure may put some constraints for the Bank and it may remain prudent towards Consumer Housing, Agricultural and SME sector. On the other hand, the Bank will remain keen on to increasing its exposure towards rated Corporate clients, Public sector entities, Government backed Investments, Consumer Auto Finance and Money Market placements.

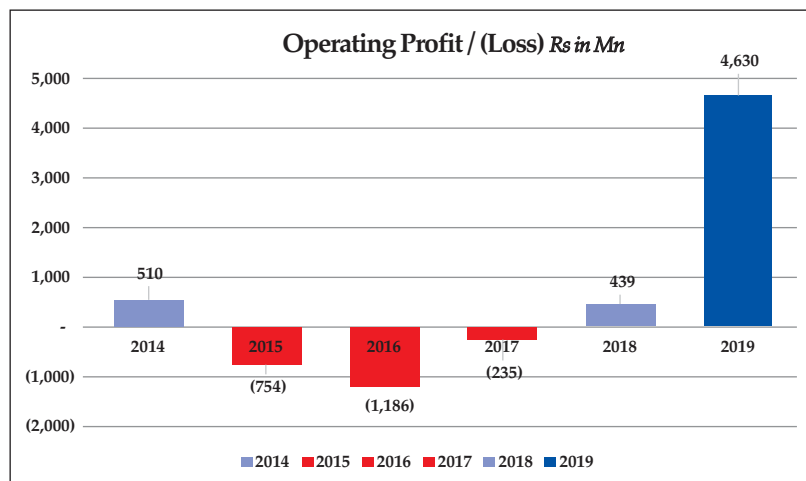
The overall infection ratio of the Bank has reduced from 11.89% as at December 31, 2018 to 10.63% as at December 31, 2019, mainly due to increase in financing base. The Bank is making extensive recovery efforts to further reduce the infection ratio by absolute reduction in NPF portfolio in the coming years. At year-end 2019, the Bank, as a matter of prudence, has taken additional provisioning on subjective basis against certain delinquent accounts due to which total provision (net off reversals) against financing portfolio for the year 2019 has been reported as Rs. 2.058 Bn. It has improved the coverage ratio to 84.90% at the end of December 2019 as opposed to a coverage ratio 72.47% in December 2018.

Net Assets of the Bank as at December 31, 2019 stood at Rs. 19.70 Bn, higher by 35.69% from last year's position of Rs. 14.52 Bn. The increase was mainly attributable to improvement in accumulated profits and surplus on assets pertaining to Pakistan Energy Sukuks. The momentum of increase in accumulated profits is expected to increase going forward underpinned by BankIslami's robust strategy to grow the Balance Sheet, however surplus generated on PES may subside in the coming year on account of anticipated issues of GoP Ijarah Sukuk and 2nd tranche of PES which expects to culminate the demand supply gap for Islamic Instruments to certain extent.

On account of increase in Bank's average earning assets, complemented by rise in benchmark rates, the Bank's gross and net profit earned registered remarkable growth of 93.79% and 78.82% respectively, as compared to last year. However, net spread margins have declined from 49.4% in 2018 to 45.6% in 2019, largely due to booking of finance cost related to ijarah (lease) liabilities, rise in term deposits and increase in amount of non-earning assets of the Bank. The Bank's Non-Funded Income (NFI) has also witnessed an increase by 29.2% to Rs. 1,633 Mn in FY2019 from Rs. 1,264 Mn in FY 2018. The increase in NFI mainly came from gains booked through sale of Non-Government Shariah Compliant securities and Non-Banking Assets of the Bank.



Concurrent to the growth in assets and core income streams of the Bank, operating expenses rose by 13.6% during the outgoing year. Other than the impact of expenses linked with increased business volumes; increase in expenses were attributable to investment in technology infrastructure, depositors' protection scheme introduced by the regulator, inflation related adjustment and induction of staff at critical vacant positions.



BankIslami generated operating profits to the tune of Rs. 4,630 Mn in the year 2019 which is around 9.5 times higher than operating profit of Rs. 439 Mn reported last year. This variation was mainly attributable to overall growth in balance sheet size of the Bank during 2019 and effect of increase in benchmark rates on margins. As a matter of prudence, the Bank during the year booked additional specific provisioning on subjective basis against certain delinquencies, and posted profit after tax of Rs. 1,087 Mn for FY2019 being 4.1 times higher than profit after tax of Rs. 213 Mn registered in FY2018, *Alhamdulillah*.

As disclosed in note 3.4.4 of our annual financial statements, implementation of IFRS 16 'Leases' resulted in increase in depreciation expense and finance cost as compared to last year, which was somewhat compensated by decrease in rental expense on premises. Had IFRS 16 not been implemented, profit after tax of the Bank for the year ended December 31, 2019 would have been higher by Rs. 213 Mn.

Group Results

Principal Activities

The principal activities of the Group's material and significant operations are as follows:

- BankIslami Pakistan Limited (Holding Company) – Scheduled Commercial Islamic Bank
- BIPL Securities Limited (Subsidiary) - Brokerage Services
- Shakarganj Food Products Limited (Associate) – Manufacturing, Processing and Sale of Food Products

Financial Performance of the Group

The Group showed a persistent positive trend in its financial results for the year ended Dec 31, 2019, which is mainly attributable to progressing financial position of its Islamic Banking segment (the Bank). Total assets and deposits of the Group rose by 31.2% and 23.9% respectively, as compared to Dec 31, 2018.

Growth in deposit base was driven by execution of effective deposit growth strategy which was supported by introduction of competitive products and extensive marketing by the Holding Company. In line with increase in sources, earning assets of the Group also improved with major increase emanating from placement of funds by the Bank towards (i) Bai Muajjal treasury transactions, (ii) Islamic Financing and (iii) high yielding and SLR eligible non-government investments.

Profits from associate depicted a decline due to compression in margins and increase in input cost. Though BIPL Securities (subsidiary company), generated a loss during the outgoing year, improvement was witnessed during the last quarter due to improvement in overall capital market index and trading volumes.

With the growth in Group earning assets base, further supplemented by rise in SBP policy rates, Group's overall net spreads earned increased by 78.1% compared to last year. Together with this, improvement in cost to income ratio to 62.4% during FY19 under review from the ratio of 94.1% in FY18, supported the Group in generating a profit after tax of Rs. 1,104 Mn for 2019, which is 2.4 times higher than profit after tax of last year, *Alhamdulillah*.

Achievements and New Initiatives

Marketing and Branding

BankIslami successfully launched a 360 degree marketing campaign of its biometric based state of the art banking services under the new and improved brand of 'One Touch Banking' with enhanced features for its customers. This digital banking facility offers unique features which has now enabled our customers to perform transactions (such as payorders, cash withdrawals, IBFTs, utility bills, etc.), without the use of any cheque and debit card, that is by using their thumb impression only. The marketing campaign was well spread over electronic, print and digital platforms with introduction of Mr. Moin Khan (former captain of Pakistan Cricket Team) as Bank's brand ambassador. The marketing activity relating to One Touch Banking was covered throughout the year in three different phases which also included sponsorship of Pakistan Cricket Team's tour of England before the World Cup.

Continuing its commitment towards supporting sports activities in Pakistan, BankIslami sponsored 2nd CAS open Sailing championship 2019 and 2nd Chairman JCSC Open Tennis tournament. These sponsorships assisted BankIslami to penetrate further among the affluent classes of Pakistan and provided important brand mileage. In order to further establish our brand equity, BankIslami celebrated Independence Day of Pakistan by launching a TVC promotion with the theme of "Rejoicing the free spirit of One Nation". The campaign symbolized national solidarity and patriotism. The TVC gained immense mileage and was shared on several popular social media forums.

The Bank was the title sponsor of 3rd International Islamic Banking Conference that was organized at IoBM. BankIslami's President graced this event as the chief guest along with high profile scholars and practitioners of Islamic Banking and Finance. This event allowed the Bank to achieve high brand visibility and equity among the Islamic banking industry. The Bank also conducted a below the line marketing (BTL) activity at 'Dawn Life Style 2019' event held in three cities, where BankIslami's key products and One Touch Banking services were showcased. Live simulations were arranged and our onsite representatives engaged with the customers to educate them on our products and services.

During the year, the Bank also made minor changes in its logo which has now made it much simpler and has received appreciation from all of its stakeholders.

Investment Banking

Investment Banking business of the Bank exhibited robust performance during 2019. With assistance of our Shariah Team, the Bank successfully led and completed two issuance of Islamic Commercial Paper that is for K-Electric (Rs. 20 Bn) and for Hascol Petroleum (Rs. 4bn). The Investment banking desk provided agency services to TPL Corporation in respect of its Rs. 1.1 Bn commercial paper transaction structured on the basis of 'Bai Muajjal', while underwriting services were also provided to HUBCO for their Rs. 7 Bn right shares issue. Other initiatives and support activities provided by Investment Banking Services during 2019 includes:

- . Acted as mandated lead advisor and arranger for Rs. 16.5 Bn syndicated term finance facility of PIA which was successfully completed during a landmark tenure of three-month period.
- . Successfully structured and executed equity share warrant transaction of Shakarganj Foods
- . Provided support to corporate and treasury functions of the Bank to book various and sound long term exposures in sectors like power generation and steel.

Trade Business

The Trade business of the Bank depicted noteworthy and commendable performance in 2019. On the back of continuous efforts, re-engineered business strategy and hiring of 'new business acquisition' oriented talent, trade volumes of the Bank grew by a massive 120% from Rs.71 Billion in 2018 to Rs. 156 Billion in 2019. Growth was witnessed on all fronts, namely export, import and guarantee business.

Small and Medium Enterprise Business

BankIslami has up streamed its efforts in assisting the SME sector of the country in development and strengthening it by providing Shariah Compliant Islamic financing facilities and trade related services. Through Bank's persistent effort to generate new and effective leads through our business units throughout the country in 2019, significant number of NTB customers were added to our SME financing and trade portfolio. The Bank is striving to add more value to the economy and is presently working on various initiatives for the upcoming year to cater the potential of this segment. These include value chain financing, commodity based financing and Islamic refinance schemes for business modernization, working capital finance, agri products and renewable energy.

Agri Business

During the year 2019, the Bank has disbursed over Rs. 500 Mn to 419 farmers for crops, tractors, solar tube-wells, dairy farming, cattle farming, poultry farming and fish farming segments through our 48 Branches across Pakistan. Keeping in view water scarcity issue in Baluchistan province, BankIslami has financed solar tube-wells to farmers to facilitate them in growing crops on time and obtain better yield.

In addition to the above BankIslami is the only Bank in Pakistan offering Warehouse Receipt Financing facility to farmers cultivating rice and maize crops in Muridke and Okara areas, respectively. The Bank also conducted various farmers' awareness & financial literacy programs in all provinces to inform farming community regarding products offered by the Bank and satisfy their queries on Shariah Compliant products.

Cash Management

One of the major milestones, the Bank has achieved in 2019 is system upgrade and re-launch of Payments & Cash Management Services for its corporate and commercial customers under the brand of 'Link Islami'. It is a customized payments and cash management solution that enables corporate customers to not only electronically manage their banking relationships, but also reduce operational overheads by outsourcing the management of their collections and payments. Each installation is tailor-made to meet customers' specific requirements including host to host integration with customers' ERP systems. LinkIslami not only provides cash flow visibility and control to the customers in secure manner but is also an important tool to bring in core deposits and open revenue streams for the Bank.

Consumer Finance

On the Consumer business side BankIslami signed MOU with Pakistan Mortgage Refinance Company (PMRC) worth Rs. 1 billion. Under this MOU PMRC will provide Rs. 1 billion worth of house financing for low and middle income segment. BankIslami is the first Islamic bank to avail the financing from PMRC which is based on Islamic mode of finance. In addition, House Financing division has entered into strategic partnership with Interwood Pakistan a leading furniture and lifestyle brand. This alliance will enable the BankIslami's customers to avail the Interwood's products at discounted prices and with the facility of paying on installment basis.

The Auto finance team, during 2019, formed strategic alliances with renowned brands like Audi Pakistan, Indus Motors Company (IMC) and KIA Lucky Motors. Alliances have helped BankIslami in gaining mileage via promotional and co-branding activities and create value for customers in the shape of unique features. The Bank, throughout the year, performed various brand activations activities in collaboration with brands like Honda and Toyota at various branches of BankIslami. To achieve USP for its Auto Finance business line, the Bank successfully implemented mechanism and end to end process of completing an auto finance case with turnaround time of 24 hours. Moreover, Instant Auto Finance web portal has now been made available on our website, through which our customer can avail financing offer for Auto Financing facility on real time basis.

Auto Finance direct sales structure has been implemented during 2019, with direct sales staff placed in Karachi, Lahore, and Islamabad. This initiative has certainly improved our reach in the market and visibility at dealer level. A new Residual Value Plan, was introduced where customers can now enjoy affordable installment options. At the end of financing tenure, the customer may opt for refinancing of Residual Value or pay off the RV and settle the financing. The Bank also rebranded its Auto Finance product with a new artwork and logo to provide a fresh and dynamic look to a product brand.

The Bank has setup a dedicated Customer Care Department with presence of CCC Executives in 04 regions (Karachi, Lahore, Islamabad and Multan). The department is made in special consideration for resolving the customers' queries in the most effective way.

Retail Banking

With launch of its 'One Touch Banking Solution', the Bank also introduced a unique over the counter free of charge Inter Bank Fund Transfer services. Through this, BankIslami's customers can transfer their funds to any bank in Pakistan by providing cheque or using their thumb impression without any charges. Keeping in view the demands and needs of our retail customers, BankIslami has launched three Special Term Deposit products during the year which has received an overwhelming response from the masses. The Retail Banking segment of the Bank has also been re-structured from two regions to four regions to manage our distribution channel in a more efficient and effective manner. To attract corporate deposits and enhance our core deposit base, the Bank re-launched its Premium Saving Deposit products with improved profit offerings and revamped tiers. On the wealth management side referral model has been introduced at our branches in collaboration with Jubilee Insurance, EFU life and Pak Qatar.

Home Remittance

To enhance its remittance offerings and customer base, the Bank partnered with three major global exchange companies, namely IME, Express Money and Instant Cash. With Moneygram and RIA already on board, BankIslami is now working with five out of six top exchange companies of the world, *Alhamdulillah*.

Information Technology

In order to enhance the security around its cards portfolio, the Bank made its entire ATM network and Pay Pak cards EMV compliant. BankIslami has also completed 100% re-carding of Debit Card portfolio to EMV Chip & PIN based cards as per the directives of State Bank of Pakistan. To improve process flows and encourage digitization of processes and documentation, the Bank successfully developed and implemented automated workflow based solutions for Credit approval and Shariah approval processes.

Information Security

In 2019 the Bank remained extremely focused on improving its information security posture. In order to achieve this objective, several steps have been taken in 2019 to mitigate the cyber / information security risks. These include reconfiguration of email and internet security controls, strengthening of firewalls, intrusion prevention systems, web application firewalls and implementation of End Point Security for detecting and responding to any kind of IT security breaches.

The Bank has also revamped its Information Security Operation Center which has now been made operational 24/7 to timely detect and respond to any security incidents in Bank's ICT (Information and Communications Technology) environment. Vulnerability assessment and penetration testing exercises were also conducted to identify and fix any kind of security vulnerabilities in Bank's critical information assets / services / infrastructure. The Bank also arranged information security awareness session for its senior and middle management staff.

Enterprise Risk Management

On the Risk management front, the Bank has made certain changes in its structure and formed a separate Enterprise Risk Management (ERM) unit. In order to implement ERM, a separate model has been prepared by integrating all the risk categories for effective assessment and evaluations. ERM prepares quarterly Enterprises Risk Model and presents its evaluations with suggestions to the senior management and the Board's Risk Committee. The model covers almost all risk parameters including market risk, liquidity risk, operational risk, credit risk, cyber security risk, legal risk etc.

Shariah Compliance and Training

During the year, the Shariah Compliance department (SCD) issued various guidelines to enhance and improve the process of Shariah compliance in the Bank. These covered the areas of financing, remuneration of deposits, investment banking, and marketing. These guidelines have served the purpose of strengthening Shariah Compliance in the bank to mitigate Shariah non-compliance risk in our operations and make the process effective and efficient.

During the year, Shariah Team reviewed more than 1600 Transaction Fact Sheets (TFS), guarantee drafts and approvals along with external and internal agreements. The team has also reviewed marketing and promotional material of the Bank including social media posts, sponsorship contents and marketing designs. Further, Shariah Board approval / fatwa were arranged on products submitted to SCD after satisfactory review including Employee Banking Services, Bai Muajjal of Mutual Fund Units, Roshan Pakistan, Bai Muajjal of Sukuk, Right Share, BRL (Bank Risk Line) product and Ehad Sukuk.

BankIslami's Shariah Department's team, in order to expand Bank's reach amongst business community, throughout the year conducted various Islamic banking awareness programs to interact with general public and to address their queries on Islamic Banking concepts. The Shariah team also successfully conducted seminars with Sialkot Chamber of Commerce & Industry and with various universities including Bahauddin Zakariya University, Multan, The Islamia University, Bahawalpur, IBA Sukkur campus and COMSATS University. The Bank has also signed MOUs with Bahauddin Zakariya University, Multan, The Islamia University, Bahawalpur, NUST, Islamabad and COMSATS University to collaborate on various fronts such as Islamic banking awareness seminars. During the year, the team has also conducted Shariah training of employees of various departments of the Bank including Trade, Corporate and Credit department along with Distribution team in various cities.

Product Development

The Shariah department developed a Shariah Compliant alternative product for guarantee, foreign and local bill discounting through the Bank's existing Running Musharakah product. In addition to this, a solution, based on a combination of Salam, Wa'ad and Musawamah, as an alternative to bill discounting against forward cover was also introduced. These initiatives are expected to add further ease in providing the bill and guarantee discounting services to our customers.

Keeping in line with the Bank's focus on enhancing support and penetrating SME and Agri sectors, the department developed three products with the support and collaboration of the SME and Agri teams. On the consumer end, the department worked with the consumer banking team for development of 'Roshan Asaan' product which has been introduced to provide financing facility for renewable energy to customers.

The Bank's Shariah division was actively involved, in joint collaboration with other Islamic Banks, in structuring and documentation drafting of PKR 200 Billion Pakistan Energy Sukuk, the largest Government Sukuk of its nature to date. This Sukuk provided a much needed impetus to the Islamic Banking industry that had been seeking solutions to deploy excess liquidity.

Human Resource

In 2019, the Human Resource department focused its energies on automation of its processes and procedures. The team was successful in completing the digitalization of confirmation, recruitment and joining processes as well as launched e-learning platform for assessments and e-courses. This initiative reaped benefits of paperless record keeping, time saving, accountability and transparency as well as built efficiency in the system. The Bank has aimed for continuous transformation of HR from traditional methods to complete digitalization and automation of its processes.

The Bank introduced Pay for performance initiative during 2019 where employees' exemplary performances were rewarded through Spot Awards. Performance rewards were given to a number of high performing individuals in ceremonies honored by the President and CEO of BankIslami.

Becoming Employer of Choice by attracting, nurturing and developing talent is one of the core driving force behind the Bank to provide employment opportunities to fresh graduates for the positions of Trainee Tellers, hiring for which was done in batches across the country. The Bank also launched its first batch of Trainee Islamic Bankers for management positions this year. The Bank revised its medical benefits to include coverage for parent's medical and enhanced individual medical limits for each family member. The Bank also launched medical self-coverage for Bank's contractual employees.

To improve overall service quality culture, employee performance and compliance standard of the Bank, various training session were conducted covering areas like Shariah compliance, Islamic finance, compliance risk, AML/CFT/KYC, service excellence, fair treatment of customers, trade business, etc.

Employee Engagement

The Bank conducted its Annual Business Conference 2019 in Karachi where all the core business staff of BankIslami was gathered with an aim to keep them abreast with the Bank's strategy for the year 2019. The conference also allowed an opportunity for the management to review and evaluate the performance of its distribution, areas and segments. Moreover, Town Hall Meetings, a unique employee engagement event, were held in Quetta, Hyderabad and Multan so that employees could connect with each other and the senior management team of the Bank.

Future Strategy

BankIslami envisages its continued growth in the Islamic Banking industry in years to come. The Bank will remain committed to safeguard the interest and enhance the value of its stakeholders. To accomplish this, the Bank will continue to follow its already in place three-year Strategic Plan (2019-2021) which has been robustly devised in-tandem with our Vision and Mission Statements. In order to effectively address changing external factors, the adjustments are made in the plan with the guidance of the Board. The Strategic plan of the Bank sets out clear roadmap to achieve BankIslami's organizational goals and objectives. Moreover, the management has followed a harmonious approach in developing the said plan so that there is consensus amongst all divisions of the Bank. This ensures that all relevant stakeholders are fully on-board with these goals and are strategically aligned to implement the plan. This Strategic Plan sets out various goals and KPIs for accelerated growth in deposit base, enhancing trade business, improving credit risk profile, leveraging technological innovation while strengthening customers' data privacy, attracting high quality human resource, reinforcement of brand image, maintaining healthy capital base and becoming a customer centric Bank.

Corporate Social Responsibility

BankIslami has a mission to create value for its stakeholders and everyone in the Eco-system in which it operates. Therefore, the Bank firmly believes to operate in a socially responsible manner and make constructive contributions to the economy, society and the environment. Throughout the year 2019, energy conservation, education, volunteering, biodiversity and charity have remained the focal points of BankIslami's CSR efforts.

Green Energy Initiative

BankIslami has always been a strong advocate for optimizing the use of eco-friendly and energy efficient solutions. Our people strongly believes in adapting to greener and cost-efficient options for energy consumption. Being aligned with this philosophy, the Bank has setup its very own solar powered installations that are generating more than 601.8 KW of energy and powering more than 50 percent of Bank's branch network. While we aim to make hundred percent of our branches sustainable on solar energy, we face a space availability challenge as solar energy setups require large spaces preferably load bearing rooftops (high altitude). However, this challenge has not deterred the Bank's vision to minimize its carbon foot print and it continues to strive to create a sustainable, greener environment in the present and for a safer future so as to serve humanity *'the right way'*.

Education

During the outgoing year, BankIslami partnered with Sajjad Foundation to send fourteen bright students of Pakistan, selected from top most universities, to 'NUS Enterprise Summer Programme on an Entrepreneurship' at the National University of Singapore. These fourteen students were selected from over 500 student applications received by Sajjad Foundation. Sajjad Foundation has sent over 200 students in conjunction with other partners in the last ten years to this prestigious program.

The aforesaid two-week summer program offered undergraduate students one of a kind opportunity to have an immersive experience of entrepreneurship by inspiring their entrepreneurial imagination and enhancing their entrepreneurial skills.

Biodiversity

With a philosophy to conserve energy and resources, BankIslami has made it a mission to continuously work on innovation by leveraging benefits ensuing through technological advancement. One of the benefits of technology also includes enablement of a paper and plastic less environment. Working on these lines the BankIslami promoted a unique Digital Banking platform based on biometric technology with a brand name 'OneTouch Banking'. The product encourages our customers to withdraw funds from ATM or perform over the counter transactions in branches using their thumb impression i.e without the use of any plastic card and/or paper based instrument.

BankIslami is currently the only Bank in Pakistan which is offering its customers to do cardless and paperless banking transactions through its branches and ATM network.

Welfare

The Bank, as part of CSR activity launched a new movement by the name of 'Share to Care'. As part of this, Bank's employees volunteered for a visit to the renowned Edhi Children Home in Karachi during the holy month of Ramadhan. The purpose of the visit to the welfare center was to spread the spirit of unity, kindness and compassion. The staff of BankIslami spent quality time with homeless children residing in the NGO home, had iftar with them, and distributed Eidi and new clothes to these children.

Charity

It represents distribution of Charity payable account by the Bank. The sources of Charity payable account are (a) Shariah non-compliant income of the Bank, (b) purification of dividend income, (c) late payment charges received from customer and (d) profit earned on Charity payable account. The charity payments made by the Bank are not only for the purpose of Shariah related compliances but are also aimed towards making a valuable and positive change to the society and bring about a positive change. Charity payments are directed towards organizations which are operating with a philosophy and history of public welfare. Details of charity payments made by the Bank are mentioned in note 21.2.1 to the financial statements.

Customer Service and Complaint Management

The Bank values its customers and takes pride in servicing them, therefore we have made Fair Treatment of Customers an integral part of our corporate culture and, in line with this, the Bank has institutionalized a vigilant Consumer Protection Framework. We have made it our priority to consider customers' needs and benefit while designing, selling and managing products and services, without any discrimination. We are committed in providing our customers with the highest level of service quality and satisfaction and to achieve this standard we have set-up an independent Service Quality unit and Business Conduct function at 360 degrees to oversee service quality standards, problem resolution and the fair treatment of customers. This unit also ensures that the Bank consistently delivers fair outcomes to our clients based on a culture of openness and transparency. Service Quality Department is responsible for coordinating and monitoring of Fair treatment of Consumer (FTC) and also ensure that new Initiatives are taken to make banking experience more convenient, comfortable and delightful for our customers.

Customer Grievance

Our Complaint Handling Policy and Grievance Redress Mechanism ensure that complaints are resolved in a timely manner with an aim to prevent recurrence of complaints of the same nature. Customers have the option of registering their complaints through various modes, namely, branches, phone banking, website and via email. Complaint management and resolution process is kept transparent through registration, acknowledgement, interim response (where ever applicable), and root cause analysis of recurring complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are not satisfied with the response received from the Bank.

A total of 39,338 complaints were received by the Bank in 2019 and the average time taken to resolve these complaints was 3.24 working days. Other than these, 183 complaints were received from SBP and Banking Mohtasib Pakistan.

Compliance

BankIslami operates with a strong compliance culture which has enabled the Bank to follow high ethical and integrity standards, starting from the top of the organization and cascading of the same down the line in a manner that ensures seamless and effective implementation of regulatory requirements / standards / practices and other laws in letter and spirit. Therefore, the Compliance Function of the Bank serves an important role which keeps the activities of the organization within the framework of applicable laws and regulations and managing compliance risk at an entity level to safeguard the interests of its stakeholders. Activities of compliance function are divided into the following areas for its effective management:

Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT)

The AML/CFT Section serves as a reviewing function which adopts certain measures to identify any suspicion in customer relationships and transactions conducted by them. This check ensures that the services of the Bank are not used in facilitation of any proscribed person (both natural and legal) and promptly identifies activities suspected to money laundering.

For effective implementation of AML/CFT regime, the Bank is equipped with required RegTech which includes performing automated transaction monitoring, screening of prospective customers, real time screening of international remittances, currency transactions reporting, suspicious transactions reporting and certain system based control in our core banking system.

The Compliance function of the Bank also assumes responsibilities including but not limited to conducting periodic review of relationship posing high risk including politically exposed persons (PEP) and correspondent banks, periodic reporting related to Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS), review and approval of high risk accounts, facilitating segments & branches on AML/CFT related matters, advisories on local and international sanctions and also conducting extensive trainings at regular intervals on AML/CFT, FATCA, CRS on country wide basis.

Regulatory Compliance

Regulatory Compliance section of BankIslami serves as a role of facilitator between the Bank and regulatory authorities. This function is entrusted with certain responsibilities including facilitation of On-site Inspection of State Bank of Pakistan's and ensure effective implementation of inspection findings after its conclusion. This section also attends queries emanating from Law Enforcement Agencies including FBR, FIA, NAB, ANF etc. and also ensures timely & accurate provision of required information / statutory returns to various regulatory authorities. Moreover, the function is also providing advice on regulatory matters to all departments of the Bank and facilitates them in obtaining clarifications and approvals from regulators.

Compliance Risk Management (CRM)

Compliance Risk Management function is responsible for assessing entity wide compliance risk faced by the Bank. To cope up with this, the Bank conducts assessment of branches and departments, communicates SBP directives as and when received and exercises rigorous follow-ups for implementation of the same. The function also keeps track of all the decisions of Compliance Committee of Management and report thereon, maintains an automated and updated database of laws and regulations, reviews policies and manuals at regular intervals, conducts Risk Control Self-Assessment to identify compliance risk, and provides training on CRM for creating awareness of importance and implication of regulatory directives.

Fraud Risk Management

The Bank has a designated department which is responsible for conducting detailed investigation of committed or suspected frauds and provides findings and recommendation to the senior management. The Bank also conduct analysis of fraud trend and advice for precautionary measures to the management.

Statement of Internal Controls

The Board is pleased to endorse the statement made by the management relating to internal controls including management's evaluation of Internal Control over Financial Reporting, included in the Annual Report. The Board of Directors acknowledges its responsibility for ensuring that an adequate and effective internal control system covering all aspects of our banking operations is in place and is being strictly followed by the management.

The Board confirms compliance with highest standard of Corporate Governance and that the Bank's existing system of Internal Control is sound in design and is being effectively implemented and monitored.

Risk Management Framework

The objective of risk management is to effectively manage uncertainties that arise in the normal course of business activities. It is one of the most important areas of the banking business through which the Bank manages enterprise wide risks with the objective of maximizing risk-adjusted returns while remaining within the risk appetite. The Risk Management Group has the following divisions, headed by senior executives, reporting to the Head - Risk Management:

- Corporate Credit Risk Management
- Consumer Credit Risk Management
- Credit Administration
- Enterprise Risk Management (ERM)
- Information Security
- Special Assets Management

Specialized committees, comprising of members from senior management with relevant experience and expertise, perform their functions in line with overall strategy set by the Board so as to ensure that exposures are within risk appetite. The committees include:

1. Management Credit Committee (MCC)
2. Asset Liability Committee (ALCO)

The MCC ensures that credit risk activities are in line with Board approved policies, regulatory requirements, Bank's risk appetite and best industry practices. ALCO reviews market, liquidity and country risk exposures, assets and liabilities maturity profile, sets pricing and takes decisions for sound liquidity management with respect to consumer assets and quality acquisitions. Policies and processes have been amended with a view to be made more stringent which would lead to further improvement in asset quality.

The risk associated with Equity, Foreign Exchange and Liquidity are being continuously measured and monitored by the Market Risk function reporting to ERM. Stress testing and sensitivity measures are used as risk management tools to monitor and manage the market risk. Assets quality is being ensured through comprehensive financing policies and procedures, appropriately delegated financing approval authorities, adequate collateral coverage, its documentation and periodic reviews. Growth in financing is ensured while focusing on comprehensive risk analysis and portfolio diversification. The Bank calculates value at risk for market risk assessment. Day-to-day liquidity management is done through cash flow matching, meeting regulatory reserve requirement and maintaining adequate liquid assets. Various liquidity ratios are being monitored to assess any possible liquidity risk.

The role of market and liquidity risk function in monitoring of treasury activities has been strengthened with various limits structuring, their monitoring, reporting and system improvements. Loss data reporting, self-assessment of risk and control, enhanced coverage of key risk indicators, documenting and improving upon Bank's processes through risk identification and mitigation demonstrate continuous improvements in operational risk management framework.

Continuous efforts are being made to enhance the scope of a robust 'Operational Risk Management Framework'. The Bank has an internal operational risk awareness program which is aimed at building capacity and inculcating a risk free culture in the staff through trainings and on-job awareness for promoting greater risk awareness.

The Bank has maintained its CAR at 14.95% well above the regulatory thresholds of 12.50% under the prescribed Basel-III regulations. The Bank has managed its CAR by carefully monitoring and managing the risk profile of its asset portfolio.

BankIslami has established an extensive Information Security (IS) Program and governance structure to manage the security of the information assets. The sensitive information managed by the Bank including the data entrusted to BankIslami by its customers, partners and staff are among the organization's most valuable assets. Given the competitive nature of Bank's business and significant value of the data it manages, the Risk group in conjunction with business and technology, have taken necessary measures to minimize the risk.

In view of the guidelines issued in SBP BSD Circular No. 07 dated 15-08-2003 SBP and market practice, Credit Administration Department (CAD) has been realigned with Risk Management. Presently, ECIB unit reporting directly to the Head Risk Management will be reporting to the Head-CAD as the said function is linked with credit monitoring falling under the purview of CAD.

Internal Controls over Financial Reporting (ICFR)

The Bank diligently followed the State Bank of Pakistan's (SBP) Guidelines on Internal Controls to evaluate the effectiveness of the overall set of internal controls including financial reporting controls. A detailed documentation of Bank-wide processes and controls was completed, together with a comprehensive gap analysis of the control design and subsequent development of remediation plan for the identified gaps. Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring operating effectiveness of key controls and has significantly addressed the identified design improvements. Upon satisfactory completion of the Internal Control over Financial Reporting (ICFR) roadmap, SBP granted exemption to the Bank in the year 2017 from the submission of Long Form Report (LFR) by external auditors. The Bank is now required to only submit its annual self-assessment report to SBP endorsed by the Audit Committee. The last report related to this was submitted for the year ended December 31, 2018 to SBP. A similar assessment report for the year ended December 31, 2019 will be submitted within the stipulated time.

Capital Plan

The Bank sights capital planning as key imperative for Bank to navigate through challenging and ever changing economic environment. We also believe that sound capital planning is essential for maintaining a prudent structure of capital so that the institute remains coherent with its business plan, while also withstand any external shocks. In line with this, the Board of the Bank has set out a well thought out capital plan to remain compliant on longer term horizon with applicable Basel III and MCR framework stipulated by the apex authority.

Directors' Statement on Corporate and Financial Reporting Framework

The Board of Directors is fully cognizant of its responsibility under the Listed Companies Code of Corporate Governance Regulations, 2019 (CCG) issued by the Securities and Exchange Commission of Pakistan (SECP) and adopted by SBP. 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, except if disclosed separately in the 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 are no debt or sukuk instruments in which the Bank is in default or likely to default.
8. There has been no material departure from the best practices of CCG.
9. The appointment terms of the Chairman and other members of the Board are in line with applicable best practices and are also in the best interest of the Bank.
10. The value of investments of the Bank's provident fund and gratuity fund based on un-audited accounts as at 31 December 2019 amounted to Rs. 825.747 million and Rs. 256.256 million respectively.
11. Following information is enclosed as annexure to the Directors' Report.
 - I. The purchase and sale of shares by the Directors and the Chief Executive during the year.
 - II. Key operating and financial data of last six years.

Compliance with Code of Corporate Governance

The Bank considers compliance with best practices of Corporate Governance to be its highest priority. The strengthening and improvement of corporate governance is an ongoing priority for the Board and its management with the aim of continuing sustainable growth and improvement of the Bank's corporate values in order to meet the expectations of all of its stakeholders, including its shareholders and customers. BankIslami also ensures transparency and merit on its each and every process, particularly in dealing with customers. It is reflected from its following Core Values:

- Product Authenticity
- Customer Focus
- Meritocracy
- Integrity
- Team Work
- Humility
- Innovation

The requirements of the Listed Companies Code of Corporate Governance Regulation, 2019 (CCG) issued by Securities and Exchange Commission of Pakistan (SECP) relevant for the year ended 31 December 2019 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the Annual Report.

Composition of the Board

In line with the requirements of the CCG, the Bank encourages representation of independent and non-executive directors on the Board.

The current composition of the Board is as follows:

Total number of Directors 8

Composition:

- (i) Independent Directors: 2
- (ii) Non-executive Directors: 5
- (iii) Executive Director: 1

In order to share the load of activities, the Board has formed specialized Committees consisting of Board members with clear objectives, agreed reporting procedures and scope of authority. Board Committees constitute an important element of the governance process. The Board acknowledges that establishing these Committees does not exonerate its responsibility to comply with fiduciary requirements.

Names of Directors, Committees of The Board and Directors' Attendance

SNo	Name of Directors	Board of Directors		Audit Committee		Human Resource Committee		Board Remuneration Committee		Risk Management Committee		IT Committee		Executive Committee	
		Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **
1	Mr. Ali Hussain	7	7	*	*	*	*	*	*	*	*	*	*	1	1
2	Mr. Fawad Anwar	7	7	*	*	2	2	2	2	3	2	*	*	1	1
3	Mr. Ali Mohamad Hussain Ali M. Alshamali	7	7	4	4	2	2	2	2	*	*	1	-	*	*
4	Dr. Amjad Waheed	7	7	4	4	*	*	*	*	*	*	*	*	*	*
5	Mr. Muhammad Nadeem Farooq	7	7	3	3	1	1	1	1	3	2	1	1	*	*
6	Mr. Noman Yakoob	7	7	4	3	*	*	*	*	*	*	1	1	*	*
7	Mr. Siraj Ahmed Dadabhoy	7	6	*	*	2	1	2	1	3	3	*	*	1	1
8	Mr. Syed Amir Ali, President & CEO	7	7	*	*	2	2	*	*	3	3	1	1	1	1
		7		4		2		2		3		1		1	

* Not a member of the Committee

** Leave of absence was granted to those directors / members, by the Board / Committee, who could not attend some of the meetings.

Framework for Remuneration

Chairman, non-executive directors and independent directors are entitled only for the fee and reasonable travelling, boarding & lodging expenses for attending the Board meetings. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise required to govern in the best interest of the Bank and its Shareholders. Remuneration to the Directors for attending Board meetings of the Bank is being paid by the Bank as per scale approved by the Board and the shareholders in the general meeting of the Bank. A formal remuneration policy was also approved by the Board in year 2019 in this regard. With regards to Bank's remuneration policy for its employees, the Bank encourages the culture of 'pay for performance'. The Board Remuneration Committee (BRC) is responsible to recommend to the Board about the structure of compensation package of employees. The Board has approved a Remuneration Policy which clearly defines the criteria for identification of Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) along with mechanism to assess their performance, compensation structure and disclosure requirements.

Performance Evaluation Mechanism for the Board

During the year, the Board undertook a formal process of evaluation of its performance and its sub-committees, together with an action plan to bring in improvement going forward. The overall performance of the Board and its sub-committees measured on the defined parameters for the year was satisfactory. To further align with this objective, the Board is also in process of conducting its performance evaluation by an external and independent third party.

Directors' Training

Presently four directors have already completed the prescribed certification under Director Training Program (DTP) as per the requirement of Code of Corporate Governance. One of the director has obtained certification under the DTP by June 30, 2019 in compliance with the CCG. Furthermore, all Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies.

Pattern of Shareholding

The Bank is listed on Pakistan Stock Exchange Limited. The detailed pattern and categories of its shareholding including shares held by directors and executives, if any, are annexed to the Annual 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, 2020.

Credit Rating

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

Litigations

The Bank is party to several litigations either initiated by it or initiated against it by various parties. The Bank is confident, based on the legal advice that there exists no material uncertainty due to these litigations. Updates and developments with respect to major cases and contingencies are mentioned in note 25.3.1 to the financial statements.

Acknowledgements

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



Syed Amir Ali
President and Chief Executive Officer

February 27, 2020



Ali Hussain
Chairman of the Board of Directors

قانونی چارہ جوئی

بینک متعدد قانونی چارہ جوئیوں کا فریق ہے جو یا تو اس کے ذریعہ شروع کیا گیا تھا یا مختلف جماعتوں کے ذریعہ اس کے خلاف شروع کیا گیا تھا۔ بینک اس قانونی مشورے پر مبنی پر اعتماد ہے کہ ان قانونی چارہ جوئی کی وجہ سے کوئی مادی غیر یقینی صورتحال موجود نہیں ہے۔ اہم معاملات اور ہنگامی حالات کے سلسلے میں تازہ ترین معلومات اور پیش رفتوں کا مالی بیانات میں نوٹ 25.3.1 میں ذکر کیا گیا ہے۔

اظہار تشکر

بورڈ امداد اور رہنمائی فراہم کرنے پر اسٹیٹ بینک آف پاکستان کو اپنی گہری تحسین پیش کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اتھارٹیز کی طرف سے ان کی حمایت کرنے پر بھی ان کا شکریہ ادا کرتا ہے۔ ہم اپنے قابل قدر گاہکوں، کاروباری شراکت داروں اور شیئرز ہولڈرز کی ان کی مسلسل سرپرستی اور اعتماد کے لئے اظہار تشکر کرنا چاہتے ہیں۔ مزید برآں، ہم اپنی مینجمنٹ ٹیم اور ملازمین کے ذریعہ دیئے ہوئے نگیں، عزم اور سخت محنت کو بھی تسلیم کرنا چاہیں گے جس نے بینک اسلامی کو عام طور پر اور اسلامی بینکاری کی صنعت میں خاص طور پر بینکنگ انڈسٹری میں نمایاں مقام حاصل کرنے کے قابل بنایا ہے، الحمد للہ۔

منجانب بورڈ

علی حسین

علی حسین

چیئر مین بورڈ آف ڈائریکٹرز



سید عامر علی

صدر و چیف ایگزیکٹو آفیسر

27 فروری 2020

کرے۔ بورڈ نے ایک معاوضہ پالیسی کو منظوری دے دی ہے جس میں ان کی کارکردگی، معاوضہ کے ڈھانچے اور انکشافی تقاضوں کا اندازہ کرنے کے لئے میکانزم کے ساتھ ساتھ مادی رسک ٹیکرز (ایم آر ٹی) اور میٹرل رسک کنٹرولرز (ایم آر سی) کی شناخت کے معیار کو واضح کیا گیا ہے۔

بورڈ کے لئے کارکردگی کی تشخیص کا طریقہ کار

سال کے دوران، بورڈ نے اپنی کارکردگی اور اس کی ذیلی کمیٹیوں کی تشخیص کا باضابطہ عمل کیا، ایک عملی منصوبہ کے ساتھ مل کر بہتری کو آگے بڑھانا ہے۔ سال کے لئے متعین پیرامیٹرز پر ماپنے والے بورڈ اور اس کی ذیلی کمیٹیوں کی مجموعی کارکردگی تسلی بخش رہی۔ اس مقصد کے ساتھ مزید سیدھا لانے کے لئے، بورڈ اپنی بیرونی اور آزاد کنسلٹنٹ کے ذریعہ کارکردگی کا جائزہ لینے کے عمل میں بھی ہے۔

ڈائریکٹرز کی تربیت

کوڈ آف کارپوریٹ گورننس کی ضرورت کے مطابق اس وقت چار ڈائریکٹرز ڈائریکٹریٹنگ پروگرام (ڈی ٹی پی) کے تحت پہلے سے طے شدہ تصدیق مکمل کر چکے ہیں۔ ڈائریکٹرز میں سے ایک نے سی ٹی جی کی تعلیم میں 30 جون 2019 تک ڈی ٹی پی کے تحت سند حاصل کی ہے۔ مزید برآں، تمام ڈائریکٹرز کارپوریٹ باڈیز کے ڈائریکٹرز کی حیثیت سے اپنے فرائض اور ذمہ داریوں کے ساتھ پوری طرح متحمل ہیں۔

شیر ہولڈنگ کا نمونہ

بینک، پاکستان اسٹاک ایکسچینج لمیٹڈ میں درج ہے۔ اس کے شیر ہولڈنگ کے تفصیلی نمونہ اور زمرے جن میں ڈائریکٹرز اور ایگزیکٹوز کے رکھے ہوئے شیرز، اگر کوئی ہیں تو، سالانہ رپورٹ سے منسلک ہیں۔

آڈیٹرز

آڈیٹرز ای وائی فورڈ روڈس، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو کر اہل کے بعد خود کو دوبارہ تقویم کی پیش کش کرتے ہیں۔ جیسا کہ کارپوریٹ گورننس کے اصولوں کے تحت آڈٹ کمیٹی 31 دسمبر 2020 تک کے لیے ای وائی فورڈ روڈس، چارٹرڈ اکاؤنٹنٹس کو آڈیٹرز کی حیثیت کے لئے نامزد کرتی ہے۔

کریڈیٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پی اے سی آراے) نے مستحکم نقطہ نظر کے ساتھ، بینک اسلامی کی طویل مدتی ہستی کی درجہ بندی کو "اے پلس" پر اور مختصر مدت کی درجہ بندی کو "اے ون" پر برقرار رکھا ہے۔

8 ڈائریکٹرز کی کل تعداد
تفصیل۔

2 ۱۔ آزاد ڈائریکٹرز

5 ۲۔ نان ایگزیکٹو ڈائریکٹرز

1 ۳۔ ایگزیکٹو ڈائریکٹرز

سرگرمیوں کا بوجھ بانٹنے کے لیے بورڈ نے اپنے ممبروں پر مشتمل خصوصی کمیٹیاں تشکیل دی ہیں جن کے واضح مقاصد، رپورٹنگ کے متفقہ طریقہ کار اور اختیارات کے دائرہ کار پر اتفاق ہے۔ بورڈ کمیٹیاں حکمرانی کے عمل کا ایک اہم عنصر تشکیل دیتی ہیں۔ بورڈ نے اعتراف کیا ہے کہ ان کمیٹیوں کے قیام سے مخلص تقاضوں کی تعمیل کرنے کی اپنی ذمہ داری کو خارج نہیں کیا جاتا ہے۔

ڈائریکٹرز کے نام، بورڈ اور ڈائریکٹرز کی کمیٹیوں اور ان کی حاضری

نمبر	ڈائریکٹر کا نام	بورڈ ڈائریکٹرز		آزاد کمیٹی		ادارتی و مالی کمیٹی		معاوضہ کمیٹی		ریسک مینجمنٹ کمیٹی		آئی ٹی کمیٹی		ایگزیکٹو کمیٹی	
		سال میں ہوئے ۱۶ دنے اجلاس	حاضری	سال میں ہوئے ۱۶ دنے اجلاس	حاضری	سال میں ہوئے ۱۶ دنے اجلاس	حاضری	سال میں ہوئے ۱۶ دنے اجلاس	سال میں ہوئے ۱۶ دنے اجلاس	حاضری	سال میں ہوئے ۱۶ دنے اجلاس	سال میں ہوئے ۱۶ دنے اجلاس	حاضری	سال میں ہوئے ۱۶ دنے اجلاس	حاضری
1	ڈیپ ٹی سینی	7	7	*	*	*	*	*	*	*	*	*	*	*	*
2	ڈیپ ڈی ایل	7	7	*	*	2	2	2	2	2	2	2	2	2	2
3	ڈیپ ٹی ٹی سینی علی محمد اسماعیل	7	7	4	4	2	2	2	2	2	2	2	2	2	2
4	ڈاکٹر احمد علی	7	7	4	4	*	*	*	*	*	*	*	*	*	*
5	ڈیپ ٹی ٹی سینی علی محمد اسماعیل	7	7	3	3	1	1	1	1	1	1	1	1	1	1
6	ڈیپ ٹی ٹی سینی علی محمد اسماعیل	7	7	3	4	*	*	*	*	*	*	*	*	*	*
7	ڈیپ ٹی ٹی سینی علی محمد اسماعیل	7	7	*	*	1	2	1	2	1	2	1	2	1	2
8	ڈیپ ٹی ٹی سینی علی محمد اسماعیل	7	7	*	*	2	2	2	2	2	2	2	2	2	2
	کل	7	7	4	4	2	2	2	2	2	2	2	2	2	2

معاوضے کے فریم ورک

چیئرمین، غیر ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز صرف فیس اور مناسب سفر، بورڈنگ کے حقدار ہیں۔ معاوضے کی سطح مناسب اور ذمہ داری کی سطح کے مطابق اور اس کے مطابق ہے جو بینک اور اس کے حصص یافتگان کے بہترین مفاد میں انتظامی معاملات کے لئے درکار ہے۔ بینک کے عام اجلاس میں بورڈ اور حصص یافتگان کی منظوری کے مطابق بینک کے بورڈ اجلاسوں میں شرکت کے لئے ڈائریکٹرز کو معاوضے کی ادائیگی بینک کے ذریعہ کی جا رہی ہے۔ اس سلسلے میں سال 2019 میں بورڈ کے ذریعہ ایک باضابطہ معاوضہ پالیسی کو بھی منظور کیا گیا تھا۔ اپنے ملازمین کے لئے بینک کی معاوضہ پالیسی کے حوالے سے، بینک 'کارکردگی کی ادائیگی' کے کلچر کی حوصلہ افزائی کرتا ہے۔ بورڈ معاوضہ کمیٹی (بی آر سی) ذمہ دار ہے کہ وہ ملازمین کے معاوضے کے پیکیج کے ڈھانچے کے بارے میں بورڈ کو سفارش

825.747 ملین اور 256.256 ملین روپے ہے۔

11۔ مندرجہ ذیل معلومات ڈائریکٹرز کی رپورٹ کے ساتھ وابستہ ہیں۔

۱۔ سال کے دوران ڈائریکٹرز اور چیف ایگزیکٹو کے ذریعہ حصص کی خرید و فروخت۔

۲۔ پچھلے چھ سالوں کا اہم آپریٹنگ اور مالی اعداد و شمار۔

کارپوریٹ گورننس کے کوڈ کی تعمیل

بینک کارپوریٹ گورننس کے بہترین طریقہ کار کی تعمیل کو اپنی اولین ترجیح سمجھتا ہے۔ کارپوریٹ گورننس کی مضبوطی اور بہتری بورڈ اور اس کے انتظام کے لئے ایک جاری ترجیح ہے جس کا مقصد یہ ہے کہ اس کے حصص یافتگان اور صارفین سمیت اپنے تمام اسٹیک ہولڈرز کی توقعات کو پورا کرنے کے لئے بینک کے کارپوریٹ اقدار کی پائیدار ترقی اور بہتری کو جاری رکھنا ہے۔ بینک اسلامی اپنے ہر عمل خصوصاً صارفین کے ساتھ معاملات میں بھی شفافیت اور اہلیت کو یقینی بناتا ہے۔ اس کی عکاسی مندرجہ ذیل بنیادی اقدار سے ہوتی ہے۔

۱۔ مصنوعات کی صداقت

۲۔ صارف پر توجہ

۳۔ امتیازی سلوک

۴۔ سلیت

۵۔ ٹیم کا اکٹھا کام

۶۔ عاجزی

۷۔ جدت

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی طرف سے 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے متعلقہ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشن، 2019 (سی سی جی) کی ضروریات کو بینک نے اپنایا ہے اور ان کی تعمیل کی گئی ہے۔ اس سلسلے میں ایک بیان سالانہ رپورٹ کے ساتھ وابستہ ہے۔

بورڈ کی تشکیل

سی سی جی کی ضروریات کے مطابق، بینک بورڈ میں آزاد اور غیر ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتا ہے۔ بورڈ کی موجودہ تشکیل مندرجہ ذیل ہے۔

2018 کو ختم ہونے والے سال کے لئے اسٹیٹ بینک کو پیش کی گئی تھی۔ 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے اسی طرح کی ایک تشخیصی رپورٹ مقررہ مدت میں پیش کی جائے گی۔

سرمایہ کا منصوبہ

بینک کی منسوبہ بندی کو بینکوں کے لیے چیلنجنگ اور ہمیشہ بدلتے معاشی ماحول میں ضروری سمجھتا ہے۔ ہم یہ بھی مانتے ہیں کہ کیپیٹل کے ایک حکیمانہ ڈھانچے کو برقرار رکھنے کے لئے کیپیٹل اسٹرکچر کی منصوبہ بندی ضروری ہے تاکہ انسٹیٹیوٹ اپنے کاروباری منصوبے سے ہم آہنگ رہے، اور کسی بیرونی جھٹکے کا بھی مقابلہ کرے۔ اس کے عین مطابق، بورڈ آف بینک نے اعلیٰ اختیارات کے ذریعہ طے شدہ قابل اطلاق باسل سوم اور ایم سی آر فریم ورک کے ساتھ طویل المیعاد افق پر عمل پیرا ہونے کے لئے ایک سوچا سمجھا ہوا سرمایہ تیار کیا ہے۔

کارپوریٹ اور مالی رپورٹنگ کے فریم ورک کے بارے میں ڈائریکٹرز کا بیان

سیورٹیز اینڈ ایچ ایچ کیوشن آف پاکستان (ایس ای سی پی) کے ذریعہ جاری کردہ کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشنز (سی سی جی) کے تحت بورڈ آف ڈائریکٹرز اپنی ذمہ داری سے پوری طرح واقف ہیں۔ مندرجہ ذیل بیانات کارپوریٹ گورننس اور اعلیٰ تنظیمی بہتری کے اعلیٰ معیار کی طرف اس کے عزم کا مظہر ہیں۔

1- بینک کے انتظام کے ذریعہ تیار کردہ مالی بیانات اس کی امور کی منصفانہ حیثیت، اس کے کام کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کو پیش کرتے ہیں۔

2- بینک کے اکاؤنٹ کی مناسب کتابیں برقرار رکھی گئی ہیں۔

3- مالیاتی پالیسیوں کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں، سوائے اس کے کہ اگر مالی بیانات میں الگ سے انکشاف کیا گیا ہو، اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہو۔

4- بین الاقوامی مالیاتی رپورٹنگ معیارات، جیسا کہ پاکستان میں قابل اطلاق مالی بیانات کی تیاری میں عمل کیا گیا ہے اور وہاں سے کسی بھی طرح کی روانگی کا مناسب طور پر انکشاف اور وضاحت کی گئی ہے۔

5- اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اسے موثر انداز میں نافذ اور نگرانی کی جارہی ہے۔

6- ایک جاری تشویش کی حیثیت سے بینک کے جاری رکھنے کی صلاحیت پر کوئی شک نہیں ہے۔

7- یہاں کوئی قرض یا سلوک انسٹرومنٹ نہیں ہیں جس میں بینک ڈیفالٹ میں ہے یا ممکنہ طور پر ڈیفالٹ ہوتا ہے۔

8- سی سی جی کے بہترین طریقہ کار سے کسی قسم کی مادی روانگی نہیں ہوئی ہے۔

9- چیئرمین اور بورڈ کے دیگر ممبروں کی تقرری کی شرائط قابل اطلاق بہترین طریقہ کار کے مطابق ہیں اور یہ بینک کے بہترین مفاد میں بھی ہیں۔

10- 31 دسمبر 2019 کو غیر آڈٹ شدہ کھاتوں پر مبنی بینک کے پروویڈنٹ فنڈ اور گرنٹیو فی فنڈ کی سرمایہ کاری کی مالیت بالترتیب

اشارے کی کوریج، دستاویزات اور خطرہ کی شناخت اور تخفیف کے ذریعے بینک کے عمل کو بہتر بنانا آپریٹل رسک مینجمنٹ فریم ورک میں مستقل بہتری کا ثبوت ہے۔

مضبوط آپریٹل رسک مینجمنٹ فریم ورک کے دائرہ کار کو بڑھانے کے لئے مستقل کوششیں کی جارہی ہیں۔ بینک کے پاس اندرونی آپریٹل رسک بیداری کا پروگرام ہے جس کا مقصد صلاحیت کو بڑھانا اور تربیت اور ملازمت سے متعلق آگاہی کے ذریعہ عملے میں صلاحیت کو بڑھانا اور خطرہ سے پاک ثقافت پیدا کرنا ہے تاکہ زیادہ سے زیادہ خطرات سے آگاہی کو فروغ دیا جاسکے۔

بینک نے CAR کو 14.95 فیصد پر برقرار رکھے ہوئے ہے جس کی تجویز کردہ Basel III کے ضوابط کے تحت 12.50 فیصد کے ریگولیٹری دہلیز سے بہت اوپر ہے۔ بینک نے اپنے اثاثوں کے پورٹ فولیو کے رسک پروفائل کو احتیاط سے مانیٹر کرنے اور ان کا انتظام کر کے اپنے CAR کا انتظام کیا ہے۔

بینک اسلامی نے معلومات کے اثاثوں کی حفاظت کے انتظام کے لئے ایک وسیع انفارمیشن سیکورٹی (IS) پروگرام اور گورننس ڈھانچہ قائم کیا ہے۔ بینک کے ذریعہ منظم کردہ حساس معلومات بشمول بینک اسلامی کو اپنے صارفین، شراکت داروں اور عملہ کے ذریعہ سپرد کردہ ڈیٹا تنظیم کے انتہائی قیمتی اثاثوں میں شامل ہیں۔ بینک کے کاروبار کی مسابقتی نوعیت اور اس کے منظم کردہ اعداد و شمار کی قدر کو دیکھتے ہوئے، رسک گروپ نے کاروبار اور ٹیکنالوجی کے ساتھ مل کر، خطرے کو کم سے کم کرنے کے لئے ضروری اقدامات اٹھائے ہیں۔

اسٹیٹ بینک بی ایس ڈی سرکلر نمبر 07 مورخہ 15-08-2003 ایس بی پی اور مارکیٹ پریکٹس میں جاری کردہ رہنما اصول کے پیش نظر، کریڈٹ ایڈمنسٹریشن ڈیپارٹمنٹ (سی اے ڈی) کو رسک مینجمنٹ کے ساتھ موافق کیا گیا ہے۔ فی الحال، ای سی آئی بی یونٹ ہیڈ رسک مینجمنٹ کو براہ راست رپورٹنگ کرتے ہوئے ہیڈ-سی اے ڈی کو اطلاع دے گا کیونکہ مذکورہ فنکشن سی اے ڈی کے دائرے میں آنے والے کریڈٹ مانیٹرنگ سے منسلک ہے۔

مالیاتی رپورٹنگ (آئی سی ایف آر) پر داخلی کنٹرول

بینک نے مالی رپورٹنگ کنٹرولز سمیت اندرونی کنٹرول کے مجموعی سیٹ کی تاثیر کا اندازہ کرنے کے لئے اندرونی کنٹرول سے متعلق اسٹیٹ بینک آف پاکستان (ایس بی پی) کے رہنما اصولوں کی تبدیلی سے عمل کیا۔ بینک وسیع عملوں اور کنٹرولوں کی ایک مفصل دستاویزات، مکمل طور پر کنٹرول ڈیزائن کے ایک جامع خلا تجزیہ اور شناخت شدہ خالی جگہوں کے تدارک کے منصوبے کی تعمیل کی۔ مزید برآں، بینک نے کلیدی کنٹرولوں کی آپریٹنگ تاثیر کو یقینی بنانے کے لئے انتظامیہ کی ایک جامع جانچ اور رپورٹنگ فریم ورک تیار کیا ہے اور ڈیزائن کی بہتریوں کو نمایاں طور پر حل کیا ہے۔ فنانشل رپورٹنگ پر اندرونی کنٹرول (ICFR) روڈ میپ کی تسلی بخش تکمیل پر، اسٹیٹ بینک نے بیرونی آڈیٹرز کے ذریعہ لاگ فارم رپورٹ (LFR) پیش کرنے سے سال 2017 میں بینک کو چھوٹ دے دی۔ بینک کو اب ضروری ہے کہ وہ آڈٹ کمیٹی کے ذریعہ تائید شدہ اپنی سالانہ خود تفتیشی رپورٹ ایس بی پی کو پیش کرے۔ اس سے متعلق آخری رپورٹ 31 دسمبر

- کارپوریٹ کریڈیٹ رسک منجمنٹ

- کنزیومر کریڈیٹ رسک منجمنٹ

- کریڈیٹ انتظام

- انٹرپرائز رسک منجمنٹ (ERM)

- انفارمیشن سیکورٹی

- سوشل اثاثہ جات انتظام

متعلقہ تجربہ اور مہارت کے ساتھ سینئر مینجمنٹ کے ممبروں پر مشتمل خصوصی کمیٹیاں، بورڈ کے ذریعہ طے شدہ مجموعی حکمت عملی کے مطابق اپنے فرائض سرانجام دیتی ہیں تاکہ اس بات کو یقینی بنایا جاسکے کہ خطرے بینک کی استطاعت میں ہوں۔ کمیٹیوں میں شامل ہیں:

1- مینجمنٹ کریڈٹ کمیٹی (ایم سی سی)

2- اثاثہ ذمہ داری کمیٹی (ای ایل سی او)

ایم سی سی یہ یقینی بناتا ہے کہ کریڈٹ رسک کی سرگرمیاں بورڈ کی منظور شدہ پالیسیوں، ریگولیٹری ضروریات، بینک کی رسک کی استطاعت اور صنعت کے بہترین طریقوں کے مطابق ہیں۔ ALCO مارکیٹ، لیکویڈیٹی اور ملک کے خطرات، اثاثوں اور واجبات کی پختگی پر وفائل کا جائزہ لیتی ہے، قیمتوں کا تعین کرتی ہے اور صارفین کے اثاثوں اور معیار کے حصول کے سلسلے میں بہتر لیکویڈیٹی مینجمنٹ کے فیصلے لیتی ہے۔ پالیسیوں اور عمل میں ترمیم کی گئی ہے تاکہ مزید سختی کی جائے جس سے اثاثوں کے معیار میں مزید بہتری آئے گی۔

ERM کو مارکیٹ رسک فنکشن کی اطلاع دہندگی کے ذریعہ ایکویٹی، فارن ایکسچینج اور لیکویڈیٹی سے وابستہ خطرے کی پیمائش اور نگرانی کی جارہی ہے۔ کشیدگی کی جانچ اور حساسیت کے اقدامات بازار کے خطرے کی نگرانی اور ان کا نظم و نسق کے لئے رسک مینجمنٹ ٹولز کے طور پر استعمال ہوتے ہیں۔ جامع فنڈنگ پالیسیوں اور طریقہ کار کے ذریعہ اثاثوں کے معیار کو یقینی بنایا جا رہا ہے، مناسب طور پر فنڈنگ کی منظوری کے اہتمام، مناسب کو لیٹرل کوریج، اس کی دستاویزات اور وقتاً فوقتاً جائزے کے ذریعے تفویض کیا جاتا ہے۔ جامع رسک تجزیہ اور پورٹ فولیو تنوع پر توجہ دیتے ہوئے مالی اعانت میں اضافے کو یقینی بنایا گیا ہے۔ بینک مارکیٹ کے خطرے کی تشخیص کے لئے خطرہ پر قیمت کا حساب لگاتا ہے۔ روزانہ لیکویڈیٹی مینجمنٹ کیش فلو ماسٹ، ریگولیٹری ریزرو کی ضرورت کو پورا کرنے اور مناسب مائع اثاثوں کو برقرار رکھنے کے ذریعے کی جاتی ہے۔ کسی بھی ممکنہ لیکویڈیٹی رسک کا اندازہ کرنے کے لئے مختلف لیکویڈیٹی تناسب کی نگرانی کی جارہی ہے۔

مختلف حدود کی ساخت، ان کی نگرانی، رپورٹنگ اور نظام میں بہتری کے ساتھ خزانے کی سرگرمیوں کی نگرانی میں مارکیٹ اور لیکویڈیٹی رسک فنکشن کے کردار کو تقویت ملی ہے۔ ضائع ہونے والے اعداد و شمار کی اطلاع دہندگی، رسک اور کنٹرول کا خود جائزہ، اہم خطرے کے

ایف آئی اے، نیب، اے این ایف وغیرہ شامل ہیں کو وقت پر بھی یعنی بنانا ہے جس میں مختلف اتھارٹیز کے سامنے پیش ہونا ہوتا ہے۔ مزید یہ کہ یہ فنکشن بینک کے تمام محکموں کو ریگولیشنز امور سے متعلق مشورے بھی فراہم کر رہا ہے اور ان کو ریگولیشنز سے وضاحت اور منظوری حاصل کرنے میں مدد فراہم کرتا ہے۔

تعمیل رسک منیجمنٹ

تعمیل رسک منیجمنٹ فنکشن بینک کو درپیش تعویل کے خطرے کا اندازہ کرنے کے لئے ذمہ دار ہے۔ اس سے نمٹنے کے لئے، بینک برانچوں اور محکموں کا جائزہ لیتا ہے، اسٹیٹ بینک کی ہدایت جب بھی موصول ہوتی ہے تو اس کو آگے بڑھاتا ہے اور اس پر عمل درآمد کے لئے سخت پیروی کرتا ہے۔ یہ فنکشن انتظامیہ کی تعویل کمیٹی کے تمام فیصلوں پر بھی نظر رکھتی ہے اور اس کی اطلاع دیتا ہے، قوانین اور قواعد و ضوابط کا ایک خود کار اور اپ ڈیٹ شدہ ڈیٹا بیس کو برقرار رکھتا ہے، پالیسیوں اور دستور العمل کا باقاعدہ وقتوں سے جائزہ لیتے ہیں، تعویل کے خطرے کی نشاندہی کرنے کے لئے رسک کنٹرول خود تشخیص کا انعقاد کرتا ہے، اور ریگولیشنز ہدایتوں کی اہمیت اور اس کے مضمرات کے بارے میں شعور پیدا کرنے کے لئے سی آر ایم پر تربیت فراہم کرتا ہے۔

فراڈ رسک منیجمنٹ

بینک کے پاس ایک نامزد محکمہ ہے جو مرتکب یا مشتبہ دھوکہ دہی کی تفصیلی تحقیقات کرنے کا ذمہ دار ہے اور سینٹر منیجمنٹ کو نتائج اور سفارشات فراہم کرتا ہے۔ بینک دھوکہ دہی کے رجحان اور انتظامیہ کو احتیاطی تدابیر کے لئے مشورے کا تجزیہ بھی کرتا ہے۔

اندرونی کنٹرول کا بیان

بورڈ داخلی کنٹرول سے متعلق انتظامیہ کی طرف سے دیئے گئے بیان کی توثیق کرنے پر راضی ہے جس میں سالانہ رپورٹ میں شامل مالی معاملات کی اندرونی کنٹرول سے متعلق انتظامیہ کی تشخیص بھی شامل ہے۔ بورڈ آف ڈائریکٹرز اس بات کی یقین دہانی کے لئے اپنی ذمہ داری کو تسلیم کرتا ہے کہ ہمارے بینکاری کاموں کے تمام پہلوؤں کا احاطہ کرنے والا ایک مناسب اور موثر داخلی کنٹرول سسٹم موجود ہے اور انتظامیہ اس کی سختی سے پیروی کر رہی ہے۔ بورڈ کارپوریٹ گورننس کے اعلیٰ ترین معیار کی تعویل کی تصدیق کرتا ہے اور یہ کہ بینک کا موجودہ داخلی کنٹرول کا سسٹم ڈیزائن کے مطابق ہے اور اس پر موثر انداز میں عمل درآمد اور نگرانی کی جا رہی ہے۔

رسک منیجمنٹ فریم ورک

رسک منیجمنٹ کا مقصد کاروباری سرگرمیوں کے معمول کے دوران پیدا ہونے والی غیر یقینی صورتحال کا موثر طریقے سے انتظام کرنا ہے۔ یہ بینکاری کاروبار کا ایک اہم ترین شعبہ ہے جس کے ذریعے بینک رسک ایڈجسٹ ریٹن کو زیادہ سے زیادہ کرنے کے مقصد کے ساتھ انٹرنیشنل و وسیع خطرات کا انتظام کرتا ہے جبکہ خطرہ سے بچنے کے طریقہ ڈھونڈتا رہتا ہے۔ رسک منیجمنٹ گروپ میں درج ذیل ڈویژن ہیں، جن کی سربراہی سینئر ایگزیکٹوز نے کی ہے جو سہراہ۔ رسک منیجمنٹ کو اطلاع دیتے ہیں۔

سال 2019 کے دوران بینک کو مجموعی طور پر 39,338 شکایات موصول ہوئیں جبکہ اوسطاً ایک شکایت کے ازالے کیلئے 3.24 روز دفتری اوقات صرف ہوئے، اس کے علاوہ مرکزی بینک اور بینکاری محاسبہ پاکستان کی جانب سے 183 شکایات موصول ہوئیں۔

کمپلائنس (تعمیل)

بینک اسلامی ایک مضبوط تعمیلاتی کلچر کے ساتھ کام کرتا ہے جس نے بینک کو اعلیٰ اخلاقیات اور سالمیتی معیارات کی پیروی کرنے کے قابل بنایا ہے۔ ادارے کی اعلیٰ سطح سے لے کر چھٹی سطح تک اپنے خطوط و روح میں ریگولیشنری ضروریات، معیارات، طریقہ کار اور قوانین کے ہموار اور موثر عملدرآمد کو یقینی بناتا ہے، لہذا بینک کے تعمیلاتی فنکشن ادارے کی سرگرمیوں کو قابل اطلاق قانون اور ضوابط کے فریم ورک کے اندر کام کرنے میں اہم کردار ادا کرتا ہے اور شراکت داروں کے مفادات کے تحفظ کی خاطر تعمیلاتی رسک کی خاص سطح پر انتظام کاری کرتے ہیں۔ تعمیلاتی فنکشن کی سرگرمیوں کو زیادہ موثر انتظام کاری کیلئے درج ذیل دو حصوں میں تقسیم کیا گیا ہے۔

اینٹی منی لانڈرنگ اور دہشت گردی کیلئے مالی معاونت کی روک تھام (اے ایم ایل اسی ٹی ایف)

اے ایم ایل اسی ٹی ایف سیکشن صارفین کے تعلقات اور ان کی جانب سے کی گئی ترسیلات کے مشکوک ہونے کی شناخت کے حوالے سے کچھ مخصوص اقدامات اٹھانے کیلئے کردار ادا کرتا ہے۔ یہ نگرانی اس بات کو یقینی بناتی ہے کہ بینک کی خدمات کسی مشکوک فرد کو سہولیات فراہم کرنے کیلئے استعمال نہ کی جاسکیں (قدرتی و قانونی دونوں)، اور منی لانڈرنگ سے متعلق مشکوک سرگرمیوں کی فوری شناخت کی جاسکے۔

بنیادی بینکاری نظام CFT / AML حکمرانی کے موثر نفاذ کے لئے، بینک مطلوبہ ریگولیشن سے لیس ہے جس میں پیشگی خود کار ٹرانزیکشن مانیٹرنگ، ممکنہ صارفین کی اسکریننگ، بین الاقوامی ترسیلات زر کی فوری جانچ، کرنسی لین دین کی رپورٹنگ، مشکوک لین دین کی رپورٹنگ اور کچھ سسٹم بیسڈ نظام پر مبنی کنٹرول شامل ہیں۔

بینک کی تعمیل میں وقتاً فوقتاً اعلیٰ خطرے کے حامل تعلقات کو بھی دیکھا جاتا ہے جن میں سیاسی تعلق والے افراد (PEP) اور نمائندے والے بینکوں سمیت اعلیٰ خطرہ پیدا ہونے والے تعلقات کا وقتاً فوقتاً جائزہ لینے تک محدود ہے، غیر ملکی اکاؤنٹ ٹیکس تعمیل ایکٹ (FATCA) اور عام رپورٹنگ معیارات (CRS) سے متعلق وقتاً فوقتاً رپورٹنگ، اعلیٰ خطرہ اکاؤنٹس کا جائزہ لینے اور منظوری، طبقات کی CFT / AML کی شاخوں کے متعلق معاملات و سہولت کاری، مقامی اور بین الاقوامی پابندیوں سے متعلق مشورے اور ملک بھر میں CRS، FATCA، CFT / AML پر باقاعدہ وقفوں سے وسیع تربیت کا انعقاد شامل ہے۔

لازمی عمل درآمد

بینک اسلامی کا باقاعدہ شکایات ختم کرنا بینک اور ریگولیشنری حکام کے مابین سہولت کار کا کردار ہے۔ اس فنکشن کو کچھ ذمہ داریاں سونپی گئی ہیں۔ جن میں اسٹیٹ بینک آف پاکستان کے سائٹ پر معائنہ کی سہولت شامل ہے۔ اور اس کے اختتام کے بعد معائنہ کے نتائج پر موثر عمل درآمد کو یقینی بنایا جاتا ہے۔ اس سیکشن میں قانون نافذ کرنے والے اداروں سے متعلق سوالات بھی شامل ہیں جن میں ایف بی آر،

ساتھ انتہائی خوشگوار وقت گزارا، ان کے ساتھ افطار کیا اور بچوں میں عیدی کے ساتھ ساتھ نئے ملبوسات بھی تقسیم کئے۔

خیراتی عمل

یہ بینک کے ذریعے خیرات کی مد میں تقسیم کی جانے والی ادائیگی اکاؤنٹ کی نمائندگی کرتا ہے۔ ان خیراتی ادائیگی اکاؤنٹس کے ذرائع یہ ہیں (i) بینک کی شرعی غیر تعمیل آمدنی، (ii) منافع بخش آمدنی کی پیورٹفیکیشن، (iii) صارفین سے وصول کئے گئے لیٹ مینٹ چارجز اور (iv) خیراتی ادائیگی اکاؤنٹس پر کمایا گیا منافع۔ بینک کی جانب سے کی گئی خیراتی ادائیگیاں محض شریعت سے متعلق تعمیلات کیلئے ہی نہیں ہوتیں بلکہ ان کا مقصد معاشرے میں قابل قدر اور مثبت تبدیلی لانا بھی ہوتا ہے۔ خیراتی ادائیگیاں ان اداروں کو کی جاتی ہیں جو عوامی فلاح و بہبود کی تاریخ اور فلسفے کے ساتھ کام کر رہی ہوں۔ بینک کی جانب سے کی جانے والی خیراتی ادائیگیوں کی تفصیلات مالیاتی گوشواروں کے نوٹ 21.2.1 میں واضح کی گئی ہیں۔

صارف خدمات اور شکایات کا نظام

بینک اپنے صارفین کی قدر کرتا ہے اور ان کی خدمت کو باعث افتخار سمجھتا ہے، اسی لئے ہم نے صارفین کے ساتھ منصفانہ سلوک کو اپنی کارپوریٹ ثقافت کا لازمی حصہ بنایا ہے اور انہی خطوط پر بینک نے صارفین کے تحفظ کیلئے ایک موثر فریم ورک قائم کیا ہے۔ ہم نے ڈیزائننگ، سیلنگ اور مصنوعات و خدمات کے انتظام کے وقت بلا تفریق صارفین کی ضروریات اور مفادات کے تحفظ کو اپنی ترجیحات میں شامل کیا ہوا ہے۔ ہم اپنے صارفین کو اعلیٰ معیار کی خدمات اور اطمینان کی فراہمی کیلئے پرعزم ہیں اور اس معیار کو حاصل کرنے کیلئے ہم نے 360 ڈگری کے زاویے سے معاملات کو دیکھنے کیلئے ایک آزادانہ سروس کوالٹی یونٹ اور بزنس کنڈیکٹ فنکشن قائم کیا ہے جو خدمات کے معیارات، مسائل کے حل اور صارفین سے منصفانہ سلوک کو یقینی بناتا ہے۔ یہ یونٹ اس امر کو بھی یقینی بناتا ہے کہ بینک اپنے صارفین کو شفافیت اور کشادگی کے کلچر کے ساتھ مستقل بنیادوں پر منصفانہ نتائج فراہم کرے۔ سروس کوالٹی ڈپارٹمنٹ صارفین سے منصفانہ سلوک (ایف ٹی سی) کیلئے نگرانی اور رابطہ کاری کا ذمہ دار ہے اور ہمارے صارفین کیلئے بینکاری کے تجربے کو زیادہ آسان، آرام دہ اور دلکش بنانے کیلئے نئے اقدامات کو بھی یقینی بناتا ہے۔

صارفین کی شکایات

ہماری شکایات سے نمٹنے کی پالیسی اور تحفظات کے ازالے کا طریقہ کار اس بات کو یقینی بناتا ہے کہ شکایت کا بروقت ازالہ کیا جائے اور مستقبل میں اس قسم کی شکایات کو پیدا ہونے سے روکا جائے۔ صارفین مختلف ذرائع سے اپنی شکایات درج کر سکتے ہیں جس میں بینک کی شائیں، ٹیلیفونک بینکنگ ویب سائٹ اور ای میل شامل ہیں۔ شکایات کی انتظام کاری اور حل کے طریقہ کار کو رجسٹریشن، اعتراف، عبوری ردعمل (جہاں بھی اطلاق ہو) اور بار بار آنے والی شکایات کے تجزیے کے ساتھ مکمل طور پر شفاف رکھا جاتا ہے۔ صارفین کو بینک کی جانب سے موصول ہونے والے ردعمل پر عدم اطمینان کی صورت میں بینکاری محتسب سے رابطہ کرنے کا آپشن بھی فراہم کیا جاتا ہے۔

بجلی کے حصول کیلئے اپنی تنصیبات قائم کی ہیں جو کہ 601.8 کلو واٹ سے زائد بجلی پیدا کر کے بینک کی 50 فیصد سے زائد براؤنج نیٹ ورک کو بجلی فراہم کر رہی ہیں، جبکہ ہمارا عزم ہے کہ اپنے 100 فیصد شاخوں کو شمسی توانائی سے پائیدار بنا سکیں، اس ضمن میں ہمیں جگہ کی دستیابی کا چیلنج درپیش ہے کیونکہ شمسی توانائی کے سیٹ اپ کیلئے وسیع اراضی (خاص طور پر لوڈ برداشت کرنے کیلئے زیادہ اونچائی والی چھتیں) درکار ہوتی ہیں، تاہم یہ چیلنج کاربن فٹ پرنٹ میں کمی کے بینک کے عزم میں کسی قسم کی رکاوٹ نہیں ڈال سکتا اور اس وقت بھی یہ پائیدار اور سبز ماحول بنانے کیلئے کوشاں ہے اور محفوظ مستقبل کیلئے بھی تاکہ انسانیت کی خدمت کی جاسکے اور یہی ”درست راستہ ہے“۔

تعلیم

گزشتہ برس کے دوران بینک اسلامی نے سجاد فاؤنڈیشن کے ساتھ اشتراک میں پاکستان کی سب سے بہترین یونیورسٹیوں میں سے منتخب کردہ 14 ذہین طلباء کو نیشنل یونیورسٹی آف سنگاپور میں انٹرنیشنل پریگنڈیشن کیلئے منعقدہ این یو ایس انٹرنیشنل پریگنڈیشن پروگرام میں شرکت کیلئے بھیجا۔ ان 14 طلباء کا انتخاب سجاد فاؤنڈیشن کو موصول ہونے والی 500 سے زائد درخواستوں میں سے کیا گیا تھا۔ سجاد فاؤنڈیشن گزشتہ دس برسوں میں دیگر شراکت داروں کے ساتھ ملکر اس معتبر پروگرام میں اب تک 200 سے زائد طلباء کو بھیج چکی ہے۔ دو ہفتوں پر محیط یہ سر پروگرام انڈرگریجویٹ طلباء کو ان کے کاروباری تخلیقات کی حوصلہ افزائی اور کاروباری صلاحیتوں میں اضافے کے ذریعے کاروباری صلاحیتوں کے اظہار کا موقع فراہم کرتا ہے۔

حیاتیاتی تنوع

توانائی اور وسائل کے تحفظ کے فلسفے کے ساتھ بینک اسلامی نے تکنیکی جدت سے استفادہ کرتے ہوئے تخلیقات پر مسلسل کام کرنے کو اپنا مشن بنایا ہوا ہے۔ اس ٹیکنالوجی کے اہم فائدے میں کاغذ اور پلاسٹک سے پاک ماحول کی قابلیت شامل ہے۔ ان خطوط پر کام کرتے ہوئے بینک اسلامی نے ”ون ٹچ بینکنگ“ کے برانڈ سے بائیومیٹرک ٹیکنالوجی پر مبنی ایک منفرد ڈیجیٹل بینکنگ پلیٹ فارم کو فروغ دیا ہے۔ یہ پراڈکٹ ہمارے صارفین کو ایس ٹی ایس سے رقوم نکلوانے اور انھوں نے نشان کی مدد سے شاخوں میں ٹرانزیکشنز کرنے کی حوصلہ افزائی کرتی ہے (کسی پلاسٹک کارڈ یا کاغذ پر مبنی انشرومنٹس کے استعمال کے بغیر)۔

بینک اسلامی اس وقت پاکستان میں واحد بینک ہے جو کہ اپنے صارفین کو اپنی شاخوں اور ای ایم نیٹ ورک کے ذریعے کارڈ لیس اور پیپر لیس بینکنگ ٹرانزیکشنز کی سہولیات فراہم کر رہا ہے۔

سماجی فلاح

بینک نے اپنی کارپوریٹ سماجی ذمہ داریوں سرگرمیوں کے تحت ”شیمز ٹو کیئر“ کے نام سے ایک نئی مہم متعارف کرائی۔ اس مہم کے تحت بینک کے ملازمین نے رضا کارانہ طور پر رمضان کے بابرکت ماہ میں کراچی میں قائم معروف ایڈھی چلڈرن ہوم کا دورہ کیا، اس سماجی مرکز کے دورے کا مقصد اتحاد، ہمدردی اور خلوص کے جذبے کو پھیلاتا تھا، بینک اسلامی کے عملے نے اس مرکز میں موجود بے گھر بچوں کے

ملازمین سے روابط

بینک نے اپنی سالانہ بزنس کانفرنس 2019ء کراچی میں منعقد کی جہاں بینک اسلامی کے تمام بنیادی بزنس اسٹاف کو جمع کیا گیا تھا تاکہ انہیں سال 2019 کے لئے بینک کی حکمت عملی کے مطابق آگاہ کیا جاسکے۔ اس کی تقسیم، علاقوں اور اسٹاف کی کارکردگی کو دیکھا گیا۔ اور یہ کہ کوئٹہ، حیدرآباد اور ملتان میں ملازمین کی مصروفیت کے بارے میں ہال میٹنگز کا انعقاد کیا گیا تاکہ ملازمین ایک دوسرے اور بینک کی سینئر مینجمنٹ ٹیم سے رابطہ کر سکیں

مستقبل کی حکمت عملی

بینک اسلامی آنے والے برسوں میں اسلامی بینکاری کی صنعت میں اپنی مسلسل ترقی کیلئے پر عزم ہے۔ بینک اپنے شراکت داروں کی قدر میں اضافے اور مفادات کے تحفظ کیلئے اپنے عہد پر کاربند رہے گا۔ اس مقصد کے حصول کیلئے بینک اپنے تین سالہ اسٹریٹجک پلان (2019-2021) پر عملدرآمد جاری رکھے گا جس کو ہمارے وژن اور مشن کے بیانیہ کے ساتھ ملکر وضع کیا گیا ہے۔ بدلتے ہوئے بیرونی عوامل کو موثر طریقے سے حل کرنے کیلئے بورڈ کی رہنمائی سے منصوبے میں ایڈجسٹمنٹ کی گئی ہیں۔ بینک کے اسٹریٹجک پلان نے بینک اسلامی کے ادارتی اہداف اور مقاصد کے حصول کیلئے واضح روڈ میپ وضع کیا ہے، مزید برآں انتظامیہ نے مذکورہ منصوبے کی تیاری کیلئے ہم آہنگ سوچ اپنائی ہے تاکہ بینک کے تمام شعبہ جات میں اتفاق رائے پیدا ہو۔ یہ اس بات کو یقینی بناتا ہے کہ تمام متعلقہ شراکت داران اہداف کے ساتھ مکمل طور پر آن بورڈ ہوں اور اس منصوبے کے نفاذ کیلئے حکمت عملی کے ساتھ منسلک ہوں۔ اس اسٹریٹجک پلان کے تحت ڈپازٹس میں اضافے کیلئے مختلف اہداف اور کے پی آئی ایس KPIs کا تعین، تجارتی کاروبار میں اضافے، کریڈٹ رسک پر وفاق میں بہتری، صارفین کے ڈیٹا کو رازداری کے ساتھ محفوظ بناتے ہوئے تکنیکی جدت سے استفادہ، اعلیٰ معیار کے انسانی وسائل کو راغب کرنا، برانڈ کی شناخت کے نفاذ، صحت مند سرمائے کی بنیاد کو برقرار رکھتے ہوئے صارفین پر توجہ مرکوز رکھنے والا بینک بنانا ہے۔

کارپوریٹ سماجی ذمہ داریاں

بینک اسلامی کا مشن ہے کہ وہ اپنے شراکت داروں اور اپنے آپریٹرز کے دائرہ کار کے ایکوسٹم میں موجود ہر ایک کی اقدار میں اضافہ کرے، اسی لئے بینک سماجی طور پر ذمہ دارانہ انداز میں کام کرنے پر پختہ یقین رکھتا ہے اور معیشت، معاشرے اور ماحولیات میں تعمیراتی کردار ادا کرتا ہے۔ سال 2019 کے دوران بینک اسلامی کی کارپوریٹ سماجی ذمہ داریوں کی کاوشوں میں توانائی کی بچت، تعلیم، رضا کارانہ، حیاتیاتی تنوع اور خیراتی عمل کو اہمیت حاصل رہی۔

گرین انرجی سے متعلق اقدامات:

بینک اسلامی ہمیشہ سے ماحول دوست اور موثر توانائی کے حل کو بہتر بنانے کا مضبوط حامی رہا ہے، ہمارے لوگ توانائی کے استعمال کیلئے ماحول دوست اور کم لاگت والے آپشنز کے استعمال پر پختہ یقین رکھتے ہیں۔ اس فلسفے سے منسلک رہنے کیلئے بینک نے شمسی توانائی سے

خدمات کی ضمانت میں مزید آسانی پیدا ہوگی۔

ایس ایم ای اور ایگری سیکٹرز کو تعاون بڑھانے اور اس میں مدد فراہم کرنے پر بینک کی توجہ کے مطابق، محکمہ نے ایس ایم ای اور ایگری ٹیموں کے تعاون سے تین مصنوعات تیار کیں۔ صارفین کی سائیڈ سے محکمہ نے 'روشن آسان' پروڈکٹ کی تیاری کے لئے صارف بینکاری ٹیم کے ساتھ کام کیا جو صارفین کو قابل تجدید توانائی کے لئے مالی اعانت کی سہولت فراہم کرنے کے لئے متعارف کرایا گیا ہے۔ بینک کا شرعی ڈویژن دوسرے اسلامی بینکوں کے ساتھ مشترکہ تعاون میں، 200 ارب روپے کے پاکستان انرجی سکوک کے ڈھانچے اور دستاویزات کے مسودے میں فعال طور پر شامل تھا، جو اس وقت کی اپنی نوعیت کا سب سے بڑا گورنمنٹ سکوک ہے۔ اس سکوک نے اسلامی بینکاری کی صنعت کو کافی حد تک محرک فراہم کیا جو ضرورت سے زیادہ لیکویڈیٹی کی تعیناتی کے لئے حل تلاش کر رہے تھے۔

انسانی وسائل

2019 میں، محکمہ ہیومن ریورس نے اپنی توانائیاں اپنے عمل اور طریق کار کی خود کاری پر مرکوز کیں۔ ٹیم تصدیق، بھرتی اور شمولیت کے عمل کے ڈیجیٹلائزیشن کو مکمل کرنے کے ساتھ ساتھ تشکیلات اور ای کورسز کے لئے ای لرننگ پلیٹ فارم کا آغاز کرنے میں کامیاب رہی۔ اس اقدام سے کاغذ کے بغیر ریکارڈ رکھنے، وقت کی بچت، احتساب اور شفافیت کے ساتھ ساتھ نظام میں استعداد کار کے فوائد حاصل ہوئے۔ بینک نے اپنے عمل کو ڈیجیٹلائزیشن اور آٹومیشن کو مکمل کرنے کے لئے روایتی طریقوں سے HR کی مسلسل تبدیلی کا مقصد حاصل کیا ہے۔

بینک نے 2019 کے دوران پے برائے کارکردگی کا پہلے متعارف کرایا جہاں ملازمین کی مثالی کارکردگی پر اسپاٹ ایوارڈ کے ذریعے انعام دیا گیا۔ بینک اسلامی کے صدر اور سی ای او کی جانب سے اعزازی تقریبات میں متعدد اعلیٰ کارکردگی کا مظاہرہ کرنے والے افراد کو کارکردگی کے انعامات دیئے گئے۔

پرشس، پرورش اور ترقی کے ذریعہ چوٹس کا آجر بننا بینک کو ایک بنیادی قوت دیتا ہے جس کے ذریعے بینک زیر تربیت ٹیلرز کے عہدوں پر نئے فارغ التحصیل افراد کو روزگار کے مواقع فراہم کئے، جس کے لئے ملک بھر میں بیچوں میں خدمات حاصل کی گئیں۔ بینک نے رواں سال انتظامی عہدوں کے لئے ٹرینی اسلامک بینکر کا پہلا بیچ بھی لانچ کیا۔ بینک نے اپنے ملازمین کے طبی فوائد میں نظر ثانی کی تاکہ والدین کے میڈیکل کی کوریج اور خاندان کے ہر فرد کے لئے انفرادی طبی حدود میں اضافہ کیا جاسکے۔ بینک نے معاہدہ کرنے والے ملازمین کیلئے میڈیکل سیلف کوریج کا بھی آغاز کیا۔

مجموعی طور پر سروس کے معیار کی ثقافت کو بہتر بنانے کے لئے، ملازمین کی کارکردگی اور بینک کے تعمیلی معیار، شرعی تعمیل، اسلامی مالیات، تعمیل رسک، KYC / CFT / AML، خدمت کی بہتری، گاہکوں کے ساتھ منصفانہ سلوک، تجارتی کاروبار کے حوالے سے مختلف تربیتی اجلاس منعقد کیے گئے۔

ماڈل میں مارکیٹ کے خطرے، لیکویڈیٹی رسک، آپریشنل رسک، کریڈٹ رسک، سائبر سیکیورٹی رسک، قانونی رسک وغیرہ جیسے تقریباً تمام رسک پیرامیٹرز کا احاطہ کیا گیا ہے۔

شرعی اطاعت اور تربیت

سال کے دوران، محکمہ شریعہ کمپلائنس (ایس سی ڈی) نے بینک میں شرعی تعمیل کے عمل کو بڑھانے اور بہتر بنانے کے لئے مختلف رہنما اصول جاری کیے۔ ان میں مالی اعانت، ذخائر کی اجرت، سرمایہ کاری بینکاری، اور مارکیٹنگ کے شعبوں کا احاطہ کیا گیا۔ ان رہنما اصولوں کا مقصد ہمارے کاموں میں شریعت کی عدم تعمیل کے خطرے کو کم کرنا اور اس عمل کو موثر بنانے کے لیے بینک میں شرعی تعمیل کو مستحکم کرنا ہے۔

سال کے دوران، شریعہ ٹیم نے بیرونی اور اندرونی معاہدوں کے ساتھ 1600 سے زیادہ ٹرانزیکشن فیکٹ شیٹس (ٹی ایف ایس)، گارنٹی ڈرافٹس اور منظور یوں کا جائزہ لیا۔ اس ٹیم نے بینک کے مارکیٹنگ اور تشہیری مواد کا بھی جائزہ لیا ہے جس میں سوشل میڈیا پوسٹس، کفالت کے مندرجات اور مارکیٹنگ کے ڈیزائن شامل ہیں۔ مزید یہ کہ تسلی بخش جائزے کے بعد ایس سی ڈی میں پیش کی جانے والی مصنوعات پر شریعت بورڈ کی منظوری/فتویٰ کا اہتمام کیا گیا جن میں ملازم بینکاری خدمات، میوچل فنڈ یونٹس کے بیج مجل، روشن پاکستان، سکوک کے بیج مجل، رائٹ شیئر، بی آر ایل (بینک رسک لائن) پروڈکٹ اور عہد سکوک شامل ہیں۔

بینک اسلامی کے محکمہ شریعت کی ٹیم، تاجر برادری کے درمیان بینک کی رسا کو بڑھانے کے لئے، عام لوگوں سے بات چیت کرنے اور اسلامی بینکاری کے تصورات سے متعلق ان کے سوالات کو دور کرنے کے لئے سال بھر میں مختلف اسلامی بینکاری سے آگاہی پروگراموں کا انعقاد کرتی ہے۔ شریعہ ٹیم نے سیالکوٹ جی بی آر آف کامرس کے ساتھ بھی سیمینار کا میاں بی کے ساتھ انجام دیئے اور دیگر مختلف یونیورسٹیز جن میں بہاؤ الدین زکریا یونیورسٹی، ملتان اسلامیہ یونیورسٹی، بہاولپور، آئی بی اے سکھر کیمپس اور COMSAT یونیورسٹی سمیت متعدد یونیورسٹیاں شامل ہیں۔ بینک نے بہاؤ الدین زکریا یونیورسٹی، ملتان، اسلامیہ یونیورسٹی، بہاولپور، انسٹ، اسلام آباد اور کوماسٹس یونیورسٹی کے ساتھ بھی معاہدے پر دستخط کیے ہیں تاکہ اسلامی بینکاری سے متعلق آگاہی سیمینار جیسے مختلف محاذوں پر تعاون کیا جاسکے۔ سال کے دوران، اس ٹیم نے بینک کے مختلف محکموں کے ملازمین کی شرعی تربیت بھی شامل کی ہے جس میں تجارت، کارپوریٹ اور کریڈٹ ڈیپارٹمنٹ کے ساتھ ساتھ مختلف شہروں میں ڈسٹری بیوشن ٹیم بھی شامل ہے۔

مصنوعات کی ترقی

محکمہ شریعت نے گارنٹی، غیر ملکی اور مقامی بل کے لئے بینک کے موجودہ چلنے والے مشارکہ پروڈکٹ کے ذریعہ چھوٹ دینے کے لئے ایک شرعی متبادل پروڈکٹ تیار کیا۔ اس کے علاوہ مسلم، واعد اور مسوامہ کے امتزاج پر مبنی ایک حل بھی پیش کیا گیا جس کے متبادل کے طور پر فارورڈ کور کے مقابلے میں بل کی قیمت میں کمی ہوگی۔ توقع کی جاتی ہے کہ ان اقدامات سے ہمارے صارفین کو بل کی فراہمی اور رعایتی

گھریلو ترسیلات

اپنی ترسیلات زر کی پیش کشوں اور کسٹمرز کو بڑھانے کے لئے، بینک نے تین بڑی عالمی تبادلہ کمپنیوں، یعنی آئی ایم ای، ایکسپریس منی اور انسٹنٹ کیش کے ساتھ شراکت کی۔ منی گرام اور آ آئی اے پہلے سے ہی موجود ہیں، بینک اسلامی الحمد للہ اب دنیا کی چھ میں سے پانچ اعلیٰ ایچ بی سی کمپنی کے ساتھ کام کر رہا ہے۔

انفارمیشن ٹیکنالوجی

اپنے کارڈز کے پورٹ فولیو کے ارد گرد سیکورٹی بڑھانے کے لیے، بینک نے اپنا پورا اے ٹی ایم نیٹ ورک اور پے پاک کارڈز EMV کے مطابق بنا دیا۔ بینک اسلامی نے بینک دولت پاکستان کی جانب سے جاری کی گئی ہدایت کے مطابق EMV چپ کوڈ بیٹ کارڈ پورٹ فولیو کی 100 فیصد دوبارہ کارڈنگ بھی مکمل کر لی ہے۔ عمل کے بہاؤ کو بہتر بنانے اور عملوں اور دستاویزات کی ڈیجیٹلائزیشن کی حوصلہ افزائی کے لیے بینک نے کریڈٹ منظوری اور شریعت منظوری کے عملوں کے لئے خود کارورک فلو پر مبنی حل کامیابی کے ساتھ تیار اور نافذ کیا۔

انفارمیشن سیکورٹی

2019 میں بینک اپنی معلومات کی حفاظت کو بہتر بنانے پر انتہائی توجہ مرکوز کی۔ اس مقصد کو حاصل کرنے کے لیے سال 2019 میں سائبر/ انفارمیشن سیکورٹی کے خطرات کو کم کرنے کے لئے متعدد اقدامات اٹھائے گئے ہیں۔ ان میں ای میل اور انٹرنیٹ سیکورٹی کنٹرولز کی تشکیل نو، فائر وال کو مضبوط بنانا، مداخلت سے بچاؤ کے نظام، ویب ایپلیکیشن فائر والز اور کسی بھی قسم کی آئی ٹی سیکورٹی کی خلاف ورزیوں کا پتہ لگانے اور اس کا جواب دینے کے لئے اینڈ پوائنٹ سیکورٹی کا نفاذ شامل ہے۔

بینک نے اپنے انفارمیشن سیکورٹی آپریشن سنٹر کو بھی نئے سرے سے تشکیل دے دیا ہے جسے اب بینک کے آئی ٹی (انفارمیشن اینڈ کمیونیکیشنز ٹیکنالوجی) ماحول میں کسی بھی سیکورٹی واقعات کا بروقت پتہ لگانے اور اس کا جواب دینے کے لئے 7/24 کو آپریشنل کر دیا گیا ہے۔ بینک کے اہم معلوماتی اثاثوں/ خدمات/ انفراسٹرکچر میں سیکورٹی کے کسی بھی قسم کے خطرات کی نشاندہی کرنے اور ان کو درست کرنے کے لئے کمزوری کا جائزہ لینے اور دخول جانچنے کی مشقیں بھی کی گئیں۔ بینک نے اپنے سینئر اور ڈیل مینجمنٹ اسٹاف کے لئے انفارمیشن سیکورٹی آگہی سیشن کا بھی اہتمام کیا۔

انٹرنیشنل رسک مینجمنٹ

رسک مینجمنٹ کے لیے بینک نے اپنے ڈھانچے میں کچھ خاص تبدیلیاں کی ہیں اور ایک الگ انٹرنیشنل رسک مینجمنٹ (ERM) یونٹ تشکیل دیا ہے۔ ای آر ایم کے نفاذ کے لیے مؤثر تشخیص اور خطرے کی تمام اقسام کو مربوط کر کے ایک الگ ماڈل تیار کیا گیا ہے۔ ERM سے ماہی انٹرنیشنل رسک ماڈل تیار کرتا ہے اور سینئر مینجمنٹ اور بورڈ کی رسک کمیٹی کو تجاویزات کے ساتھ اس کی تشخیص پیش کرتا ہے۔ اس

اتحاد بینک اسلامی کے صارفین کو انٹروڈ کی مصنوعات کو رعایتی قیمتوں پر اور قسط کی بنیاد پر ادائیگی کرنے کی سہولت کے ساتھ قابل بنائے گا۔

آٹو فنانس ٹیم نے، 2019 کے دوران، آڈی پاکستان، انڈس موٹرز کمپنی (آئی ایم سی) اور کے آئی اے کی موٹرز جیسے مشہور برانڈز کے ساتھ اسٹریٹیجک اتحاد کیا۔ اتحاد نے بینک اسلامی کو پروموشنل اور شریک برانڈنگ سرگرمیوں کے ذریعہ مارکیٹنگ حاصل کرنے اور انفرادی خصوصیات کی شکل میں صارفین کے لئے قدر پیدا کرنے میں مدد فراہم کی ہے۔ بینک نے سال بھر، بینک اسلامی کی مختلف برانچوں میں ہونڈا اور ٹویوٹا جیسے برانڈز کے ساتھ مل کر برانڈ کی مختلف سرگرمیاں انجام دیں۔ اپنے آٹو فنانس بزنس لائن کے لئے یو ایس پی کے حصول کے لیے بینک نے کامیابی کے ساتھ میکانزم نافذ کیا اور 24 گھنٹے کے ٹرن آراؤنڈ ٹائم کے ساتھ آٹو فنانس کیس مکمل کرنے کے عمل کو کامیابی سے ہمکنار کیا۔ مزید برآں، انسٹنٹ آٹو فنانس ویب پورٹل کو اب ہماری ویب سائٹ پر دستیاب کر دیا گیا ہے، جس کے ذریعے ہمارا صارف حقیقی وقت کی بنیاد پر آٹو فنانسنگ کی سہولت کے لئے فنانسنگ آفر حاصل کر سکتا ہے۔

آٹو فنانس کی براہ راست فروخت کا ڈھانچہ 2019 کے دوران لاگو کیا گیا ہے، جس میں براہ راست فروخت عملہ کراچی، لاہور اور اسلام آباد میں رکھا گیا ہے۔ اس اقدام سے یقینی طور پر مارکیٹ میں ہماری رسا اور ڈیلر سطح پر مریت میں بہتری آئی ہے۔ ایک نیا بٹایا ویلیو پلان، متعارف کرایا گیا جہاں صارفین اب سستی قسط کے آپشنز سے لطف اندوز ہو سکتے ہیں۔ فنانسنگ کی مدت کے اختتام پر، گاہک بٹایا قدر کی دوبارہ مالی اعانت کا انتخاب کر سکتا ہے یا بٹایا قدر کی ادائیگی کر کے مالی اعانت طے کر سکتا ہے۔ بینک نے اپنے آٹو فنانس پروڈکٹ کو ایک نئے آرٹ ورک اور علامت (لوگو) کے ساتھ بھی ری برانڈ کیا تاکہ ایک مصنوع کے برانڈ کو ایک تازہ اور متحرک شکل فراہم کی جاسکے۔

بینک نے 04 رجنہز (کراچی، لاہور، اسلام آباد اور ملتان) میں سی سی سی ایگزیکٹوز کی موجودگی کے ساتھ ایک سرشار کسٹمر کیئر ڈیپارٹمنٹ تشکیل دیا ہے۔ صارفین کے سوالات کو انتہائی موثر طریقے سے حل کرنے کے لئے محکمہ خصوصی غور و فکر کا حامل ہے۔

خوردہ بینکاری

اپنی ون ٹیچ بینکاری حل کے آغاز کے ساتھ ہی، بینک نے ایک انوکھی سروس متعارف کرائی جس کے ذریعے کاؤنٹر پرفمٹ انٹرنیٹ بینک فنڈ کی منتقلی کی جاسکے گی۔ اس کے ذریعے بینک اسلامی کے صارفین اپنے فنڈز کو بغیر کسی معاوضہ کے چیک فراہم کر کے یا اپنے انگوٹھے کے نشان کو استعمال کر کے پاکستان کے کسی بھی بینک میں منتقل کر سکتے ہیں۔ ہمارے خوردہ صارفین کے مطالبات اور ضروریات کو مد نظر رکھتے ہوئے بینک اسلامی نے سال کے دوران تین اسپیشل ٹرم ڈپازٹ پروڈکٹ لانچ کیے جنہیں عوام کی جانب سے زبردست رد عمل ملا ہے۔ ہمارے ڈسٹری بیوشن چینل کا زیادہ موثر انداز میں انتظام کرنے کے لئے بینک کے ریشیل بینکنگ طبقہ کو دو علاقوں سے چار علاقوں تک دوبارہ تشکیل دیا گیا ہے۔ کارپوریٹ ڈپازٹ کو راغب کرنے اور ہمارے بنیادی ڈپازٹ میں کو بڑھانے کے لیے، بینک نے اپنی پریم سیونگ ڈپازٹ مصنوعات کو بہتر منافع کی پیش کشوں اور اصلاحی درجات کے ساتھ دوبارہ لانچ کیا۔ ویٹھ منجمنٹ کی جانب ریفرل ماڈل ہماری برانچوں میں جو پلی انشورنس، ای ایف یو لائف اور پاک قطر کے اشتراک سے متعارف کرایا گیا ہے۔

صلاحیتوں کو پورا کرنے کے لئے اس وقت آئندہ سال کے لئے مختلف اقدامات پر کام کر رہا ہے۔ ان میں ویلیو چین فائننسنگ، اجناس پر مبنی فائننسنگ اور بزنس ماڈرنائزیشن کے لئے اسلامی ری فائننس اسکیمیں، ورکنگ کپینٹل فنانس، زرعی مصنوعات اور قابل تجدید توانائی شامل ہیں۔

زراعت کا کاروبار

سال 2019 کے دوران، بینک نے 5 سو ملین روپے سے زیادہ کی رقم 419 کسانوں کو فراہم کی ہے۔ پاکستان بھر میں ہماری 48 شاخوں کے ذریعے فصلوں، ٹریکٹروں، سولر ٹیوب ویلیوں، ڈیری فارمنگ، مویشیوں کی فارمنگ، پولٹری فارمنگ اور فیش فارمنگ کے لیے فراہم کی گئیں ہیں۔ صوبہ بلوچستان میں پانی کی قلت کے مسئلے کو مد نظر رکھتے ہوئے، بینک اسلامی نے کاشتکاروں کو سٹشی ٹیوب ویلیوں کی مالی اعانت فراہم کی ہے تاکہ وہ فصلوں کو بروقت فصلیں اگانے میں سہولت فراہم کر سکیں اور بہتر پیداوار حاصل کریں۔

مذکورہ بالا اسکیموں کے علاوہ پاکستان میں واحد بینک ہے جو بالترتیب مرید کے اور اوکاڑہ کے علاقوں میں چاول اور مکئی کی فصلوں کی کاشت کرنے والے کاشتکاروں کو گودام رسید مالی اعانت فراہم کرتا ہے۔ بینک نے مختلف کسانوں کو آگاہی بھی فراہم کی۔ تمام صوبوں میں مالی خواندگی کے پروگراموں کے ذریعہ کاشتکار برادری کو بینک کی پیش کردہ مصنوعات سے متعلق آگاہ کیا اور شرعی تعمیل مصنوعات سے متعلق ان کے سوالات کو پورا کیا۔

کیش مینجمنٹ

بینک نے 2019 میں ایک اہم سنگ میل حاصل کیا اپنے کارپوریٹ اور تجارتی گاہکوں کو "لنک اسلامی" کے ذریعے ادائیگیوں کے آغاز کے لیے اپنے سسٹم کو اپ گریڈ کیا۔ یہ ایک حسب ضرورت ادائیگی اور نقد انتظامیہ حل ہے جو کارپوریٹ صارفین کو اپنے بینکاری تعلقات کو نہ صرف الیکٹرانک طریقے سے منظم کرنے کے قابل بناتا ہے، لیکن ان کے جمع کرنے اور ادائیگیوں کے انتظام کو آؤٹ سورس کر کے آپریشنل اور ہینڈلنگ کو بھی کم کرتا ہے۔ ہر تنصیب گاہکوں کی مخصوص ضروریات کو پورا کرنے کے لئے تیار کی جاتی ہے جس میں گاہکوں کی ہوسٹ ٹو ہوسٹ ERP سسٹم بھی شامل ہے۔ لنک اسلامی صارفین کو نہ صرف محفوظ طریقے سے نقد بہاؤ کی مریت اور کنٹرول فراہم کرتا ہے بلکہ بینک میں بنیادی ذخائر اور کھلی آمدنی کے سلسلے کو لانے کا ایک اہم ذریعہ ہے۔

کنزیومر فنانس

کنزیومر بزنس سائیز پر بینک اسلامی نے پاکستان مارکیٹ ری فائننس کمپنی (پی ایم آرسی) کے ساتھ 1 ارب روپے کے معاہدے پر دستخط کیے۔ اس معاہدے کے تحت پی ایم آرسی کم اور درمیانی آمدنی والے طبقے کے لئے 1 ارب مالیت کے گھر کی مالی اعانت فراہم کرے گا۔ بینک اسلامی پہلا اسلامی بینک ہے جس نے پی ایم آرسی سے مالی اعانت حاصل کی ہے جو اسلامی طرز مالیت پر مبنی ہے۔ اس کے علاوہ، ہاؤس فائننس ڈویژن نے انٹروڈ پاکستان کے ساتھ اسٹریٹجک شراکت میں ایک اہم فرنیچر اور طرز زندگی کا برانڈ بنا دیا ہے۔ یہ

خدمات کی نمائش کی گئی تھی۔ براہ راست ٹرانسمیشن کا اہتمام کیا گیا تھا اور ہمارے آن سائٹ نمائندوں نے صارفین کو اپنی مصنوعات اور خدمات سے آگاہ کرنے کے لئے ان کے ساتھ مشغول کیا۔

اس سال کے دوران، بینک نے اپنے لوگوں میں معمولی تبدیلیاں بھی کیں جو اب اسے بہت آسان بنا چکی ہیں اور اسے اپنے تمام اسٹیک ہولڈرز کی جانب سے داد ملی ہے۔

سرمایہ کاری بینکنگ

بینک کے انویسٹمنٹ بینکنگ کاروبار نے سال 2019 کے دوران مضبوط کارکردگی کا مظاہرہ کیا۔ ہماری شرعی ٹیم کی مدد سے، بینک نے اسلامی کمرشل پیپر کامیابی کے ساتھ مکمل کیا جو کے ایکٹرک (20 ارب روپے) اور ہاسکول پیپرولیم (4 ارب روپے) کے لئے ہے۔ انویسٹمنٹ بینکاری ڈیسک نے ٹی پی ایل کارپوریشن کو انجنیری کی خدمات فراہم کیں۔ جس میں 1.1 بلین کمرشل کانڈی لین دین "بیج مچل" کی بنیاد پر تشکیل دیا گیا، جبکہ جبکہ کو ان کے 7 بلین روپے کے حصص میں انڈر رائٹنگ سروسز بھی فراہم کی گئیں۔ 2019 کے دوران انویسٹمنٹ بینکاری خدمات کے ذریعہ فراہم کردہ دیگر اقدامات اور معاون سرگرمیوں میں شامل ہیں:

- بطور لیڈ ایڈوائزر اور منتظم کی حیثیت سے کام کیا۔ اور پی آئی اے کی 16.5 بلین سنڈیکیڈ ٹرم فنانس سہولت جو کامیابی کے ساتھ تین ماہ کے عرصہ میں مکمل ہوئی۔
- شکر گنج فوڈز کی کامیابی کے ساتھ تشکیل اور ایکویٹی شیئر وارنٹ لین دین کو کامیاب بنایا گیا۔
- بینک کے کارپوریٹ اور ٹریڈری کو معاونت فراہم کی جس کے ذریعے بجلی، آسٹیل اور دیگر سیکٹرز میں سرمایہ کاری کی گئی۔

تجارتی کاروبار

بینک نے تجارتی کاروبار میں 2019 میں قابل ذکر اور قابل ستائش کارکردگی دکھائی۔ مسلسل کوششوں کے نتیجے میں، ری انجینئر کاروباری حکمت عملی اور نئے کاروبار کے حصول پر مبنی ہنر کی خدمات حاصل کرنا، بینک کا تجارتی حجم بڑے پیمانے پر 120 فیصد اضافے سے 2018 میں 71 ارب روپے سے بڑھ کر 2019 میں 156 بلین روپے ہو گیا۔ نمو، برآمد، درآمد اور گارنٹی بزنس یعنی تمام محاذوں پر دیکھی گئی۔

چھوٹے اور درمیانے درجے کے کاروبار

بینک اسلامی نے شریعت کے مطابق اسلامی مالیات کی سہولیات اور تجارت سے متعلق خدمات کی فراہمی کے ذریعہ ملک کے ایس ایم ای سیکٹر کی ترقی اور اس کو مضبوط بنانے میں معاونت کے لئے اپنی کوششیں تیز کر رکھی ہیں۔ بینک کی مستقل کوشش کے ذریعے 2019 میں پورے ملک میں ہمارے کاروباری یونٹوں کے ذریعے نئی اور موثر قیادت پیدا ہوئی، ہمارے ایس ایم ای فنانشنگ اور تجارتی پورٹ فولیو میں این ٹی بی کے قابل ذکر تعداد میں صارفین کو شامل کیا گیا۔ بینک معیشت میں مزید قدر کو بڑھانے کے لئے کوشاں ہے اور اس حصے کی

گروپ کو کمانے والے اثاثوں کی بنیاد میں اضافے کے ساتھ ساتھ، اسٹیٹ بینک پالیسی کی شرحوں میں اضافے کے ذریعہ مزید تقویت ملی، گروپ کے مجموعی خالص پھیلاؤ میں گزشتہ سال کے مقابلہ میں 78.1 فیصد کا اضافہ ہوا۔ اس کے ساتھ، مالی سال 19 کے دوران لاگت سے آمدنی کے تناسب میں 62.1 فیصد تک اضافہ ہوا جو مالی سال 2018 میں 94.4 فیصد کے تناسب سے جائزہ لیا گیا تھا۔ الحمد للہ گروپ نے سال 2019 میں 1,104 ملین روپے ٹیکس ادا کرنے کے بعد منافع کمایا، جو گزشتہ سال کے ٹیکس کے بعد منافع سے 2.4 گنا زیادہ ہے۔

کا مہا بہا اور نئے اقدامات

مارکیٹنگ اور براڈنگ

بینک اسلامی نے اپنے صارفین کے لئے بہتر خصوصیات کے ساتھ، 'ون سٹج بینکنگ' کے نئے اور بہتر براڈنگ کے تحت اپنی بائیومیٹرک پرنٹی سسٹم اور بینکاری خدمات کی 360 ڈگری مارکیٹنگ مہم کا میا بی کے ساتھ شروع کی۔ یہ ڈیجیٹل بینکنگ سہولت انوکھی خصوصیات مہیا کرتی ہے جس نے اب ہمارے صارفین کو لین دین (جیسے ادائیگی، نقد رقم نکالنے، آئی بی ایف ٹی، یوٹیلٹی بل وغیرہ)، بغیر کسی چیک اور ڈیبٹ کارڈ کے استعمال کے، صرف ان کے انگلیوں کے نشان کو استعمال کر کے انجام دینے کے قابل بنا دیا ہے۔ مارکیٹنگ مہم الیکٹرانک، پرنٹ اور ڈیجیٹل پلیٹ فارم پر پھیل چکی تھی جس کے ساتھ ہی جناب معین خان (پاکستان کرکٹ ٹیم کے سابق کپتان) کو بینک کا براڈ ایسیڈیٹر متعارف کرایا گیا تھا۔ ون سٹج بینکنگ سے متعلق مارکیٹنگ کی سرگرمی کو پورے سال میں تین مختلف مراحل میں شامل کیا گیا جس میں ورلڈ کپ سے قبل پاکستان کرکٹ ٹیم کے دورہ انگلینڈ کی اسپانسرشپ بھی شامل تھی۔

پاکستان میں کھیلوں کی سرگرمیوں کی حمایت کے سلسلے میں اپنے عزم کو جاری رکھتے ہوئے، بینک اسلامی نے دوسرا سی اے ایس اوپن سیلنگ چیمپئن شپ 2019 اور دوسرا چیئر مین جے سی ایس سی اوپن ٹینس ٹورنامنٹ کی سرپرستی کی۔ ان اسپانسرشپ نے بینک اسلامی کو پاکستان کے متمول طبقوں میں مزید مقبول کرنے میں مدد فراہم کی اور براڈنگ کی اہم مہم کی فراہمی کی۔ اپنی براڈ ایسیڈیٹری کو مزید تقویت دینے کے لیے بینک اسلامی نے "یوم آزادی کے آزاد جذبے سے لطف اندوز ہونے" کے تقسیم کے ساتھ ٹی وی سی پروموشن کا آغاز کرتے ہوئے یوم آزادی پاکستان منایا۔ یہ مہم قومی یکجہتی اور حب الوطنی کی علامت ہے۔ ٹی وی سی نے بے حد فائدہ اٹھایا اور اسے سوشل میڈیا کے کئی مشہور فورموں پر شیئر کیا گیا۔

بینک تیسری بین الاقوامی اسلامی بینکاری کانفرنس کا عنوان کفیل تھا جو IOBM میں منعقد کیا گیا تھا۔ بینک اسلامی کے صدر نے اس تقریب کو بطور مہمان خصوصی، اعلیٰ اسلامی اسکالرز اور اسلامی بینکنگ اور مالیات کے مشیران نے شرکت کی۔ اس پروگرام سے بینک کو اسلامی بینکاری کی صنعت میں اعلیٰ براڈنگ کی نمائش اور مساوات حاصل کرنے کی اجازت ملی۔ بینک نے تین شہروں میں منعقدہ "ڈان لائف اسٹائل 2019" ایونٹ میں بی بی ٹی ایل مارکیٹنگ سرگرمی بھی کی، جہاں بینک اسلامی کی کلیدی مصنوعات اور ون سٹج بینکنگ

مقابلے میں ضمنی بنیادوں پر اضافی مخصوص فراہمی بک کروادی، اور الحمد للہ مالی سال 2019 کا پوسٹ منافع 1,087 روپے ٹیکس ادا کرنے کے بعد ہے جو کہ مالی سال 2018 میں 213 ملین روپے تھا یہ منافع مالی سال 2018 کے مقابلے میں 4.1 گنا زیادہ ہے۔ جیسا کہ ہمارے سالانہ مالی بیانات کے نوٹ 3.4.4 میں انکشاف کیا گیا ہے IFRS16 "لیز" کے نفاذ کے نتیجے میں پچھلے سال کے مقابلے میں فرسودگی کے اخراجات اور مالیات لاگت میں اضافہ ہوا ہے۔ جس کی وجہ سے کسی حد تک جگہوں پر کرایے کے اخراجات میں کمی آئی۔ اگر IFRS16 پر عمل درآمد نہ کیا جاتا تو 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے بینک کے ٹیکس کے بعد منافع میں 213 ملین روپے کا اضافہ ہوتا۔

گروپ کے نتائج

پرنسپل سرگرمیاں

- گروپ کی مادی اور اہم کاروائیوں کی اصل سرگرمیاں مندرجہ ذیل ہیں۔
- بینک اسلامی پاکستان لمیٹڈ (ہولڈنگ کمپنی) - شیڈول کمرشل اسلامی بینک
- بی آئی پی ایل سیکورٹیز لمیٹڈ (ماتحت ادارہ) - بروکر ٹریڈ سروسز
- شکر گنج فوڈ پروڈکٹ لمیٹڈ (ایسوسی ایٹ) - کھانے کی مصنوعات کی تیاری، پروسیسنگ اور فروخت۔

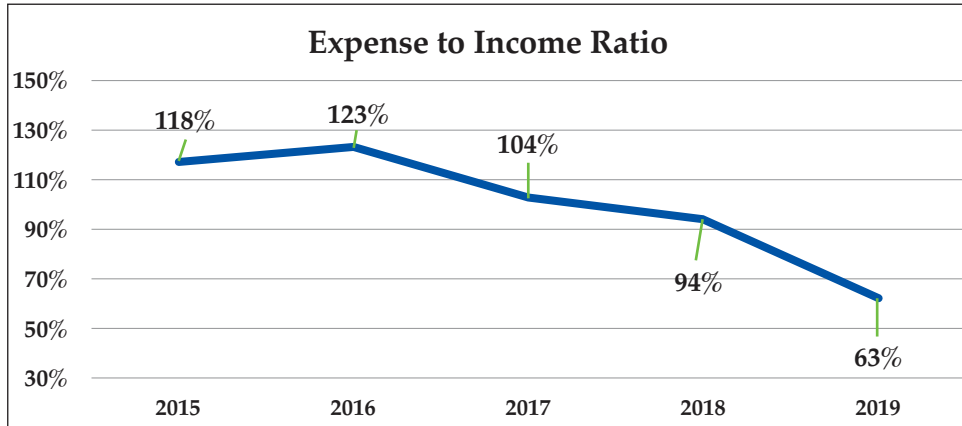
گروپ کی مالی کارکردگی

اس گروپ نے 31 دسمبر 2019 کو ختم ہونے والے سال کے اپنے مالی نتائج میں مستقل مثبت رجحان دکھایا، جو بنیادی طور پر اس کے اسلامی بینکاری طبقے (بینک) کی مالی حیثیت میں ترقی کی طرف منسوب ہے۔ 31 دسمبر، 2018 کے مقابلے میں گروپ کے کل اثاثوں اور ذخائر میں بالترتیب 31.2 فیصد اور 23.9 فیصد کا اضافہ ہوا۔

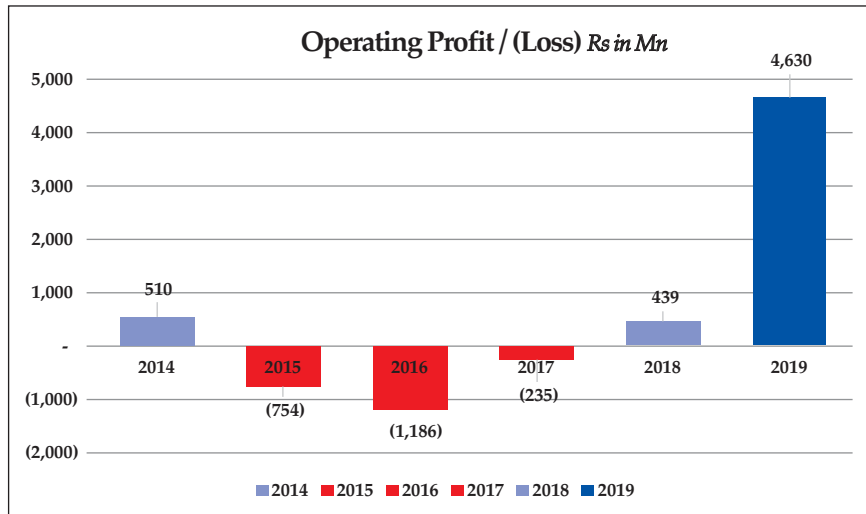
ڈپازٹ میں نموکوموثر ڈپازٹ گروتھ اسٹریٹیجی کے نفاذ سے حاصل کیا گیا تھا جس کی مدد بینک کی طرف سے مسابقتی مصنوعات اور وسیع مارکیٹنگ کے ذریعے کی گئی تھی۔ ذرائع میں اضافے کے ساتھ، گروپ کے اثاثوں کی کمائی میں بھی بہتری آئی ہے اور بینک کی طرف سے فنڈز کی فراہمی سے بڑے پیمانے (i) مغل کے ذریعے خزانے کا لین دین، (ii) اسلامی مالی اعانت اور (iii) اعلیٰ پیداوار اور ایس ایل آر اہل غیر سرکاری سرمایہ کاری میں اضافہ ہوا ہے۔

مارجن میں کمپریشن اور Input لاگت میں اضافے کی وجہ سے ایسوسی ایٹس کے منافع میں کمی کو دکھایا گیا۔ اگرچہ بی آئی پی ایل سیکورٹیز (ماتحت ادارہ) نے سبکدوش ہونے والے سال کے دوران نقصان اٹھایا ہے، لیکن گزشتہ سہ ماہی کے دوران مجموعی سرمایہ مارکیٹ انڈیکس اور تجارتی حجم میں بہتری کی وجہ سے بہتری دیکھنے میں آئی۔

انکم (NFI) میں بھی مالی سال 2018 کے 1,264 ملین روپے کے مقابلے میں مالی سال 2019 میں 1633 ملین روپے رہا۔ این ایف آئی میں یہ اضافہ بنیادی طور پر غیر سرکاری شرعی کمپلیٹ سکیورٹیز اور بینک کے غیر بینکنگ اثاثوں کی فروخت کے ذریعے حاصل کردہ فوائد سے ہوا ہے۔



بینک کے اثاثوں اور بنیادی آمدنی کے سلسلے میں اضافے کے ساتھ، چلنے والے سال کے دوران آپریٹنگ اخراجات میں 13.6 فیصد کا اضافہ ہوا۔ کاروبار کے بڑھتے ہوئے حجم سے منسلک اخراجات کے اثرات کے علاوہ۔ اخراجات میں اضافے کا سبب ٹیکنالوجی کے بنیادی ڈھانچے میں سرمایہ کاری، جمع کنندگان کی حفاظت کا منصوبہ ہے جو ریگولیٹرز نے متعارف کرایا تھا، افراط زر سے متعلق ایڈجسٹمنٹ اور اہم خالی عہدوں پر عملے کو شامل کرنا تھا۔



بینک اسلامی نے آپریٹنگ منافع کو سال 2019 میں 4,630 ملین روپے کیا جو کہ پچھلے سال کے آپریٹنگ منافع 439 ملین روپے سے 9.5 گنا زیادہ ہے۔ یہ تغیر بنیادی طور پر 2019 کے دوران بینک کے بیلنس شیٹ سائز میں ہونے والی مجموعی نمو اور مارجن پر بیٹج مارک ریٹ میں اضافے کے اثر سے منسوب تھا۔ سمجھداری کے معاملے کے طور پر، بینک نے سال کے دوران کچھ ضائع ہونے کے

باعث، 2019 کے دوران ملک کی آٹوموبائل کی فروخت میں 60 فیصد تک کمی واقع ہوئی، تاہم اس کے باوجود بینک نے اپنی صنعت میں 5 فیصد اضافے کے ساتھ سال ختم کیا اور پاکستان کے اولین 5 آٹوفنانسنگ بینکوں میں شامل ہے۔ نتیجہ کے طور پر، بینک کا آٹوفنانس پورٹ فولیو 13 فیصد اضافے کے ساتھ دسمبر 2018 کے 10.72 بلین روپے سے دسمبر 2019 میں 12.11 بلین روپے تک آ گیا۔ سرمایہ کاری میں اضافہ اس بات کا باعث تھا کہ بینک اسلامی نے پاکستان توانائی سکوک میں شرکت کی اور ایف آئی انویسمنٹ میں مؤثر لیکویڈٹی مینجمنٹ کا نتیجہ تھا۔

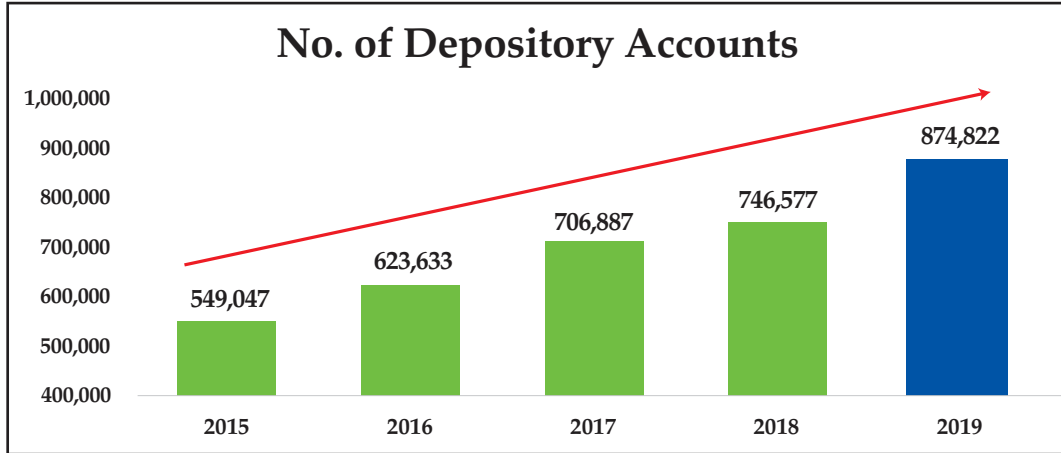
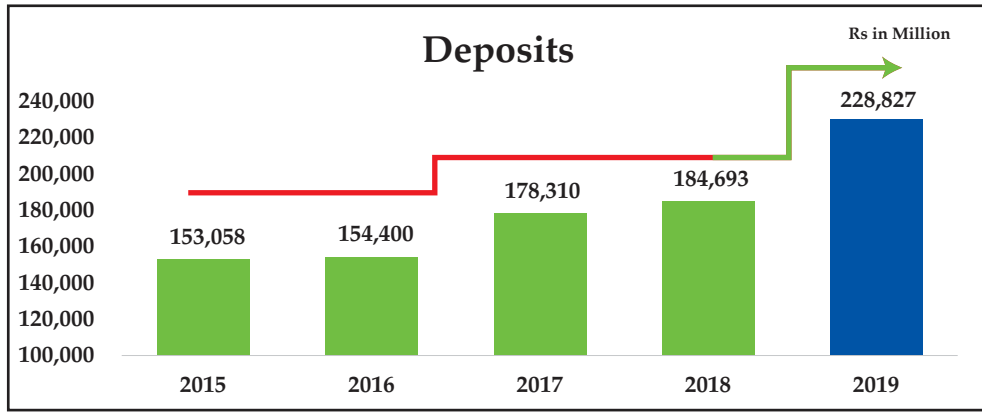
آگے بڑھنے کے باوجود، اگرچہ بینک اپنے بنیادی کمائی والے اثاثوں میں نمو کا تصور کرتا ہے، لیکن اعلیٰ معیار کے موجودہ نرخوں اور موجودہ افراط زر کے دباؤ سے بینک کے لئے کچھ رکاوٹیں پڑ سکتی ہیں اور یہ صارف ہاؤسنگ، زرعی اور ایس ایم ای شعبے کی طرف داری کرنے والا بن سکتا ہے۔ دوسری طرف، بینک ریٹز شدہ کارپوریٹ کلائنٹس، پبلک سیکٹر کے اداروں، حکومت کی حمایت یافتہ انویسمنٹ، صارف آٹوفنانس اور منی مارکیٹ پلیسمنٹ میں اضافہ کرنے کا خواہاں رہے گا۔

بینک کا مجموعی انفلیکشن تناسب 31 دسمبر، 2018 تک 11.89 فیصد سے کم ہو کر 31 دسمبر 2019 تک 10.63 فیصد رہ گیا ہے، اس کی بنیادی وجہ فنانسنگ میں اضافہ ہے۔ بینک آنے والے سالوں میں این پی ایف پورٹ فولیو میں مطلق کمی کے ذریعہ انفلیکشن تناسب کو مزید کم کرنے کے لئے وصولی کی وسیع کوششیں کر رہا ہے۔ سال 2019 کے آخر حکمت عملی کے معاملے کے طور پر، بینک نے کچھ غیر فعال اکاؤنٹس کے خلاف، فردانہ بنیادوں پر اضافی پروویژن اختیار کی ہے جس کی وجہ سے سال 2019 کے لئے فنانسنگ پورٹ فولیو مجموعی طور پر 2.058 بلین روپے کل پروویژن (نیٹ آف ریورسل) رہا ہے۔ اس نے دسمبر 2019 کے آخر میں کوریج تناسب کو بہتر کر کے 84.90 فیصد کر دیا ہے جب کہ دسمبر 2018 میں کوریج کا تناسب 72.47 فیصد تھا۔

بینک کی خالص اثاثہ جات پچھلے سال کے 14.52 بلین روپے کے مقابلے میں 31 دسمبر، 2019 کو 19.70 بلین روپے رہا ہے۔ یہ اضافہ بنیادی طور پر پاکستان انرجی سکوکس سے متعلق اثاثوں میں جمع منافع اور زائد میں بہتری کی وجہ قرار دیا گیا تھا۔ متوقع منافع کے اضافے کی رفتار میں توقع کی جارہی ہے کہ بیئلنس شیٹ کو بڑھانے کے لئے بینک اسلامی کی مضبوط حکمت عملی کے تحت آگے بڑھایا جائے گا، تاہم پی ای ایس پر حاصل ہونے والا اضافی منافع پی ای ایس کے متوقع امور کی وجہ سے آنے والے سال میں کم ہو سکتا ہے۔ جس سے توقع ہے کہ اسلامی وسائل کے لئے طلب کی رسد کا فرق کسی حد تک ختم ہو جائے گا۔

ٹیچ مارک کے نرخوں میں اضافے کا ذریعہ بینک کے اوسط کمائی والے اثاثوں میں اضافے کی وجہ سے ہے۔ گزشتہ سال کے مقابلہ میں بینک کے مجموعی اور خالص منافع نے بالترتیب 93.79 فیصد اور 78.82 فیصد کی غیر معمولی نمو حاصل کی۔ تاہم، خالص پھیلاؤ مارجن 2018 میں 49.4 فیصد سے گھٹ کر 2019 میں 45.6 فیصد ہو گیا ہے، بڑے پیمانے پر اجارہ (لیز) واجبات سے متعلق فنانس لاگت کی بگنگ، ٹرم ڈیپازٹ کے ذخائر میں اضافے اور بینک کے غیر کمائے ہوئے اثاثوں کی رقم میں اضافے کی وجہ سے۔ بینک کی غیر فنڈ

بڑھانے کا منصوبہ رکھتا ہے تاکہ CASA میں بہتری کو آگے بڑھایا جاسکے۔



ڈپازٹس میں اضافے کے ساتھ، سال 2019 کے دوران بینک کے بنیادی آمدنی والے اثاثوں میں بھی اضافہ ہوا، ان فنڈز کو اسلامی فنانشنگ، ایس ایل آر ایل سرمایہ کاری اور منی مارکیٹ پلیسمنٹ میں مؤثر انداز میں استعمال میں لایا گیا۔

متنوع اور محتاط اسلامی فنانشنگ پورٹ فولیو کو برقرار رکھنے پر زور دینے کے ساتھ، بینک کی خالص کریڈٹ کتاب کو محتاط طور پر دسمبر 2018 میں 11.14 فیصد اضافہ کے ساتھ 118.57 ارب روپے سے 131.78 ارب روپے تک بڑھا دیا گیا۔ جس میں بڑی ترقی بینک کے کارپوریٹ اور تجارتی طبقے میں توسیع سے ہوئی ہے۔

پالیسی کی شرح میں اضافے، مہنگائی اور صارفین کی طلب میں کمی کی وجہ سے سال 2019 کا مجموعی صارف بینکاری صنعت کے لئے ایک چیلنجنگ سال تھا۔ اس کے باوجود، بینک اسلامی کے صارف بینکاری طبقہ نے مارکیٹ میں عمدہ کارکردگی کا مظاہرہ کیا۔ ہاؤسنگ فنڈس کے معاملے میں، بینک نے ایک اہم فنڈس کے طور پر اپنی پوزیشن برقرار رکھی ہے جس میں سال کے دوران 3 بلین کے قرضہ جات کی فراہمی کی گئی۔ اس کے باوجود مجموعی طور پر پورٹ فولیو کم ہو کر دسمبر 2018 کے 13.50 بلین روپے کے مقابلے میں دسمبر 2019 میں 13.26 بلین روپے تک آ گیا جو کہ بنیادی طور پر صارفین کی طرف سے پیشگی ادائیگیوں سے منسوب ہیں۔ کم طلب کے اثر کے

مالی کارکردگی

فرق	31 دسمبر 2018	31 دسمبر 2019	معاشی حالت کا بیان
پاکستانی روپے بلین میں			
35.69%	14,515	19,696	نیٹ اثاثے
23.90%	184,693	228,827	ڈیپازٹس
11.14%	118,571	131,775	فنانسنگ اور متعلقہ اثاثہ جات، نیٹ
42.14%	38,832	55,194	سرمایہ کاری، نیٹ
136.12%	18,174	42,912	ایف آئی سے واجب الادا

فرق	31 دسمبر 2018	31 دسمبر 2019	پرافٹ اینڈ لاس اکاؤنٹ
پاکستانی روپے بلین میں			
93.79%	12,204	23,650	منافع/حاصل آمدنی
108.43%	6,170	12,860	منافع/آمدن خرچ
78.82%	6,034	10,790	نیٹ اسپریڈ آمدنی
9.5 گنا	439	4,630	آپریٹنگ منافع
4.1 گنا	213	1,087	بعد از ٹیکس منافع
4.2 گنا	0.210	1.092	فی شیئر آمدنی (روپے میں)

سال 2019 بینک اسلامی کے لئے غیر معمولی سال ثابت ہوا، جہاں بینک نے الحمد للہ ریکارڈ مالیاتی نتائج دیئے۔ بینک کے ڈپازٹس میں 23.90 فیصد کی نمایاں نمو کو دکھایا گیا ہے جس نے صنعت کی نمو جو کہ 9.6 فیصد رہی کو شکست دی ہے۔ یہ سب بینک کے وسیع پھیلاؤ، برانچ نیٹ ورک، پروڈکٹ کی پیش کش اور وسیع پیمانے پر مارکیٹنگ کی سرگرمی کی پشت پر لکھی گئی موثر حکمت عملی کا نتیجہ ہے۔ بینک کے CASA کے ذخائر میں 2018 میں 127.58 بلین روپے سے 2019 کے آخر میں 136.64 بلین روپے تک میں 7.1 فیصد کا اضافہ ہوا، جبکہ ٹرم ڈپازٹس میں موجودہ اعلیٰ شرح سود کے دوران صارفین کی ترجیح میں تبدیلی کی عکاسی کرتے ہوئے 61.3 فیصد کا اضافہ دیکھا گیا۔ توقع کی جارہی ہے کہ یہ نمونے سال بھی جاری رہے گا۔ تاہم، موجودہ حکومت کے ذریعہ معاشی استحکام کے اقدامات کے متوقع نتائج کے مطابق، اگلے دو سالوں کے دوران، قیمتوں میں کمی آنے کے بعد، آہستہ آہستہ یہ سلسلہ کم ہو جائے گا۔ بینک اپنے (i) تجارتی کاروبار، (ii) کیش مینجمنٹ سروسز، (iii) متبادل تقسیم چینل، (iv) ایس ایم ای ریلیشن شپ اور (v) برانچ نیٹ ورک کو

اہم لین دین

حصص کا اجرا

اس سال کے دوران، اپنے سرمایہ کو مضبوط بنانے کے لئے، سرمایہ ایڈیکویٹی تناسب (CAR) کو مستحکم رکھنے اور بیلنس شیٹ میں مسلسل اضافے کی حمایت میں، بینک نے کامیابی سے اپنے موجودہ حصص یافتگان کو 10 روپے فی شیئر کے حساب سے 10 فیصد رائٹ شیئرز (ریٹیک پیری پاسو) مکمل کیا۔ بورڈ آف ڈائریکٹرز نے 5 ستمبر، 2019 کو اپنی مینٹگ میں 10 فیصد حصص کی منظوری دی۔ حصص کے اجراء کے نتیجے میں، بینک کی اداگی کیپٹل 1.01 ارب روپے کے اضافے کے ساتھ کل 11.01 ارب روپے تک جا پہنچا جب کہ کم سے کم ضرورت سرمایہ 10 ارب روپے ہے۔ 31 دسمبر، 2019 تک، بینک کی CAR 14.95 فیصد پر کھڑی رہی جو 12.5 فیصد کی مطلوبہ سطح سے بھی اوپر ہے۔ حصص کے اس اجراء کے ذریعے آنے والے اضافی سرمائے کو بینکاری کے کاروبار میں استعمال کیا گیا ہے۔

اضافی درجے 1 کیپٹل جاری کرنا۔

اپنی بیلنس شیٹ کے سائز اور رسک جذب کرنے کی صلاحیت کو مزید بڑھانے کی حکمت عملی کے پیش نظر بینک، پاکستان کا پہلا Listed اسلامی ایڈیشنل ٹیر-1 کیپٹل سکوک (ADT-1 سکوک) جاری کرنے کے عمل میں ہے۔ اس سکوک کو بینک کے لئے اپنی منفرد نوعیت اور اہمیت کو مد نظر رکھتے ہوئے اسے "عہد سکوک" کا نام دیا گیا ہے۔ اس ADT-1 سکوک کے مجموعی شماری کی قیمت 2 ارب روپے ہے، جس میں سے 1.7 ارب روپے بینک پری آئی پی او مرحلے کے دوران پہلے ہی جمع کر چکا ہے۔ بینک کے باقی 300 ملین کی تیاری کا عمل جاری ہے جو کہ آئی پی او کے ذریعے پاکستان اسٹاک ایکسچینج میں عام عوامی خریداری کے ذریعے ہوں گے لیکن یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی منظوری سے مشروط ہے۔

فروخت کے لئے مختص اثاثے

بینک کے بورڈ آف ڈائریکٹرز کے فیصلے کے عین مطابق، جس نے 25 اپریل، 2019 کو پاکستان اسٹاک ایکسچینج میں اعلان کیا تھا، بینک اپنی دو ذیلی کمپنیوں یعنی بی آئی پی ایل سیکورٹیز لمیٹڈ اور بینک اسلامی مضاربہ انویسٹمنٹ لمیٹڈ کو فروخت کرنے کا عمل جاری رکھے ہوئے ہے۔ جس کی فروخت 31 دسمبر 2019 تک ختم نہیں ہو سکی۔ بہر حال، بینک کی انتظامیہ توقع کرتی ہے کہ یہ فروخت سال 2020 میں واقع ہوگی، اس کے نتیجے میں ان ذیلی اداروں میں سرمایہ کاری کو اس کے ساتھ ملحقہ مالی بیانات میں فروخت کے لئے درجہ بند کیا گیا ہے۔

بڑھ گئے۔

- ادا نیگیوں کے سازگار توازن اور زرمبادلہ کے ذخائر میں بہتری آئی جبکہ جون 2019 کے بعد سے پاکستانی روپیہ میں 3.2 فیصد اضافہ ہوا۔
- مجموعی طور پر افراط زر کی شرح مالی سال (FY20) میں 11 فیصد سے 12 فیصد تک رہنے کا امکان ہے، مانیٹری پالیسی کمیٹی کو امید ہے کہ مالی سال (FY22) تک افراط زر میں بتدرج 5 فیصد سے 7 فیصد کمی واقع ہوگی۔ جو دیگر ابھرتی ہوئی مارکیٹوں کے لیے بھی موافق ثابت ہوگا۔
- موڈیز کے مطابق پاکستان میں قرضے کی درجہ بندی کی صورتحال تبدیل ہو کر منفی سے مستحکم ہوگئی ہے، جو ادا نیگیوں کے توازن میں بہتری، طویل مدتی ترقی کی صلاحیت اور جاری ادارہ جاتی بہتری کے ذریعہ کارفرما ہے۔

بڑے پیمانے پر مینوفیکچرنگ کی تعداد برآمدی صنعت میں بہتری کو خاص طور پر ٹیکسٹائل، ٹیٹری سامان، انجینئرنگ مصنوعات، ربڑ، سینٹ اور کھاد کی عکاسی کرتی ہے۔ مزید یہ کہ زرعی پہلوؤں کی حالیہ اعداد و شمار کے مجموعے نے بھی فصلوں میں نمو کو ظاہر کیا ہے۔ دوسری جانب آٹو، پروسیسڈ گڈز، کیمیکلز، الیکٹرانک اور پیٹرولیم شعبہ میں افراط زر کے باعث مانگ میں کمی کا دباؤ بڑھا ہے۔

عالمی بینک کی جاری کردہ حالیہ رپورٹ کے مطابق، سخت مالیاتی پالیسی اور مالی استحکام جاری رہنے کی توقع ہے اور اس وجہ سے مالی سال 2020 (FY20) میں پاکستان کی حقیقی جی ڈی پی کی شرح نمو 2.4 فیصد رہ جائے گی۔ بہر حال عالمی مالیاتی ادارہ یہ توقع کرتا ہے کہ ساختی اصلاحات اور سرمایہ کاری میں معاونت سے مالی سال 21/22 تک حقیقی جی ڈی پی کی نمو 3.9 فیصد ہو جائے گی۔

بینکنگ انڈسٹری کی صورتحال

توقع ہے کہ اضافی شرح سود اور بینکوں کے حکومتی حمایت یافتہ سرمایہ کاروں میں اضافے کے باعث بینکوں کی آمدنی مثبت رہے گی۔ اس کے برعکس، اثاثوں کے معیار میں بگاڑ اور معاشی سرگرمی میں سست روی کی وجہ سے کریڈٹ رسک میں اضافہ آمدنی پر دباؤ ڈال سکتا ہے۔ لہذا بینک قرض دینے میں خطرہ سے محتاط رہنے کا نقطہ نظر اپنا سکتے ہیں۔ ڈیپازٹس بیلنس شیٹ میں اضافہ کا کلیدی ذریعہ رہے گا اور اس میں اضافہ بینکوں کی پرکشش منافع کی پیش کش میں صلاحیت پر منحصر رہے گا، جبکہ کم قیمت CASA (کرنٹ اکاؤنٹ اور سیونگ اکاؤنٹ) کے ذخائر جمع کرنا ایک چیلنج بن سکتا ہے۔ ریگولیٹری بفر سمیت کم سے کم CAR (شرح کفایت سرمایہ) کی مقدار کو دسمبر 2019 سے بڑھا کر 12.5 فیصد تک کر دیا گیا ہے، لہذا بینک زیادہ خطرے والے زمرے میں اپنی فنڈنگ اور سرمایہ کاری بڑھانے میں محتاط رہیں گے، جبکہ کچھ بینکوں کو CAR میں مزید بہتری کیلئے اپنی بیلنس شیٹ نمو کی حکمت عملی کی تشکیل نو کرنا ہوگی۔

ڈائریکٹرز کی رپورٹ

معزز حاملین حصص،

بورڈ کی جانب سے، ہم 31 دسمبر 2019 کو ختم ہونے والے سال کیلئے آڈٹ شدہ سالانہ مالی بیانات کے ساتھ، بینک اسلامی پاکستان لمیٹڈ (بینک یا بینک اسلامی) کے ڈائریکٹرز کی رپورٹ پیش کر رہے ہیں۔

بنیادی سرگرمیاں

بینک اسلامی بنیادی طور پر لائسنس یافتہ مکمل طور پر اسلامی کمرشل بینک کی حیثیت سے کام کر رہا ہے، جس کی 31 دسمبر 2019 تک 334 برانچیں بشمول 81 ذیلی برانچیں شریعت سے ہم آہنگ سہولیات بشمول کارپوریٹ و کمرشل، ایس ایم ای اور زرعی، صارفنی اور تجارتی سرمایہ کاری، رئیل اور سرمایہ کارانہ بینکنگ، ٹریڈری سہولیات سمیت کیش مینجمنٹ کی متبادل ذرائع کی سہولیات اپنے معزز صارفین کو فراہم کرتا ہے۔

معاشی جائزہ اور کاروباری صورتحال

میکرو اقتصادي جائزہ

پاکستان کی معیشت میں مالی سال (FY19) کے دوران ترقی کی رفتارست روی کا شکار رہی، جہاں ملک نے جی ڈی پی میں 3.3 فیصد اضافہ ریکارڈ کیا جبکہ گزشتہ مالی سال 2018 کے دوران حاصل ہونے والی شرح نمو 5.8 فیصد تھی، بنیادی طور پرست روی افراط زر کے دباؤ سے منسوب تھی، حکومت کی جانب سے عوامی سرمایہ کاری میں کٹوتی، خسارے پر قابو پانے اور اندرونی اور بیرونی توازن کی بحالی کے لئے پالیسی سازوں کے ذریعہ سخت گیر مالیاتی موقف اپنایا گیا، بڑھتے ہوئے افراط زر سے نمٹنے اور عوامی بچت کی حوصلہ افزائی کے لئے، CY19 میں پالیسی کی شرح میں 325 بی پی ایس کا اضافہ دیکھا گیا، تاہم حکومت نے استحکام اور سخت گیر مانیٹری اقدامات اٹھائے، جس کے باعث پہلے مالی سال کے ابتدائی حصہ (جون تا دسمبر) میں چندا ہم پیشرفت ہوئیں،

• مالی سال 2020 کے دوران کرنٹ اکاؤنٹ خسارہ نمایاں طور پر کم ہو کر جی ڈی پی کا 1.5 فیصد رہ گیا جبکہ گزشتہ مالی سال میں اسی عرصے کے دوران 5.8 فیصد خسارے کا سامنا تھا۔

• درآمدات میں کمی اور برآمدات میں معمولی اضافہ، بین الاقوامی صکوک میں 1 بلین ڈالر کی ادائیگی کے باوجود ملازمین کی ترسیلات زر اور کیپٹل اکاؤنٹ کے ذریعہ بہتری اور زرمبادلہ کے ذخائر میں اضافہ ہوا، دسمبر 2019 میں ملک کے غیر ملکی کرنسی کے ذخائر میں تقریباً 4.34 بلین ڈالر اضافے سے 18.1 بلین ڈالر ہو گئے جو دسمبر 2018 کے آخر میں 13.8 بلین ڈالر کے توازن سے

Annexure to Directors Report

The purchase and sale of shares by Directors, Chief Executive Officer, Executives and their spouse and minor children during the year are given below:

Name	Designation	No. of Shares as at Jan. 01, 2019	Shares held / subscribed during the Year	No. of Shares as at Dec. 31, 2019
Mr. Ali Hussain	Chairman	158,967,492	20,926,068	179,893,560
Mr. Fawad Anwar	Vice Chairman	1,750	175	1,925
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	Director	500	50	550
Dr. Amjad Waheed	Director	500	50	550
Mr. Noman Yakoob	Director	16,709,207	1,670,920	18,380,127
Mr. Siraj Ahmed Dadabhoy	Director	5,000	500	5,500
Mr. Asim Saleem	Executive	84,000	8,400	92,400

In year 2019 Bank announced right issue. Directors of the Bank subscribed their rights entitlement due to which their shareholding increased.

Mr. Ali Hussain in addition to his right entitlement had also subscribed right entitlement of SAJ Capital Management Limited. He is beneficial owner of SAJ Capital Management Limited.

Statement of Internal Control

Statement of Management's Responsibility

The Management of the Bank is responsible to establish and maintain an adequate and effective system of internal controls with the main objective of ensuring effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations:

Management Evaluation of the Effectiveness of the Bank Internal Control System

Concerted and integrated efforts are made by each functions of the Bank to improve the Control Environment at all levels through continuous reviewing and streamlining of procedures to prevent and rectify control deficiencies. Each function, under the supervision of the senior executive management, is entrusted with the responsibility to oversee rectification of control deficiencies identified by internal and external auditors and regulators. The control activities are also being closely monitored through risk management and compliance functions ensuring adherence to regulatory requirements and the Bank's internal policies and procedures. Based on the observations and weaknesses identified by control functions, external and internal auditors, improvements are brought about by the management in internal controls to ensure non-recurrence of those exceptions and elimination of such weaknesses to the maximum possible level.

During the year under review, in accordance with SBP-BSD Circular No. 7 of 2004, the Bank formulated/ reviewed and updated various 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 accountability and effective internal control system.

The scope of Internal Audit department, independent from the line management, includes assessment of the adequacy and effectiveness of the internal control system across the Bank, and compliance with prescribed policies and procedures. All significant findings of Internal Audit assessments are periodically reported to the Board Audit Committee.

The Bank's internal control system is designed to mitigate, rather than to eliminate the risk of failure to achieve the business objective, and can only provide reasonable and not absolute assurance against material misstatements or losses. Moreover, the projection of current evaluations of the effectiveness to future periods is subject to a limitation that controls may become inadequate due to changes in control environment. However, it is an ongoing process that includes identification, evaluation and mitigation 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 No. 07, of 2004 and had conducted a detailed exercise through independent consultants; documenting and benchmarking existing internal processes and controls relating to financial reporting. The Bank has established a dedicated function responsible for reviewing and identifying new processes, control gaps and updating related control documentation.

Further, the management had prepared a Road Map for the completion of all stages in accordance with the SBP OSED Circular No. 01, dated February 07, 2014, "Instructions on Internal Controls over Financial Reporting (ICFR)", which was approved by the Board Audit Committee. Alhamdulillah, the Bank had successfully completed all stages of its ICFR program in accordance with the Road Map under SBP OSED Circular No. 01, dated February 07, 2014. However, this is a continuous exercise whereby all new controls are being documented and tested periodically to ensure their existence and effectiveness.

In view of the above accomplishment and substantial implementation of identified gaps, State Bank of Pakistan (SBP) granted exemption for independent statutory assessment on Bank's ICFR program. Accordingly, the Bank is now required only to submit its annual self-assessment report duly endorsed by the Audit Committee. The last such report was submitted for the year ended December 31, 2018 to SBP. A similar assessment report for the year ended December 31, 2019, will be submitted within the time frame stipulated in the aforementioned circular.

Based on the results of the ongoing evaluation of internal controls carried out during the year, the Management considers that the Bank's existing internal control system is adequately designed, operating effectively, and monitored consistently. Nevertheless, the management continuously endeavors to further strengthen the internal control system of the bank for an improved control environment.

Based on the above, the Board of Directors duly endorses above management's evaluation of the internal control system.

For and On Behalf of the Board



Syed Amir Ali
President & CEO

February 27, 2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

FOR THE YEAR ENDED DECEMBER 31, 2019

The Bank has complied with the requirements of the Regulations in the following manner:

1.	The total number of directors are eight (8) as per the following: a. Male: eight (8) Directors including President & Chief Executive Officer b. Female: 0
	In accordance with the contents of Regulation 7 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (“the 2019 Code”) at least one female will be appointed when the Board will be reconstituted in 2020. The last Directors election was held on 11 April 2017.
2.	The composition of board is as follows: i) Independent Directors 1- Mr. Ali Mohamad Hussain Ali Mohamad Alshamali 2- Dr. Amjad Waheed. ii) Other Non-executive Director 1- Mr. Ali Hussain 2- Mr. Fawad Anwar 3- Mr. Muhammad Nadeem Farooq 4- Mr. Noman Yakoob 5- Mr. Siraj Ahmed Dadabhoy iii) Executive Directors 1- Mr. Syed Amir Ali, President & Chief Executive Officer iv) Female director At least one female director will be appointed when the Board will be reconstituted in 2020.
3.	The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this bank.
4.	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.
5.	The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the bank.
6.	All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7.	The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8.	The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9.	The Board has arranged Directors’ Training program for the following: Mr. Muhammad Nadeem Farooq, Director attained Directors’ Training Program in year 2019 Dr. Amjad Waheed, Independent Director has already attained certification before year 2019 Mr. Noman Yakoob, Director has already attained certification before year 2019 Mr. Syed Amir Ali, President & Chief Executive Officer have already attained certification before year 2019.

10.	The Board has approved appointment of chief financial officer, company secretary and head of internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. The Board approved appointment of head of internal audit on August 29, 2018 and head of internal audit joined the Bank on January 22, 2019.	
11.	Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.	
12.	The board has formed committees comprising of members given below:	
	Audit Committee:	<p>Chairman Dr. Amjad Waheed</p> <p>Members Mr. Ali Mohamad Hussain Ali Mohamad Alshamali Mr. Muhammad Nadeem Farooq Mr. Noman Yakoob</p>
	Human Resource Management Committee	<p>Chairman Mr. Ali Mohamad Hussain Ali Mohamad Alshamali</p> <p>Members Mr. Fawad Anwar Mr. Muhammad Nadeem Farooq Mr. Siraj Ahmed Dadabhoy Mr. Syed Amir Ali</p>
	Board Remuneration Committee	<p>Chairman Mr. Ali Mohamad Hussain Ali Mohamad Alshamali</p> <p>Members Mr. Fawad Anwar Mr. Muhammad Nadeem Farooq Mr. Siraj Ahmed Dadabhoy</p>
	Risk Management Committee	<p>Chairman Mr. Fawad Anwar</p> <p>Members Mr. Muhammad Nadeem Farooq Mr. Siraj Ahmed Dadabhoy Mr. Syed Amir Ali</p>
	IT Committee	<p>Chairman Mr. Muhammad Nadeem Farooq</p> <p>Members Mr. Ali Mohamad Hussain Ali Mohamad Alshamali Mr. Noman Yakoob Mr. Syed Amir Ali</p>
	Executive Committee	<p>Chairman Mr. Ali Hussain</p> <p>Members Mr. Fawad Anwar Mr. Muhammad Nadeem Farooq Mr. Siraj Ahmed Dadabhoy Mr. Syed Amir Ali</p>
13	The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.	

14	The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:	
	Audit Committee	Quarterly. During the year four meetings were held.
	Human Resource Management Committee	Half yearly. During the year two meetings were held.
	Board Remuneration Committee	Half yearly. During the year two meetings were held.
	Risk Management Committee	Yearly. During the year four meetings were held.
	IT Committee	Need to have basis. During the year one meeting was held.
	Executive Committee	Need to have basis / minimum two meetings every year. During the year one meeting was held.
15	The Board has set up an effective internal audit function.	
16	The statutory auditors of the bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the bank.	
17	The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.	
18	We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.	



Syed Amir Ali
President and Chief Executive Officer



Ali Hussain
Chairman of the Board of Directors

February 27, 2020



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To the members of BankIslami Pakistan Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019


We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of BankIslami Pakistan Limited (the Bank) for the year ended 31 December 2019 in accordance with the requirements of regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations 2019.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 of Directors' 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Bank's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2019.



Chartered Accountants

Place: Karachi

Date: March 02, 2020

Shariah Supervisory Board Report - 2019

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمدُ لله ربِّ العالمين، والصَّلَاةُ والسَّلَامُ على أشرفِ الأنبياءِ والمرسلين،
وعلى آلهِ وأصحابِهِ أجمعين، وبعدُ

By the Grace of Almighty Allah, BankIslami successfully completed another year in line with its vision of being recognized as the leading authentic Islamic Bank. The Shariah Supervisory Board (SSB) hereby presents its opinion on the affairs of BankIslami through this annual report.

During the year ended December 31, 2019, SSB of BankIslami held four meetings to review various matters which include, among others, new products and services, product modifications, concepts, transactions, structures, processes and Shariah issues, referred to them. In order to ensure that the SSB is able to supervise all these matters throughout the year, the Shariah Compliance Department ensured that, apart from the quarterly meetings, it remained in close coordination with SSB. This ongoing involvement of SSB not only ensured that it constantly remained on board with all the Shariah affairs of the Bank but it also enabled SSB to approve, by way of circulation, different matters in a timely manner.

In the following sections, the report discusses the state of affairs of BankIslami and the developments that took place in the said period:

Shariah Compliance:

The Board of Directors and the management is committed to provide an effective and comprehensive Shariah Governance environment to regulate the overall operations of BankIslami. Their support facilitated Shariah department in ensuring Shariah compliance environment and to place strict controls so as to mitigate any Shariah non-compliance risks.

Shariah Compliance Department (SCD) is equipped with a team of committed and qualified professionals—including Shariah Scholars and business graduates from reputed institutions. The team is working under the supervision and guidance of SSB with the aim to ensure that the overall operations of the bank - in particular the revenue generated by BankIslami - adhere strictly to the rules and principles of Shariah.

The prime objective of this team is to keep a continuous watch on the operations from the Shariah perspective and take corrective actions if needed. SCD also ensures Shariah Compliance in the affairs of BankIslami by actively evaluating various operational activities including customer specific Transaction Fact Sheets, text of agreements and guarantees, verifying monthly distribution of profit and loss to depositors and providing secretarial services to the Bank's Shariah Supervisory Board.

The department also carried out Shariah review of branches across the country and Head Office units. Furthermore, SCD reviewed and appraised all new and revised products and procedures, marketing and promotional materials and social media posts before presenting them to Shariah Board.

During the year, to ensure Shariah compliance in each class of transactions, review was carried out in two phases i.e. pre-execution & post-execution. The mechanism of two-phase compliance has tightened the controls which helped in mitigating Shariah non-compliance risks/mistakes in the execution of transactions.

It may be worth mentioning that SCD issued multiple guidelines on the instruction of SSB/RSBM to guide and educate the relevant departments regarding the Shariah non-compliance risks and its repercussions. The issuance of various guidelines has served the purpose of further strengthening the Shariah compliance environment in the Bank.

Following the zero-tolerance policy in Shariah compliance matters in BankIslami; during the year, SCD strictly monitored the financial affairs of the Bank and developed an internal penalization policy to maintain the highest standards of Shariah compliance in their affairs.

During the year, SCD also presented Shariah review reports, Internal and External Shariah Audit reports, and SBP inspection report to SSB and sought corrective action thereon. SCD made follow ups on the Shariah related observations to ensure the compliance of Shariah Board's instructions/rulings.

As an additional control, Internal Shariah Audit unit, working under the Internal Audit department, conducted Shariah audit of various organs of BankIslami to ensure compliance with the Shariah guidelines.

Products and Shariah Structuring:

During the year, the Bank launched two trade-able Islamic Commercial Papers (ICP) for K-Electric with one on the basis of Wakala tul Istismar and the second on the basis of Shirkat-ul-Aqd. The structure of Shirkat-ul-Aqd was used for the first time in ICP structuring in the Islamic banking industry of Pakistan.

The Bank also acted as the Lead Arranger & Advisor as well as the Shariah Structuring Agent for the Syndicate Term Finance Facility up to PKR 30 billion extended to Pakistan International Airlines Corporation.

In terms of new Shariah compliant solutions, the Bank introduced a couple of Shariah compliant alternatives for bill discounting through the Bank's existing products in order to facilitate the burgeoning Trade Finance business of the Bank. One of these solutions was a Shariah compliant alternative of Bill Discounting against Forward Cover. The other alternative was based on Running Musharakah which is the first of its kind in the Islamic Banking industry.

Different products were also approved by the Shariah Board during the year which includes the following:

1. **Islamic Refinance Facility for Modernization of SMEs:** A long term refinancing facility offered by the SBP for SME customers to upgrade their manufacturing facilities.
2. **Islamic Refinance Facility for Working Capital Financing for SMEs and Low End Medium Enterprises:** A short term refinancing facility offered by SBP for customers to meet their working capital requirements.
3. **Roshni Asaan:** A long term refinancing facility offered by SBP to provide customers with financing for renewable energy products.
4. **Employee Banking Services:** A bundled offering to salaried individuals of our existing and prospective institutional customers. The offering includes CASA, Alternate Delivery Channels, Consumer Finance, Banca Takaful and Cash Management Services etc.

5. **Durable Finance:** This financing facility, based on Musawamah, is meant to allow customers to procure an array of durable products as per their unique needs through selected retail options.
6. **Bai Muajjal of Units:** This product was developed to expand and improve the Bank's product suite for the placement of its excess liquidity with financial institutions. By having Shariah compliant mutual fund units as the underlying asset, the product would allow a systematic and transparent liquidity management solution owing to its unique mechanism.
7. **Islami Mahana Munafa TDR - 1.5 Years:** This was introduced as a variant of the existing Term Deposit Receipts enabling BankIslami to offer TDR with 1.5 years maturity.
8. **Asaan Remittance Account:** In line with SBP's aim to promote home remittances through legal channels, Asaan Remittance deposit account was developed as a platform to allow customers to manage their remittances in a legal and Shariah compliant manner.

The Shariah Board also reviewed the revised product manuals and agreements of its existing products such as Murabahah, Istisna, Karobar Financing and Running Musharakah. Revised manuals of Imports, Letter of Guarantee and Islamic Export Refinance Scheme were also reviewed and approved.

Islamic Banking Trainings:

During the year, the team focused significantly on Shariah training of the bank's employees and conducted Shariah training of employees of various departments of the bank including customized training sessions for Trade, Corporate, Credit department and Distribution teams in various cities.

SCD also took an initiative in arranging special training for the Executive management of BankIslami with the collaboration of NIBAF. The training will assist in the conformity of Shariah guidelines and principles in the upper echelons of the Bank.

In a bid to enhance and refresh the general Islamic Banking knowledge of the staff, more than 50 training sessions of Islamic Banking in various cities were conducted—catering to more than 1500 participants. The sessions were held in Karachi, Hyderabad, Multan, Lahore, Islamabad and Quetta. This number includes refresher programs e.g. assets refreshers, deposit refreshers etc., and basic Islamic Banking trainings.

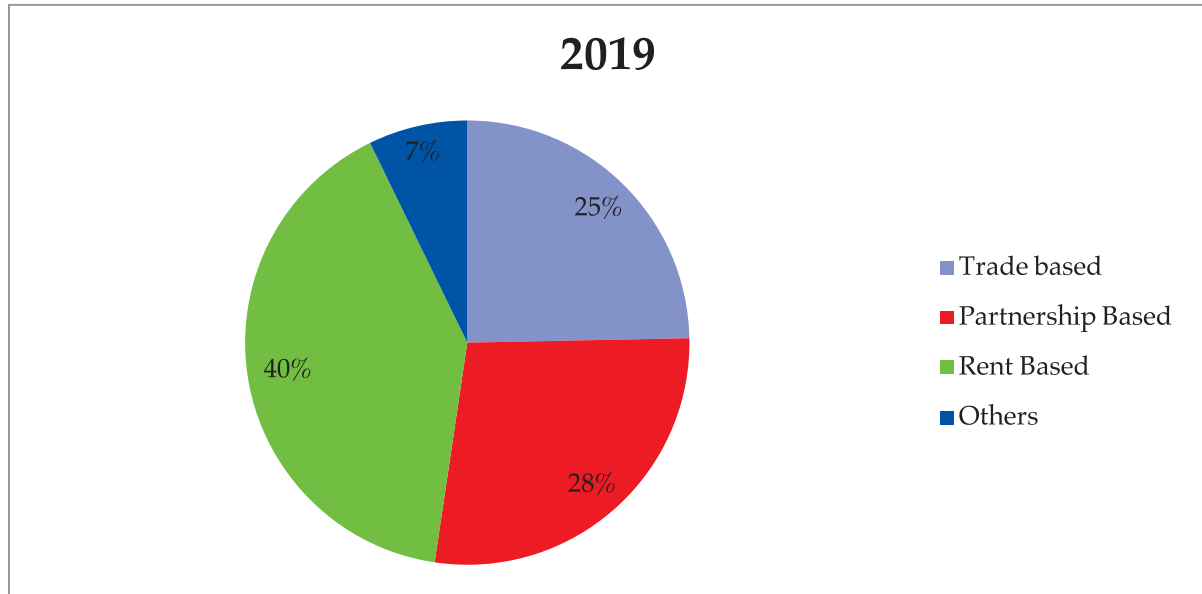
General Public Awareness Sessions:

To promote the understanding of Islamic banking and to play an active role in the elimination of Riba from the society, BankIslami arranged country-wide awareness sessions for people from different walks of life including general public, businessmen, students and faculty members in various cities including Bahawalpur, Multan, Tando Adam, Pir Mahal Lahore, Wah Cantt, Karachi, Sialkot, Sukkur, Jhuddo and Sahiwal. The team also conducted awareness sessions exclusively in Madaaris in various cities to share Islamic Banking practices with Shariah scholars.

During the year, the team also successfully conducted seminars with Bahauddin Zakariya University, Multan, The Islamia University, Bahawalpur, COMSATS University, Institute of Business Management, Karachi and IBA (Sukkur). These seminars did not only help in instilling the importance of Islamic Banking in the future leaders, but also assisted in creating strong ties between the Industry and Academia. In this regard, BankIslami also signed MOUs with different universities including Bahauddin Zakariya University, Multan, The Islamia University, Bahawalpur, NUST, Islamabad and COMSATS University to enhance cooperation for the promotion of Islamic banking.

Composition of Financing Portfolio:

The Bank used a variety of Islamic modes of finance to provide financing to its customers. The share of partnership and rental based products was 28% and 40%, respectively while the share of trade based products was 25%. The following diagram illustrates composition of financing portfolio as on December 31, 2019.



Charity:

BankIslami believes in the importance of Halal income and is therefore committed to ensure that it generates income strictly through Shariah compliant activities. During the year, a fee income of Rs. 4.7 million was declared as Shariah non-compliant and accordingly credited to Charity Account.

The Bank also received an amount of Rs. 29.24 million from the Clients in respect of charity on delays in payments and credited these payments to the Charity Account. It may be pertinent to mention that since the charity funds are kept under investment accounts at the Bank, the accrued Mudarabah profit of Rs. 964,000/- was also credited to the charity account.

Disbursements during the year from the charity fund amounted to Rs. 26.3 million. Details of charity disbursed are available in notes to the accounts.

Recommendations/Suggestions:

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

- The process of disposal of BIPL Securities should be expedited.
- Bank should continue conducting Islamic Banking awareness sessions in all regions. Further the Islamic banking knowledge of Branch staff should also be improved so that the correct information and Islamic Banking philosophy is disseminated to the customers.
- The Bank is suggested to focus on digitalization of SME, Commercial and Corporate transactions to further mitigate Shariah non-compliance risk.
- General Deposit pools are being managed through IT based system. However, the management of special pools should also be shifted to an automated system as soon as possible.

Conclusion:

Based on the reports of Internal Shariah Audit, External Shariah Audit and different Shariah compliance checks carried out from time to time and according to the 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

وَصَلَّى اللهُ وَسَلَّمَ عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ



Mufti Javed Ahmad
Resident Shariah Board Member



Mufti Muhammad Hussain Khaleel Khail
Member, Shariah Supervisory Board



Mufti Irshad Ahmad Aijaz
Chairman, Shariah Supervisory Board

(۲) بینک اسٹیٹ بینک کی ہدایات، احکامات، راہنمائی جو شریعت کی پاسداری کے سلسلے میں اسٹیٹ بینک کے شعبہ اسلامی بینکاری کی جانب سے مجلس امور شرعیہ کی ہدایات کی روشنی میں جاری کی گئی ہیں ان پر عمل پیرا ہے۔

(۳) مجموعی طور پر بینک میں شرعی ضوابط کے نفاذ اور تعمیل 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 چیرٹی اکاؤنٹ میں ڈال کر صحیح مصرف میں لگائی جائے۔

(۵) بینک نفع و نقصان کی تقسیم اور پول مینجمنٹ کے حوالے سے اسٹیٹ بینک کی جانب سے جاری کردہ ہدایات پر عمل پیرا ہے۔

(۶) شرعی ضوابط کے نفاذ اور ان کی تعمیل کے حوالے سے آگاہی، قابلیت اور جستجو، عملے، انتظامیہ اور بورڈ آف ڈائریکٹرز میں قابل اطمینان ہے، تاہم ان میں اضافے کی کوششیں جاری رہنی چاہئیں۔

(۷) مجلس امور شرعیہ کو اپنا کام کرنے کے لیے مناسب وسائل فراہم کئے گئے ہیں۔

ہم اسلامی بینکاری کے لیے اپنی نیک تمناؤں اور بہترین خواہشات کے ساتھ اس رپورٹ کا اختتام کرتے ہیں۔

وصلی اللہ وسلّم علی نبینا محمدٍ وبارک وسلّم



مفتی ارشاد احمد اعجاز
سربراہ، مجلس امور شرعیہ



مفتی محمد حسین خلیل
رکن، مجلس امور شرعیہ



مفتی جاوید احمد
مقیم رکن مجلس امور شرعیہ

چیرٹی / خیرات:

بینک اسلامی حلال آمدنی کمانے کے لیے کوشاں ہے۔ اسی وجہ سے اس بات کو یقینی بنانے کے لیے پرعزم ہے کہ وہ صرف شریعت کے مطابق کاموں سے ہی منافع کمائے گا۔ سال کے دوران 4.7 ملین روپے کے بقدر آمدنی غیر شرعی قرار دی گئی اور اس کو مجلس امور شرعیہ کی ہدایات کے مطابق چیرٹی اکاؤنٹ میں ڈال دیا گیا۔

بینک نے ادائیگیوں میں تاخیر کی وجہ سے لازم ہونے والی چیرٹی کی مد میں، صارفین سے 24 ملین روپے کے بقدر رقم وصول کی اور اس کو چیرٹی اکاؤنٹ میں جمع کیا۔ یہاں یہ بات بھی قابل ذکر ہے کہ چونکہ چیرٹی فنڈ کو بینک کے انویسٹمنٹ اکاؤنٹ کے تحت رکھا جاتا ہے، اس لئے اس پر ملنے والا 964,000 (نولاکھ چونسٹھ ہزار روپے) کا مضاربہ منافع بھی چیرٹی اکاؤنٹ میں جمع کیا گیا۔

سال کے دوران، چیرٹی اکاؤنٹ سے صرف کی گئی رقم 26.3 ملین روپے ہے۔ اس کی تفصیلات اکاؤنٹس کے نوٹس میں موجود ہیں۔

تجاویز:

شریعتی رپورٹوں اور مختلف جہات سے وصول ہونے والی آراء کی روشنی میں ہم درج ذیل باتیں تجویز کرتے ہیں:

۱۔ بی آئی پی ایل سیکورٹیز میں سرمایہ کاری ختم کرنے کے عمل کو جلد از جلد تکمیل تک پہنچایا جائے۔

۲۔ بینک کو اسلامی بینکاری سے متعلق آگاہی نشستوں کا انعقاد تمام علاقوں میں جاری رکھنا چاہئے۔ اس کے علاوہ برانچ کے عملے کی اسلامی بینکاری سے متعلق معلومات مزید پختہ ہونی چاہئیں تاکہ صارفین تک اسلامی بینکاری کا فلسفہ اور صحیح معلومات بہم پہنچ سکیں۔

۳۔ بینک شریعت کی عدم تعمیل کے خطرے کو مزید کم کرنے کے لیے، ایس ایم ای، کمرشل اور کارپوریٹ معاملات کو ڈیجیٹائز کرنے کے امکانات کا بھی جائزہ لے۔

۴۔ جنرل ڈپازٹ پولز کو جس طرح آئی ٹی کی بنیاد پر بنی طریقے سے منظم کیا جا رہا ہے اسی طرح اسپیشل پولز کے انتظام کو بھی جلد از جلد ایک خود کار نظم میں منتقل کرنے کی ضرورت ہے۔

سفارشات:

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

(۱) بینک مجموعی طور پر مجلس امور شرعیہ کی جانب سے جاری کردہ فتاویٰ، ہدایات اور راہنمائی پر عمل پیرا رہے۔

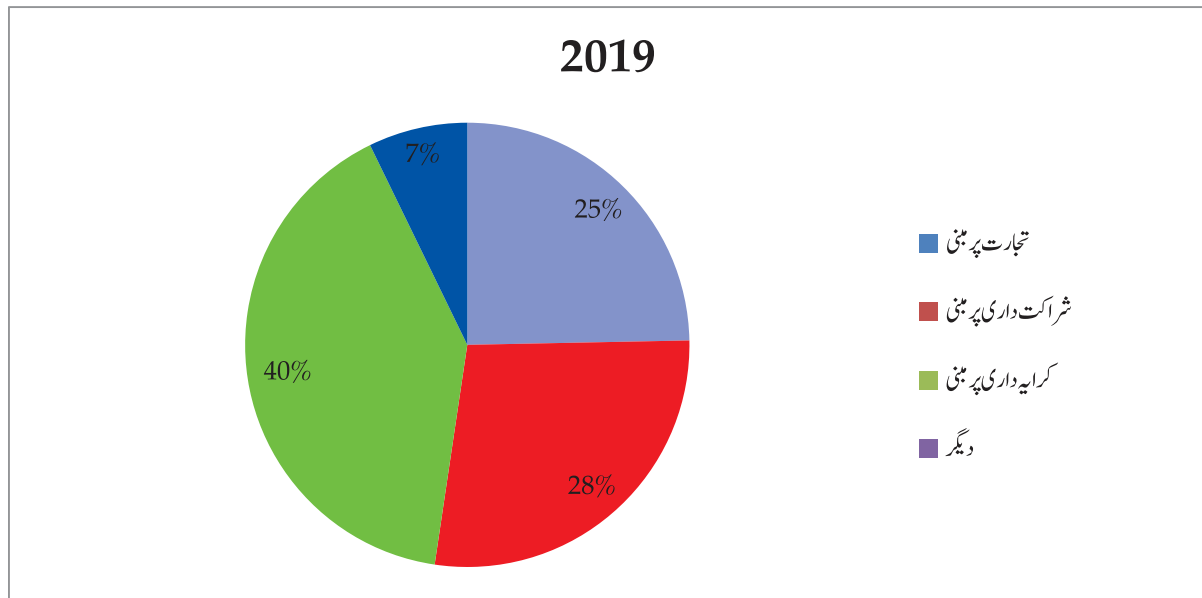
عوام کے لیے آگاہی نشست:

اسلامی بینکاری کو فروغ دینے اور معاشرے سے ربا ختم کرنے میں کردار ادا کرنے کے لیے، بینک اسلامی نے عوام اور مختلف شعبہ جات سے تعلق رکھنے والے افراد جیسے تاجر برادری اور طلبہ و اساتذہ کے لیے ملک کے مختلف شہروں جیسے ملتان، بہاولپور، ٹنڈو آدم (سندھ)، پیر محل لاہور، واہ کینٹ کراچی، سیالکوٹ، سکھر، جھڑ اور ساہیوال میں آگاہی نشستوں کا انعقاد کیا۔ شعبہ تعمیل امور شرعیہ نے مختلف آگاہی نشستیں مختلف شہروں کے مدارس میں بھی منعقد کیں تاکہ علماء و طلبہ کو اسلامی بینکاری سے متعلق بنیادی معلومات دی جائیں۔

سال کے دوران، شعبہ تعمیل امور شرعیہ نے بہاء الدین زکریا یونیورسٹی ملتان، اسلامیہ یونیورسٹی بہاولپور، کام سیٹ (COMSATS) یونیورسٹی، آئی بی اے کراچی اور آئی بی اے سکھر میں بھی کامیاب سیمینارز منعقد کیے۔ یہ سیمینارز صرف اس لیے نہیں تھے کہ مستقبل کے رہنماؤں کے دلوں میں اسلامی بینکاری کی اہمیت بیٹھ جائے بلکہ اس لیے بھی تھے کہ انڈسٹری اور تعلیمی اداروں کے درمیان مضبوط تعلقات استوار ہوں۔ اسی سلسلے میں بینک اسلامی نے مختلف جامعات سے باہمی مفاہمت کی یادداشت بھی دستخط کئے ہیں، ان جامعات میں بہاء الدین زکریا یونیورسٹی ملتان، اسلامیہ یونیورسٹی بہاولپور، NUST یونیورسٹی اسلام آباد اور COMSATS یونیورسٹی شامل ہیں۔ اس کا مقصد اسلامی بینکاری کے فروغ میں تعاون کو بڑھانا تھا۔

بینک کی سرمایہ کاری کا تجزیہ:

بینک نے اپنے صارفین کو فنانسنگ دینے کے لیے مختلف اسلامی طریقے ہائے تمویل استعمال کیے۔ بینک کی کل سرمایہ کاری کے مجموعے میں شرکت اور اجارہ کی بنیاد پر مبنی مصنوعات (پروڈکٹس) کا حصہ 28% اور 40% رہا، جبکہ تجارت کی بنیاد پر مبنی مصنوعات (پروڈکٹس) کا حصہ 25% رہا۔ درج ذیل جدول 31 دسمبر 2019 میں بینک کی سرمایہ کاری کے مجموعہ کا تجزیہ ظاہر کرتا ہے۔



۵۔ پائیدار اشیاء کی تمویل: اس تمویلی سہولت کی بنیاد ”مساومہ“ پر ہے۔ اس کے ذریعے صارفین بوقت ضرورت متعین مقدار میں پائیدار اشیاء مخصوص شرائط کے ساتھ خرید سکتا ہے۔

۶۔ یونٹس کی بیچ موہل: یہ مصنوع (پروڈکٹ) بینک کی موجودہ مصنوعات (پروڈکٹس) میں وسعت اور بہتری کے لیے بنائی گئی ہے تاکہ بینک اپنی اضافی لیکویڈٹی کو دوسرے مالیاتی اداروں میں شرعی بنیادوں پر لگا سکے۔ شریعت کے اصولوں کے مطابق میوچل فنڈ کے یونٹس اس مصنوع (پروڈکٹ) میں بنیادی اثاثے کی حیثیت رکھتے ہیں، جس کی وجہ سے یہ مصنوع (پروڈکٹ) لیکویڈٹی میجمنٹ کے ایک منظم اور شفاف حل کی امتیازی مثال ہے۔

۷۔ اسلامی ماہانہ منافع TDR (ڈیڑھ سال): اس مصنوع (پروڈکٹ) کو موجودہ ٹرم ڈپازٹ مصنوع (پروڈکٹ) کی ایک الگ قسم کے طور پر متعارف کروایا گیا ہے۔ اس کے تحت بینک اسلامی ڈیڑھ سالہ ٹرم ڈپازٹ کی پیشکش کرتا ہے۔

۸۔ آسان ریمیشنس اکاؤنٹ: یہ اکاؤنٹ اسٹیٹ بینک آف پاکستان کی قانونی ذرائع سے ترسیل زر کو فروغ دینے کی پالیسی کے تحت ایک ایسے پلیٹ فارم کے طور پر بنایا گیا ہے جہاں لوگ اپنی ترسیلات زر کی ضرورت کو قانونی اور شرعی طریقے سے پورا کر سکیں۔

مجلس امور شرعیہ نے بینک کی مختلف مصنوعات (پروڈکٹس) کے ترمیم شدہ ”دستور العمل“ اور ”معاهدات“ کا بھی جائزہ لیا۔ اس میں مراحمہ، استصناع، کاروبار فائنانس اور ررننگ مشارکہ وغیرہ شامل ہیں۔ اسی طرح درآمدات (امپورٹس)، لیٹر آف گارنٹی اور اسلامی ایکسپورٹ ری فائنانس اسکیم کے دستور العمل پر بھی نظر ثانی کی گئی۔

اسلامی بینکاری کی تربیت:

سال کے دوران، شعبہ تعمیل امور شرعیہ نے بینک کے ملازمین کی تربیت پر بھرپور توجہ دی اور بینک کے مختلف شعبوں کے ملازمین کی شریعت کے حوالے سے کئی تربیتی نشستیں منعقد کیں۔ ان میں ٹریڈ، کارپوریٹ، کریڈٹ ڈپارٹمنٹ اور مختلف شہروں کی ڈسٹری بیوشن ٹیم کی مخصوص تربیتی نشستیں شامل ہیں۔

شعبہ تعمیل امور شرعیہ نے ایک اہم اور نمایاں کام یہ بھی کیا کہ 'NIBAF' کے ساتھ مل کر بینک اسلامی کی اعلیٰ انتظامیہ کے لیے ایک خاص تربیتی نشست کا انعقاد کیا۔ یہ نشست بینک کے اعلیٰ عہدے داروں کے لیے شرعی ہدایات اور اصولوں سے ہم آہنگ رہنے میں معاون ثابت ہوگی۔

ملازمین کی اسلامی بینکاری سے متعلق عمومی معلومات کی یاد دہانی کے لیے، مختلف شہروں میں اسلامی بینکاری کے 50 سے زائد تربیتی نشستیں منعقد کی گئیں۔ جس میں 1500 سے زائد ملازمین نے شرکت کی۔ یہ نشستیں کراچی، حیدرآباد، ملتان، لاہور، اسلام آباد اور کوئٹہ میں منعقد کی گئیں۔ مذکورہ نشستوں میں یاد دہانی پروگرام یعنی اثاثوں کے بارے میں یاد دہانی نشست، ڈپازٹ کے بارے میں یاد دہانی نشست وغیرہ اور بنیادی اسلامی بینکاری تربیتی نشستیں شامل ہیں۔

مصنوعات و تشکیل شرعی: (Products and Shariah Structuring)

سال کے دوران میں بینک نے ”کے الیکٹرک“ کے دو اسلامک کمرشل پیپر جاری کیے۔ ان میں سے ایک ”وکالتہ الاستثمار“ کی بنیاد پر جاری کیا اور دوسرا ”شرکتہ العقد“ کی بنیاد پر جاری کیا۔ یہ قابل ذکر بات ہے کہ اسلامک کمرشل پیپر کے اجراء کے لیے ”شرکتہ العقد“ کو پاکستان کی اسلامک بینکنگ انڈسٹری میں پہلی دفعہ استعمال کیا گیا۔

اسی طرح بینک اسلامی نے تیس بلین پاکستانی روپے کی مالیت کی ایک اجتماعی طویل مدتی تمویلی سہولت میں منتظم، مشیر اور تشکیل شرعی کے وکیل کا کردار ادا کیا۔ یہ تمویلی سہولت پاکستان انٹرنیشنل ایئر لائن کارپوریشن کو دی گئی ہے۔ جس کے تحت 5.16 بلین پاکستانی روپے کی مالیت کی پہلی قسط جاری کی جا چکی ہے۔

نئے شرعی متبادل پیش کرنے کے سلسلے میں بینک اسلامی نے اپنے ٹریڈ فنانس کے تیزی سے بڑھتے ہوئے کاروبار کی ضرورت کو پورا کرنے کے لیے، موجودہ مصنوعات (پروڈکٹس) کے دائرے میں رہتے ہوئے، بل ڈسکاؤنٹنگ کے دو شرعی متبادل متعارف کروائے۔ ان میں سے ایک ’فارورڈ کور‘ کی صورت میں بل ڈسکاؤنٹنگ کا شرعی متبادل ہے۔ دوسرا شرعی متبادل رنگ مشارکہ کی بنیاد پر مبنی ہے۔ رنگ مشارکہ کو بل ڈسکاؤنٹنگ کے متبادل کے طور پر اسلامی بینکنگ انڈسٹری میں پہلی مرتبہ استعمال کیا گیا ہے۔

سال کے دوران اس کے علاوہ بھی کئی نئی مصنوعات (پروڈکٹس) مجلس امور شرعیہ نے منظور کی ہیں، جو کہ درج ذیل ہیں:

۱۔ چھوٹے اور درمیانے کاروبار کی جدت کے لیے اسلامک ریفائننس کی سہولت: یہ ایک طویل مدتی سہولت ہے جو اسٹیٹ بینک آف پاکستان کی طرف سے چھوٹے اور درمیانے کاروبار کرنے والے صارفین کو ان کی صنعت بہتر کرنے کے لیے دی جاتی ہے۔

۲۔ چھوٹے اور درمیانے کاروبار کے جاری اخراجات کے لیے اسلامک ریفائننس کی سہولت: یہ ایک قلیل مدتی سہولت ہے جو اسٹیٹ بینک آف پاکستان کی طرف سے صارفین کو ان کے جاری اخراجات کی ضروریات پورا کرنے کے لیے دی جاتی ہے۔

۳۔ روشنی آسان: یہ طویل مدتی تمویل کی سہولت ہے جو اسٹیٹ بینک کی طرف سے صارفین کو قابل تجدید توانائی کی مصنوعات کی تمویل کے لیے دی جاتی ہے۔

۴۔ ایسپلائی بینکنگ سروسز: یہ کئی سہولیات کا مجموعہ ہے، جو ہمارے موجودہ اور ممکنہ صارفین کے تنخواہ دار ملازمین کو دیا جاتا ہے۔ اس مجموعے میں درج ذیل خدمات شامل ہیں: کرنٹ اور سیونگ اکاؤنٹ، متبادل ذرائع ترسیل، کنزیومر فنانس، بیکنگ کافل، کیش مینجمنٹ سروسز وغیرہ۔

شعبہ ’تعمیل امور شرعیہ کا بنیادی مقصد یہ ہے کہ بینک کے کاموں پر شرعی حوالے سے مستقل نظر رکھے اور ضرورت پڑنے پر مناسب اقدامات کرے۔ یہ شعبہ اس بات کی بھی یقین دہانی کراتا ہے کہ بینک کے تمام معاملات میں شریعت سے ہم آہنگ ماحول برقرار رہے۔ اس مقصد کے لیے وہ بینک کے مختلف کاموں کا جائزہ لیتا ہے جن میں درج ذیل کام شامل ہیں: معاملات کی عملی دستاویزات کا تجزیہ کرنا، معاہدوں اور گارنٹی کے متون کا شرعی جائزہ لینا، ڈپازٹرز کے نفع و نقصان کی ماہانہ تقسیم کا جائزہ لینا اور بینک اسلامی کی مجلس امور شرعیہ کے ساتھ معاونت کرتے رہنا۔

سال کے دوران میں شعبہ ’تعمیل امور شرعیہ نے پورے ملک میں پھیلی ہوئی کئی شاخوں اور مرکزی دفتر کے مختلف شعبہ جات کا شرعی جائزہ لیا۔ اس کے علاوہ اس شعبہ نے تمام نئی اور پرانی مصنوعات (پروڈکٹس) اور اس کے طریقہ کار، تشہیری مواد اور سوشل میڈیا کی پوسٹوں کو مجلس امور شرعیہ کو پیش کرنے سے پہلے جائزہ بھی لیا۔

معاملات کو شریعت کے مطابق رکھنے کے لیے، سال کے دوران میں دو مرحلے پر شرعی جائزہ لیا گیا؛ ایک معاملہ انجام دینے سے پہلے اور دوسرا معاملہ انجام پا جانے کے بعد۔ اس طریقہ کار سے شریعت کی نگرانی مزید موثر ہوئی، جس کی وجہ سے معاملات میں شریعت کی عدم تعمیل اور غلطی کے خطرات کم کرنے میں مدد ملی۔

یہاں یہ بات بھی قابل ذکر ہے کہ شعبہ ’تعمیل امور شرعیہ نے مجلس امور شرعیہ کی ہدایات پر عمل درآمد کرتے ہوئے کئی رہنما دستاویزات جاری کیں تاکہ متعلقہ شعبوں کو معاملات میں شریعت کی عدم تعمیل کے خطرے اور اس کے منفی نتائج سے آگاہی حاصل ہو۔ مختلف قسم کی ہدایات جاری کرنے سے بینک میں ’تعمیل شریعت کا ماحول‘ مزید بہتر ہوا۔

بینک اسلامی شریعت کی خلاف ورزی کی صورت میں کسی قسم کی رعایت دینے کا روادار نہیں۔ بینک کی اسی پالیسی کے تحت شعبہ ’تعمیل امور شرعیہ نے تعمیل شریعت کا اعلیٰ معیار برقرار رکھنے کے لیے سال کے دوران بینک کے مالی معاملات کی کڑی نگرانی کی اور شریعت کی خلاف ورزی کرنے کی صورت میں جرمانہ عائد کرنے کی ایک اندرونی پالیسی بھی بنائی۔

سال کے دوران شعبہ ’تعمیل امور شرعیہ نے، مجلس امور شرعیہ کے سامنے درج ذیل رپورٹیں پیش کیں اور ان سے متعلق مناسب اقدامات کرنے کی رائے طلب کی: شرعی جائزوں کی رپورٹیں، اندرونی اور بیرونی شریعہ آڈٹ رپورٹیں اور اسٹیٹ بینک کی انسپیکشن رپورٹ۔ مجلس امور شرعیہ کی ہدایات پر عمل درآمد کو یقینی بنانے کے لیے یہ شعبہ شرعی امور سے متعلق اشکالات پر متعلقہ افراد سے رابطے میں بھی رہا۔

شرعی ہدایت ناموں پر عمل درآمد کو یقینی بنانے کے لیے، ایک نئے کنٹرول کے طور پر اندرونی شریعہ آڈٹ یونٹ موجود ہے جو انٹرنل آڈٹ ڈپارٹمنٹ کے تحت کام کرتا ہے اور بینک اسلامی کے مختلف شعبوں کا شریعہ آڈٹ کرتا ہے۔

مجلس امور شرعیہ کی رپورٹ برائے سال 2019ء

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الحمدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ، وَالصَّلَاةُ وَالسَّلَامُ عَلٰی اَشْرَفِ الْاَنْبِیَاءِ وَالْمُرْسَلِیْنَ،
وَعَلٰی آلِهِ وَاَصْحَابِهِ اَجْمَعِیْنَ، وَبَعْدُ

اللہ تعالیٰ کے فضل سے، اپنے ہدف "صف اول کے مستند اسلامی بینک ہونے کی حیثیت سے اپنی ایک شناخت رکھنے" کو مد نظر رکھتے ہوئے بینک اسلامی نے ایک اور سال کامیابی کے ساتھ مکمل کر لیا ہے۔ مجلس امور شرعیہ اس سالانہ رپورٹ کے ذریعے بینک اسلامی کے معاملات کے بارے میں اپنی رائے پیش کر رہی ہے۔

سال 2019ء کے دوران میں بینک اسلامی کے مختلف معاملات پر نظر ثانی کے لیے مجلس امور شرعیہ کی کل چار باقاعدہ مجالس منعقد ہوئیں، جن میں دیگر معاملات کے ساتھ درج ذیل امور پر بحث کی گئی: نئی مصنوعات (پروڈکٹس) و خدمات کا اجراء، موجودہ مصنوعات (پروڈکٹس) میں بہتری، نئے تصورات کا جائزہ، ٹرانزیکشن پر نظر ثانی، مصنوع (پروڈکٹ) ڈھانچوں پر بحث، شرعی مسائل پر غور و خوض، شریعہ آڈٹ رپورٹ کا جائزہ اور شریعہ کمپلائنس رپورٹ کی جانچ پرکھ وغیرہ۔ اس بات کو یقینی بنانے کے لیے کہ درج بالا تمام معاملات مجلس امور شرعیہ کی نگرانی میں انجام پائیں، شعبہ تعمیل امور شرعیہ پورے سال مجلس امور شرعیہ سے سہ ماہی مجالس کے علاوہ بھی مسلسل رابطے میں رہا۔ شعبہ تعمیل امور شرعیہ کے اس طرح مسلسل رابطے میں رہنے کی وجہ سے، نہ صرف بینک کے تمام شرعی مسائل مجلس امور شرعیہ کے سامنے رہے بلکہ اس کی بدولت مجلس امور شرعیہ نے مختلف معاملات کی بروقت منظوری بھی دی۔

اس رپورٹ کے اگلے حصوں میں بینک اسلامی کے معاملات اور مذکورہ مدت میں ہونے والی پیش رفت کے بارے میں معروضات پیش خدمت ہیں:

شرعی امور کی تعمیل:

بینک کا بورڈ آف ڈائریکٹرز اور انتظامیہ اس بات کے لیے پر عزم ہے کہ بینک کے تمام کاموں کو منظم کرنے کے لیے ایک موثر اور جامع شریعہ گورننس کا ماحول فراہم کیا جائے۔ شعبہ تعمیل امور شرعیہ کے ساتھ ان کے تعاون نے، شریعت سے ہم آہنگ ماحول کو یقینی بنانے اور شریعت کی عدم تعمیل کے خطرے کو کم کرنے میں اہم کردار ادا کیا ہے۔

شعبہ تعمیل امور شرعیہ، پُر عزم اور تعلیم یافتہ پیشہ ور افراد کی حامل ایک ٹیم پر مشتمل ہے جس میں قابل علماء اور معروف تعلیمی اداروں کے فضلاء شامل ہیں۔ یہ شعبہ، مجلس امور شرعیہ کی نگرانی اور رہنمائی میں اس بات کو یقینی بنانے کے لیے کام کر رہا ہے کہ بینک اسلامی کے تمام امور بالخصوص بینک اسلامی کو حاصل ہونے والا نفع مکمل طور پر شریعت کے اصول و قوانین کے مطابق ہو۔

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 2019, BankIslami received a total of Rs. 29.248 Mn as Charity amount from its customers. Disbursements during the year from the Charity Fund amounted to Rs. 26.3 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 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 which provides free of cost comprehensive care to thousands of indigent cancer patients.



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.



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 projects includes the relief arrangements made for the Syrian refugees in Turkey in collaboration with the Turkish government.



The trust is running a venture namely “Bait us Salam Education Foundation” which has an aim of 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.

The Aga Khan University Hospital

The Aga Khan University Hospital (AKUH) is an integrated health care delivery component of the Aga Khan Development Network. It is a private, not-for-profit, medial teaching institution committed to providing the best possible options for diagnosis of disease and team management of patient care. AKUH provides high quality patient care in a broad range of secondary and tertiary services.



Caravan of Life Pakistan Trust

Caravan of Life Pakistan Trust (COL) has been running a psychiatric rehabilitation program for the benefit of the general public suffering from severe and persistent mental illness. In 2009, they started 'The Recovery House' which is a well equipped purpose built rehabilitation center to serve and cure mentally distressed persons in Karachi. The center offers services at subsidized rates or for free to patients who belong to the under privileged segments of society.



Autism Care and Rehabilitation Organization

Autism Care & Rehabilitation Organization (ACRO) provides early intervention, speech and behavioral therapy, vocational and parental training for adults and children with autism. They have helped over 1000 families to cope with autism. ACRO has been able to refer its many students to normal schools/academies by helping them (and their parent) in better understanding their needs and fulfilling them on their own.



Future Trust

Future Trust is a non-profit benevolent philanthropic organization working for the promotion, advancement and encouragement of education, medical and healthcare, vocations, rehabilitation, protection and improvement of the environment, self-help, microfinance, relief against poverty and general improvement of the socio-economic conditions and living standards of the people of Pakistan. Their recent projects include offering free diagnosis and treatment to patients suffering from Knee Arthritis and Joint Degeneration using the latest Platelet Rich Plasma (PRP) and Lipogem treatment.



Pink Ribbon

Pink Ribbon Pakistan, established in 2004, is a local organization working on the issue of breast cancer. Over the years, the organization has contributed to the treatment of many patients and have been pivotal in spreading awareness across the country. Currently, Pink Ribbon is setting up Pakistan's 1st Dedicated Breast Cancer Hospital in Lahore.





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INDEPENDENT AUDITORS' REPORT

To the members of BankIslami Pakistan Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of BankIslami Pakistan Limited, which comprise the unconsolidated statement of financial position as at 31 December 2019, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except 33 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Building a better working world

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. Cybercrime Incident</p> <p>As disclosed in note 25.3.1.4 to the financial statements, during 2018, the Bank faced a cybercrime incident with respect to its payment card facility. In relation to this incident, the international payment service provider has claimed an amount of USD 6.1 million (PKR 738 million) from the Bank.</p> <p>While The Bank had challenged this claim in the court of law and a stay was granted in favor of the Bank last year, which is currently in operation. The Bank has made a partial provision against the said claim during the year. Considering the high level of management judgement associated with determining the likelihood and magnitude of the required provision in-respect of accounting of this contingent liability we have identified the same as a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - Assessing the judgements used by management based on the available information in determining the level of provision required in respect of the claim. - We sent confirmation letters to, and obtained responses from the lawyers used by the Bank while focusing on matters relating to the court proceedings in progress. - We considered the factors used by the managements expert in determining the best estimate for the provision. Further, we engaged an independent legal expert to review the facts of the case to assist us in determining the impact of this incident on the financial statements. - We considered the accounting treatment of the provision, contingent liabilities and disclosures under applicable financial reporting framework, to conclude whether these were appropriate in the circumstances.
<p>2. Provision against Non Performing Islamic Financing and Related Assets</p> <p>The Bank's Islamic financing portfolios include fund-based and non-funded financing facilities. The portfolio include corporate financing to several public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</p> <p>As per the Bank's accounting policy (refer note 6.4.2 to the financial statements), the Bank determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Bank's process for identification and classification of non-performing financing including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired financing and declassification of accounts from non-performing to regular, as the case may be. - We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations;



<p>The determination of loan loss provision against financing, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p> <p>The disclosures relating to provisioning against non- performing financing and related assets are included in notes 11.15 and 11.16 to the financial statements.</p>	<ul style="list-style-type: none"> - In addition, we selected a representative sample of borrowers from the financing portfolios including individually significant corporate loans and performed tests and procedures such as review of financing documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the bank and status of litigation, if any, with the borrower; - Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; - In respect of the level of general provision maintained by the Bank we discussed the approach and policy followed by the Bank with the management on consistent basis and checked the approval of Board of Directors in this regard; and - We also assessed adequacy of disclosures as included in note 11 to the financial statements regarding the non-performing financing and provisions made for the same in the financial statements in accordance with the requirements of the applicable financial reporting framework.
<p>3. Recoverability of deferred tax assets</p>	
<p>As disclosed in note 14 to the financial statements, as at 31 December 2019, Rs. 5,621.695 million was recorded on the Statement of financial position with respect to deferred tax assets, of which Rs. 3,299.042 million represents carryforward accumulated tax losses.</p> <p>The carry-forward of unused tax losses requires a deferred tax asset to be recognized to the extent that it is probable that future tax profits are available against which the unused tax losses can be set off.</p> <p>We deemed this subject to be a key audit matter because management is required to exercise judgement when deciding whether to recognize a deferred tax asset for tax loss carryforwards as well as when assessing the recoverability of recognized deferred tax assets.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We involved our internal valuation specialists to assist in evaluating the Bank's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on most recent budgets and plans, prepared by management by using the same criteria described for testing the impairment of assets and goodwill, principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognized. - We ascertained that information used was derived from the Bank's business plans has been subject to internal reviews and were approved by those charged with governance. - We reviewed the adequacy of the disclosures made by the Bank in this area.

<p>4. Impairment testing of goodwill</p>	
<p>As at 31 December 2019, intangible assets include goodwill amounting to Rs. 2.9 billion acquired as a result of scheme of amalgamation as disclosed in note 13.2 to the financial statements.</p> <p>Goodwill is required to be annually assessed for impairment under IAS 36 "Impairment of Assets". Accordingly, Management performed an impairment test of the goodwill which is subjective in nature due to assumptions made about future performance.</p> <p>As disclosed in notes 13.2, the Bank uses a discounted cash flow model to determine value in use, on the basis of the certain key assumptions.</p> <p>Due to the significance and impact of the assumptions and judgements involved, the impairment tests of goodwill is considered to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> - Evaluated the model used in determining the value in use as well as assessing the discount rate used; - Compared the cash flow forecasts to approved budgets and other relevant market and economic information, as well as testing the underlying calculations; - We involved our internal valuation specialists to assist in evaluating management's key assumptions used in the impairment calculations. - Performed sensitivity analyses around the key assumptions used in the models. <p>We assessed the adequacy of the related disclosures in the financial statements.</p>
<p>5. Adoption of IFRS-16 "Leases"</p>	
<p>As referred to in note 3.4.4 to the financial statements, IFRS 16 'Leases' (the standard) has become effective for the current financial year.</p> <p>The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Bank is required to recognize right of use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The impacts of the adoption of the standard are disclosed in note 3.4.4 to the unconsolidated financial statements.</p> <p>The application of the new standard requires management to make significant estimates and judgements such as in related to determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the financial statements; - We obtained an understanding of the process and controls in place for identification of in-scope and material lease contracts and capturing of relevant data regarding the terms and condition of the lease contracts; - We corroborated the completeness of the leases identified by the management by reviewing the reconciliations of leases with the list of branch properties in the use of the Bank and reviewing the rent expense ledgers for the year; - We performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts; - We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease term; and - We evaluated the adequacy of disclosures made regarding the application of the standard and its impact on the unconsolidated financial statements of the Bank for the year.



Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank/ branches as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank/ branches and the transactions of the Bank/ branches which have come to our notice have been within the powers of the Bank/ branches; and



d) 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.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total Islamic financing and related assets of the Bank.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.



Chartered Accountants

Place: Karachi

Date: March 02, 2020

Unconsolidated Statement of Financial Position





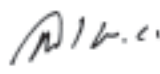
AS AT DECEMBER 31, 2019

	Note	2019	2018
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks	7	14,640,163	14,292,752
Balances with other banks	8	1,877,508	832,621
Due from financial institutions	9	42,911,620	18,173,504
Investments	10	55,194,471	38,832,093
Islamic financing, related assets and advances	11	131,774,504	118,570,811
Fixed assets	12	12,717,391	6,663,467
Intangible assets	13	3,101,794	3,121,906
Deferred tax assets	14	5,621,695	7,530,221
Other assets	15	14,655,739	7,725,881
Non-current assets held for sale	16	601,609	-
Total Assets		283,096,494	215,743,256
LIABILITIES			
Bills payable	17	3,645,324	3,242,180
Due to financial institutions	18	15,103,607	7,819,532
Deposits and other accounts	19	228,826,675	184,693,363
Subordinated sukuk	20	1,700,000	-
Deferred tax liabilities		-	-
Other liabilities	21	14,124,556	5,473,366
		<u>263,400,162</u>	<u>201,228,441</u>
NET ASSETS		<u>19,696,332</u>	<u>14,514,815</u>
REPRESENTED BY			
Share capital - net	22	11,007,991	10,000,079
Reserves	23	1,186,267	968,799
Surplus on revaluation of assets - net of tax	24	4,626,364	1,850,647
Unappropriated profit		<u>2,875,710</u>	<u>1,695,290</u>
		<u>19,696,332</u>	<u>14,514,815</u>

CONTINGENCIES AND COMMITMENTS

25

The annexed notes 1 to 49 and Annexure-I & II form an integral part of these unconsolidated financial statements.





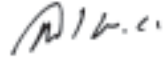
				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Unconsolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
----- Rupees in '000 -----			
Profit / return earned	26	23,650,447	12,204,238
Profit / return expensed	27	<u>12,860,056</u>	<u>6,170,275</u>
Net Profit / return		10,790,391	6,033,963
OTHER INCOME			
Fee and commission income	28	<u>617,932</u>	<u>842,235</u>
Dividend income		10,947	61,858
Foreign exchange income		183,612	139,575
Gain on securities	29	660,253	138,098
Other income	30	<u>160,440</u>	<u>82,246</u>
Total other income		1,633,184	1,264,012
Total Income		<u>12,423,575</u>	<u>7,297,975</u>
OTHER EXPENSES			
Operating expenses	31	<u>7,721,165</u>	<u>6,795,997</u>
Workers' Welfare Fund		35,904	8,216
Other charges	32	<u>36,511</u>	<u>54,359</u>
Total other expenses		7,793,580	6,858,572
Profit before provisions		<u>4,629,995</u>	<u>439,403</u>
Provisions and write offs - net Extra ordinary / unusual items	33	2,798,657	36,835
		-	-
PROFIT BEFORE TAXATION		<u>1,831,338</u>	<u>402,568</u>
Taxation	34	744,000	189,904
PROFIT AFTER TAXATION		<u>1,087,338</u>	<u>212,664</u>
----- Rupees -----			
(Restated)			
Basic earnings per share	35	<u>1.0600</u>	<u>0.2099</u>
Diluted earnings per share	35	<u>1.0600</u>	<u>0.2099</u>

The annexed notes 1 to 49 and Annexure-I & II form an integral part of these unconsolidated financial statements.





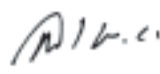
				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Unconsolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	----- Rupees in '000 -----	
Profit after taxation for the year	1,087,338	212,664
Other Comprehensive Income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments - net of tax	2,978,746	(259,908)
Items that will not be reclassified to profit and loss account in subsequent periods		
Re-measurement gain on defined benefit obligations - net of tax	51,180	4,072
Movement in surplus on revaluation of fixed assets - net of tax	-	659,648
Movement in surplus on revaluation of non-banking assets - net of tax	56,341	221,870
	107,521	885,590
Total comprehensive income	4,173,605	838,346

The annexed notes 1 to 49 and Annexure-I & II form an integral part of these unconsolidated financial statements.

				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Unconsolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital	Discount on issue of shares	Statutory reserve	Revenue reserve for bad debts & contingencies	Surplus on revaluation of		Unappropriated profit	Total
					Investments	Fixed / Non Banking Assets		
Rupees in '000								
Balance as at December 31, 2017	10,079,121	(79,042)	676,266	250,000	269,896	1,006,444	1,473,784	13,676,469
Profit after taxation for the year	-	-	-	-	-	-	212,664	212,664
Other comprehensive income - net of tax	-	-	-	-	(259,908)	881,518	4,072	625,682
Total comprehensive income for the year	-	-	-	-	(259,908)	881,518	216,736	838,346
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(10,398)	10,398	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	(308)	308	-
Transfer from surplus on revaluation of non-banking assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(36,597)	36,597	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	9,988	1,840,659	1,695,290	14,514,815
Profit after taxation for the year	-	-	-	-	-	-	1,087,338	1,087,338
Other comprehensive income for the year	-	-	-	-	2,978,746	56,341	51,180	3,086,267
Total comprehensive income for the year	-	-	-	-	2,978,746	56,341	1,138,518	4,173,605
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(14,281)	14,281	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	(976)	976	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(16,619)	16,619	-
Transfer from surplus on revaluation of non-banking assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(227,494)	227,494	-
Transfer to statutory reserve	-	-	217,468	-	-	-	(217,468)	-
Transactions with owners, recorded directly in equity								
Issue of Share Capital (Right Shares)	1,007,912	-	-	-	-	-	-	1,007,912
Balance as at December 31, 2019	11,087,033	(79,042)	936,267	250,000	2,988,734	1,637,630	2,875,710	19,696,332

The annexed notes 1 to 49 and Annexure-I & II form an integral part of these unconsolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



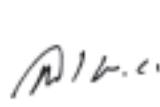
CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



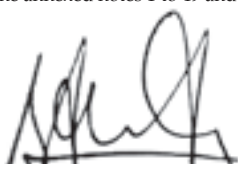
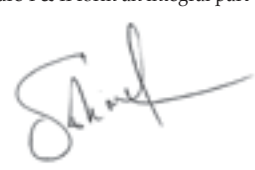
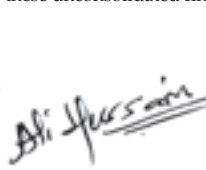
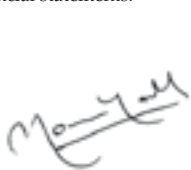
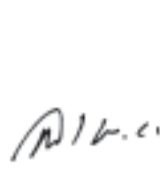
DIRECTOR

Unconsolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2019

Note	2019	2018
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,831,338	402,568
Less: Dividend Income	(10,947)	(61,858)
	<u>1,820,391</u>	<u>340,710</u>
Adjustments for non-cash charges and other items:		
Depreciation on fixed assets	12.2 710,563	649,852
Depreciation on non banking assets	15.1.1 8,994	6,653
Depreciation on right-of-use assets	12.2 786,150	-
Amortization	13 72,360	68,314
Depreciation on operating Ijarah assets	11.13 945,762	1,160,722
Finance cost on Ijarah (lease) liabilities	27 443,605	-
Provisions and write offs - net	33 2,798,657	36,835
Unrealized loss on revaluation of investments classified as held for trading	29 -	19,686
Charge for defined benefit plan	31.1 110,919	88,717
Gain on sale of property and equipment	30 (10,244)	(11,542)
(Gain) / loss on sale of non-banking assets	30 (61,000)	10,570
	<u>5,805,766</u>	<u>2,029,807</u>
	7,626,157	2,370,517
(Increase) / decrease in operating assets		
Due from financial institutions	(24,738,116)	3,198,283
Held-for-trading securities	144,537	(134,074)
Islamic financing and related assets and advances	(16,207,594)	(540,618)
Others assets	(5,985,901)	(1,562,749)
	(46,787,074)	960,842
Increase / (decrease) in operating liabilities		
Bills payable	403,144	(686,289)
Due to financial institutions	7,284,075	(7,750,858)
Deposits and other accounts	44,133,312	6,383,546
Other liabilities (excluding current taxation)	4,823,277	(857,387)
	<u>56,643,808</u>	<u>(2,910,988)</u>
	17,482,891	420,371
Contributions to defined benefit plan	(81,882)	(50,000)
Income tax paid	(373,939)	(179,498)
Net cash generated from operating activities	<u>17,027,070</u>	<u>190,873</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(14,165,458)	3,053,170
Dividend received	10,947	61,858
Payment of Ijarah (lease) liability against right-of-use assets	(926,714)	-
Investments in fixed assets	(3,302,007)	(779,880)
Investments in intangible assets	(52,248)	-
Proceeds from disposal of fixed assets	92,796	13,365
Net cash (used in) / generated from investing activities	<u>(18,342,684)</u>	<u>2,348,513</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital (right shares)	1,007,912	-
Pre-IPO proceeds of subordinated sukuk	1,700,000	-
Net cash generated from financing activities	<u>2,707,912</u>	<u>-</u>
Increase in cash and cash equivalents	1,392,298	2,539,386
Cash and cash equivalents at the beginning of the year	15,125,373	12,585,987
Cash and cash equivalents at the end of the year	37 <u>16,517,671</u>	<u>15,125,373</u>

The annexed notes 1 to 49 and Annexure-I & II form an integral part of these unconsolidated financial statements.

				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Notes to and Forming Part of the Unconsolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

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 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 334 branches including 81 sub branches as at December 31, 2019 (2018: 330 branches including 81 sub branches). The registered office of the Bank is situated at 11th Floor, Executive Tower 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 PREPARATION

- 2.1 The Bank provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Running Musharakah (Shirkat-ul-Aqd) Muswammah and other Islamic modes as briefly explained in note 6.4 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 utilized and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognized 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 unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

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 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 and non-banking assets have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 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 disclosure requirements under IFAS 3 have not been considered in these financial statements.

3.4 **Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan that are effective in the current year:**

3.4.1 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

- IFRIC 23 - Uncertainty over Income Tax Treatments
- IFRS 15 - Revenue from contracts with customers
- IFRS 16 - Leases

Amendment to IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures.

Amendments to IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement
 - IAS 12 Income Taxes
 - IAS 23 Borrowing Costs

3.4.2 IFRIC 23 - Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation did not have any material impact on the unconsolidated financial statements of the Bank.

3.4.3 IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which is effective for annual periods beginning on or after 1 July 2018. The standard establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Bank's revenue streams that are within the scope of IFRS 15 relate to certain fee and commission income. The accounting policy for recognition of such income is disclosed in note 6.11 to these financial statements. The application of this standard did not have any material impact on these financial statements, except for change in description of accounting policy.

3.4.4 IFRS 16 - 'Leases'

During the year, the SBP, vide its BPRD Circular Letter No. 8 dated April 30, 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated July 26, 2019 has directed all Islamic Banks to apply IFRS 16 - 'Leases' in all lease contracts where the Islamic Banks acts in capacity of lessee and accordingly, the Bank has adopted the standard. The IFAS 2 - Ijarah would continue to be applicable on all the Lease contracts where the Islamic Banks acts as lessor.

The Bank has lease contracts in the capacity of lessees for various properties used by the Bank's branches. The Bank has adopted modified retrospective approach for transition to IFRS 16. The standard also provides practical expedients, which has been applied by the Bank. The Bank has recognized right-of-use assets and lease liabilities for those leases which were previously accounted for under IFAS-2 Ijarah and recognized / classified as rent expense. Lease liabilities were discounted using the incremental borrowing rate at the date of initial application. Right of use asset is depreciated over lease term and classified as depreciation expense.

The overall impact of the initial application of IFRS 16 on these financial statements is summarized below:

	Note	As at January 01, 2019 (Rupees in '000)
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	12.2	3,694,210
Decrease in other assets - Advances, deposits, advance rent and other prepayments		(72,293)
Increase in other liabilities - lease liability against right-of-use assets		3,622,476
Impact on Profit and Loss account		
		For the year ended December 31, 2019 (Rupees in '000)
Increase in Profit on deposits and other dues expensed - - Amortization of lease liability against right-of-use assets	27	(443,605)
(Increase) / decrease in administrative expenses		
- Depreciation on right-of-use assets	12.2	(786,150)
- Rent expense		880,262
		94,112
Decrease in profit before tax		(349,493)
Decrease in profit after tax		(213,191)

Right of Use (RoU) assets recognized as Fixed assets - increased by Rs. 3,545 million.

Lease liabilities recognized as Other liabilities - increased by Rs. 3,782 million.

Earnings per share for the year ended December 31, 2019 decreased by Rs. 0.21 per share.

	Note	As at January 01, 2019 (Rupees in '000)
Impact on operating lease commitments		
Operating lease commitment as at December 31, 2018	25.2.3	4,913,424
Weighted average discount rate as at January 1, 2019		12.76%
Discounted operating lease commitments as at January 1, 2019		4,357,248
Less:		
Contracts effective after December 31, 2018		(108,132)
Commitments related to short term leases		(251,218)
Impact of change in expected lease term		(375,422)
Lease liabilities as of January 1, 2019		3,622,476

3.5 Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan that are not yet effective:

3.5.1 The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan would be effective for accounting periods beginning on or after 01 January 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required. IFRS 14 was originally issued by IASB in January 2014 with initial application date for a period beginning on or after 01 January 2016. During November 2019, the SECP modified the effective date for applicability of IFRS 14 for the annual reporting periods beginning on or after 01 July 2019.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. SBP has advised the effective date of implementation of IFRS 9 from January 01, 2021. Meanwhile, SBP has directed banks to perform parallel run of IFRS 9 implementation starting from January 01, 2020 to assess the impact of implementation of IFRS 9.

The above amendments are not likely to have an impact on Bank's unconsolidated financial statements except for IFRS 9 'Financial instruments'. The bank is currently evaluating the impact of the IFRS 9. In addition to above Standards, there are certain new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 01 January 2020 but are considered not to be relevant to the Bank's operations and therefore, are not detailed in these unconsolidated financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2021

3.5.2 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2019.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting 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:

- (a) Classification and valuation of investments in accordance with the Bank's policy (notes 6.3 and 10).
- (b) Provision for non-performing Islamic financing and related assets and Advances (notes 6.4.2 and 11.16).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets and advances (note 11.16.5).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 6.3.5 and 10).

- (e) Determination of lease term and incremental borrowing rate for lease contract of various properties used by banks branches (note 3.4.4, 6.5.3, 12 and 21).
- (f) Staff retirement benefits (notes 6.10 and 39).
- (g) Revaluation and depreciation / amortization of fixed assets and intangible assets (notes 6.5, 12.2 and 13).
- (h) Valuation of non-banking assets acquired in satisfaction of claims (note 6.7 and 15.1)
- (i) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.6, 14 and 34).
- (j) Estimation of other provisions and contingent liabilities (note 33 and note 25).

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, commitments in respect of foreign exchange contracts and non-banking assets acquired in satisfaction of claims have been marked to market and are carried at fair value. Further, staff retirement benefits as discussed in notes 6.10 and 39 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 transactions, 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

In Musharakah, the Bank invests / accepts 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 amortized over the period of the financing.

Commodity Murabaha

In Commodity Murabahah, the Bank sells commodities on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Wakalah

In Wakalah, the Bank accepts / places funds from / with financial Institutions by entering into Investment Agency for the funds to be invested in profitable avenues as / on behalf of the Muwakkil.

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.

(d) Associates

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

(e) Subsidiaries

Subsidiary is an entity over which the Bank has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

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 recognized 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 categorized as 'held for trading' are initially recognized at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

Premium or discount on Shariah compliant securities classified as available for sale is amortized 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 re-measurement are included in the net profit and loss for the year.

(b) Held-to-maturity

These are measured at amortized 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 re-measurement is included in the statement of comprehensive income and recognized in the statement of financial position in equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized 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 recognized 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 as 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 recognized directly in surplus on revaluation of assets on the Statement of Financial Position in equity is removed there from and recognized in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognized 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 capitalization 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 recognized 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, Running Musharakah (Shirkat-ul-Aqd) 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, financings 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 Ijarah Financing {Ijarah contracts where the Bank acts as Mujir (lessor)}

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 recognized 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 amortized 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 recognized as income on a receipt basis. Income on Ijarah is recognized 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.

6.4.3 Murabahah

Murabahah is a sale transaction with the purchase orderer 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.

6.4.4 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.

6.4.5 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 ownership of the asset is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank).

6.4.6 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 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.

6.4.7 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.

6.4.8 Muswammah / Karobar Financing

Under this product the Bank purchases tangible identified goods from client at an agreed purchase price on the basis of Musawammah. The Bank then sells the goods in the market through agent (Client) at a higher price to earn its desired profit.

6.4.9 Musharakah

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

6.4.10 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).

6.4.11 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.

6.4.12 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 fixed assets.

6.4.13 Provisioning

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 financing ratio present in the portfolio. These percentages range from 1% to 2.5% for secured and 4% to 7% 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.

6.5 Fixed assets

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 fixed assets note 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 recognized 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 derecognized 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 Ijarah (Leased) assets {where the Bank is Mustajir (lessee)}

The SBP, vide its BPRD Circular Letter No. 8 dated April 30, 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated July 26, 2019 has directed all Islamic Banks to apply IFRS 16 - 'Leases' in all Ijarah (lease) contracts where the Islamic Banks acts in capacity of Mustajir (lessee).

Accounting policy with regards to Ijarah (leased) assets where the bank is Mustajir (lessee) is as follows:

Right-of-use (RoU) assets

At the commencement date of the lease, the RoU asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any re-measurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the expected lease term.

Ijarah (lease) Liability

At the commencement date of the ijarah (lease), the Bank recognizes ijarah (lease) liability measured at the present value of the consideration (ijarah payments) to be made over the expected Ijarah (lease) term and is adjusted for ijarah (lease) prepayments. The lease payments are discounted using the effective rate implicit in the ijarah (lease), unless it is not readily determinable, in which case the Mustajir (lessee) may use the incremental rate of financing. After the commencement date, the carrying amount of ijarah (lease) liability is increased to reflect the accretion of finance cost and reduced for the ijarah (lease) payments made.

6.5.4 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over the estimated useful lives. The useful lives and amortization 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.

Amortization 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 capitalized to the extent that future economic benefits are expected to be derived by the Bank.

Intangible assets, including goodwill, with indefinite useful life are not amortized but tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

6.5.5 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 recognized 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 recognized 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 recognized 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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 utilized.

The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities and 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 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 fixed assets.

These assets are generally intended for sale. Gains and losses realized on the sale of such assets are disclosed separately from gains and losses realized on the sale of fixed assets in the notes to the 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 fixed assets.

6.8 Non-current assets held for sale

The Bank classifies a non-current asset as held for sale if it represents a separate major line of business or a geographical area of operations or is a investment in subsidiary / associate which the Bank has decided to divest; and its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

6.9 Acceptances

Acceptances representing undertakings by the Bank to pay bills of exchange drawn on customers are recognized as liabilities of the Bank at the date of acceptance.

6.10 Staff retirement benefits

6.10.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognized 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, 2019.

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

6.10.2 Defined contribution plan

The Bank operates a recognized 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 recognized as employee benefit expense when they are due.

6.11 Revenue recognition

6.11.1 Profit on Murabahah and Commodity Murabahah is recognized over the financing stage 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 recognized immediately on the culmination date.

- 6.11.2** Profit from Istisna, Salam and Muswammah (Karobar Finance) are recorded on an accrual basis commencing from the time of sale of goods till the realization of proceeds by the Bank. Profit from Diminishing Musharakah are recognized on a time proportionate basis in the form of rentals.
- 6.11.3** The Bank follows the finance method in recognizing 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 amortized 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 recognized as income on a receipt basis. Income on Ijarah is recognized 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.
- 6.11.4** Provisional profit of Musharakah financing is recognized on an accrual basis. Actual profit / loss on Musharakah financing is adjusted after declaration of profit by Musharakah partner or on liquidation of Musharakah.
- 6.11.5** Profit on Wakalah-tul-Istismar financings is booked on an accrual basis and is adjusted upon declaration of profit by the Wakeel.
- 6.11.6** Profit on Running Musharakah financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- 6.11.7** Profit on classified financing is recognized on a receipt basis.
- 6.11.8** Dividend income is recognized when the right to receive the dividend is established.
- 6.11.9** Gains and losses on sale of investments are recognized in the profit and loss account.
- 6.11.10** Fee on issuance of letter of credit and acceptance is recognized on receipt basis as generally the transactions consummate within an accounting period. Commission on guarantees, if considered material, is recognized over the period of guarantee. The Bank earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has fully provided the service to the customer. Where the contract requires services to be provided over time, the income is recognised on a systematic basis over the life of the related service.
- 6.11.11** Profit on Sukuks is recognized on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, the premiums / discounts are amortized through the profit and loss account over the remaining life of Sukuk, using the effective yield method.
- 6.11.12** Income earned from revenues that are not Shariah complaint are not recognized 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.

6.12 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.

6.13 Financial Instruments

6.13.1 Financial assets and financial liabilities

All financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any loss on de-recognition 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.

6.13.2 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 recognized amount and the Bank intends either to settle on a net basis or to realize 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 accounting and reporting standards as applicable in Pakistan.

6.13.3 Shariah compliant derivatives

Shariah compliant derivative financial instruments are recognized at fair value. In case of equity Shariah compliant futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (i.e. unrealized gains) are included in other receivables and derivatives with negative market values (i.e. unrealized 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.

6.14 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.

6.15 Fiduciary assets

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

6.16 Deposits

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

Deposits taken on Qard basis are classified as 'Current non-remunerative accounts' and Deposits generated on Mudarabah 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. 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 realized 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.

6.17 Pool Management

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

Under the general deposits pools, the Bank accepts funds on Mudarabah 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 utilizing 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, high- net worth customers and other banks for Islamic Export Refinance to Bank's customers and liquidity management respectively under the Musharakah / Mudarabah modes. The profit of each deposit pool is calculated on all the remunerative assets booked by utilizing the funds from the pool after deduction of expenses directly incurred in earning the income of such pool along with 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 share) 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. 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.

6.18 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 recognized, 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 recognized 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.

6.19 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 recognized 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.

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 recognized in equity.

6.20 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. The Bank has defined its segments in line with the requirements of IFRS 8 - "Operating Segments".

IFRS 8 requires the entity to define operating segment based on various factors including the basis on which operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

6.20.1 Business segments

Trading and sales

It includes equity, foreign exchanges, commodities, money market placements and debt investments.

Retail banking

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

Commercial banking

It includes investment banking business, trade business and Islamic financing and related assets relating to its corporate, SME and agriculture customers.

Support Centre

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

6.20.2 Geographical segment

The Bank operates only in Pakistan.

6.21 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	2019	2018
----- Rupees in '000 -----			
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
- local currency		4,578,845	3,619,317
- foreign currency		449,739	332,378
		5,028,584	3,951,695
With the State Bank of Pakistan in:			
- local currency current account	7.1	6,032,362	7,642,125
- foreign currency deposit accounts:			
- Cash Reserve Account	7.2	369,621	269,114
- Special Cash Reserve Account	7.3	446,116	323,549
- US Dollar Clearing Account		14,450	26,604
		830,187	619,267
With National Bank of Pakistan in:			
- local currency current account		2,744,790	2,079,665
National Prize Bonds	7.4	4,240	-
		14,640,163	14,292,752

7.1 This represents Rs. 6,032.362 million (2018: 7,642.125 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement. Balance held under this account is non-remunerative.

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). Balance held under this account is non-remunerative.

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.

7.4 The Bank has collected National Prize Bonds from customers in line with circular issued by SBP in this regard. The value of the Prize Bonds represents a receivable due to the Bank from the Government of Pakistan occurring as a result of Islamic concept of Hawala (assignment of debt) arrangement.

	Note	2019	2018
----- Rupees in '000 -----			
8 BALANCES WITH OTHER BANKS			
In Pakistan:			
- in current accounts		2,861	2,416
- in deposit accounts	8.1	360	4,575
		3,221	6,991
Outside Pakistan:			
- in current accounts		1,874,287	825,630
		1,877,508	832,621

8.1 These represent deposits with various Islamic banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 7.01% (2018: 3.5%) per annum.

9 DUE FROM FINANCIAL INSTITUTIONS

Note	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- Rupees in '000 -----						
Secured						
Commodity Murabahah	-	-	-	1,913,199	-	1,913,199
Bai Muajjal Receivable						
-from Other Financial Institutions	9.4	20,821,525	-	20,821,525	-	-
Unsecured						
Commodity Murabahah	-	-	-	15,726,266	-	15,726,266
Wakalah Placement	9.1	-	1,316,205	1,316,205	-	534,039
Bai Muajjal Receivable						
-from State Bank of Pakistan	9.2	6,172,475	-	6,172,475	-	-
-from Banks	9.3	5,942,762	-	5,942,762	-	-
-from Other Financial Institutions	9.4	8,658,653	-	8,658,653	-	-
Other placements		30,780	-	30,780	-	-
		41,626,195	1,316,205	42,942,400	17,671,865	534,039
Provision against placements	9.5	(30,780)	-	(30,780)	(32,400)	-
		41,595,415	1,316,205	42,911,620	17,639,465	534,039
						18,173,504

9.1 This represents foreign currency placements and the profit rates on these agreements range between 1.70% to 3.40% (2018: 0.25% to 2.80%) per annum. The agreements have maturities ranging from 27 to 106 days (2018: 42 days to 78 days).

9.2 The profit rates on Bai Muajjal from State Bank of Pakistan range between 10.50% to 10.60% (2018: Nil) per annum and the agreements have maturities in 38 days (2018: Nil).

9.3 The profit rate on Bai Muajjal from banks range between 13.60% to 13.75% (2018: Nil) per annum and the agreements have maturities ranging from 6 to 94 days (2018: Nil).

9.4 The average return on this product ranges between 12.95% to 17.07% (2018: Nil) per annum. The balances have maturities ranging between 10 days to 266 days (2018: Nil). These Bai Muajjal are secured against Federal Government securities received as collateral and having market value of Rs. 22.739 million as at December 31 2019 (2018: Nil)

9.5 Category of classification

	2019		2018	
	Classified Placements	Provision held	Classified Placements	Provision held
----- Rupees in '000 -----				
Loss	30,780	30,780	32,400	32,400

9.5.1 The Bank does not hold overseas classified placements.

10 INVESTMENTS

	Note	2019	2018
----- Rupees in '000 -----			
Investments - Islamic	10.1 & 10.3	54,616,796	37,731,617
Investments - Conventional (relating to amalgamated entity)	10.2 & 10.4	577,675	1,100,476
		55,194,471	38,832,093

Note	2019				2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
10.1 Islamic Investments by type								
Held for trading securities								
Shares	-	-	-	-	164,223	-	(19,686)	144,537
Available for sale securities								
Federal Government Securities	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Shariah Compliant Securities	38,875,056	(35,880)	4,565,437	43,404,613	10,082,407	(35,880)	(1,479)	10,045,048
Mutual fund units	21	-	42	63	21	-	44	65
Shares / Modaraba certificates	332,863	(87,094)	32,573	278,342	354,120	(73,498)	14,908	295,530
	49,513,776	(122,974)	4,598,052	53,988,854	36,948,261	(109,378)	15,366	36,854,249
Associates	10.10	627,942	-	627,942	627,942	-	-	627,942
Subsidiary	10.3.2	-	-	-	191,015	(86,126)	-	104,889
Total Islamic investments	50,141,718	(122,974)	4,598,052	54,616,796	37,931,441	(195,504)	(4,320)	37,731,617
10.2 Conventional Investments by type*								
Available for sale securities								
Non Government Debt Securities	268,210	(268,210)	-	-	270,586	(270,586)	-	-
Shares	1,189,030	(611,355)	-	577,675	1,189,030	(611,355)	-	577,675
	1,457,240	(879,565)	-	577,675	1,459,616	(881,941)	-	577,675
Held to maturity securities								
Non Government Debt Securities	321,601	(321,601)	-	-	321,601	(321,601)	-	-
Associates	10.10	1,032,169	(1,032,169)	-	1,032,169	(1,032,169)	-	-
Subsidiaries	10.4.1 & 10.9	104,771	(104,771)	-	2,499,708	(1,976,907)	-	522,801
Total conventional investments	2,915,781	(2,338,106)	-	577,675	5,313,094	(4,212,618)	-	1,100,476

* These assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

Note	2019				2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
10.3 Islamic Investments by segments								
Federal Government Securities								
GOP Ijarah Sukuks	-	-	-	-	26,511,713	-	1,893	26,513,606
Bai Muajjal	10,305,836	-	-	10,305,836	-	-	-	-
	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Shariah Compliant Securities								
Pakistan Energy Sukuk-I	10.3.1	30,535,000	-	4,564,983	35,099,983	-	-	-
Sukuk certificates - unlisted		8,340,056	(35,880)	454	8,304,630	10,082,407	(35,880)	(1,479)
		38,875,056	(35,880)	4,565,437	43,404,613	10,082,407	(35,880)	(1,479)
10,045,048								10,045,048
Mutual fund units								
Units of open-end mutual funds		21	-	42	63	21	-	44
								65
Shares								
Ordinary shares of listed companies		332,863	(87,094)	32,573	278,342	518,343	(73,498)	(4,778)
								440,067
Associates - Unlisted								
Shakarganj Food Products Limited	10.10	627,942	-	-	627,942	627,942	-	-
								627,942
Subsidiary								
BankIslami Modaraba Investments Limited	10.3.2	-	-	-	-	191,015	(86,126)	-
								104,889
		50,141,718	(122,974)	4,598,052	54,616,796	37,931,441	(195,504)	(4,320)
								37,731,617

10.3.1 During the year, the Bank invested in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments.

10.3.2 The Bank has classified its investment in subsidiary - BankIslami Modaraba Investments Limited as 'Non-current assets held for sale' (refer Note 16).

10.4 Conventional Investments by segments*

Note	2019				2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
Non Government Debt Securities								
Listed		90,388	(90,388)	-	-	92,764	(92,764)	-
Unlisted		499,423	(499,423)	-	-	499,423	(499,423)	-
		589,811	(589,811)	-	-	592,187	(592,187)	-
Shares								
Unlisted Companies		33,680	(33,680)	-	-	33,680	(33,680)	-
		33,680	(33,680)	-	-	33,680	(33,680)	-
Foreign securities								
Equity securities		1,155,350	(577,675)	-	577,675	1,155,350	(577,675)	-
								577,675
Associates - Unlisted								
KASB Capital Limited	10.10	41,867	(41,867)	-	-	41,867	(41,867)	-
KASB Funds Limited	10.10	432,302	(432,302)	-	-	432,302	(432,302)	-
New Horizon Exploration & Production Limited	10.10	558,000	(558,000)	-	-	558,000	(558,000)	-
		1,032,169	(1,032,169)	-	-	1,032,169	(1,032,169)	-
Subsidiaries								
BIPL Securities Limited	10.4.1	-	-	-	-	2,394,937	(1,872,136)	-
My Solutions Corporation Limited	10.9	104,771	(104,771)	-	-	104,771	(104,771)	-
		104,771	(104,771)	-	-	2,499,708	(1,976,907)	-
		2,915,781	(2,338,106)	-	577,675	5,313,094	(4,212,618)	-
								1,100,476

10.4.1 The Bank has classified its investment in subsidiary - BIPL Securities Limited as 'Non-current assets held for sale' (refer Note 16).

* These assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

	Note	2019	2018
10.5 Investments given as collateral		----- Rupees in '000 -----	
Federal Government Securities		5,000,000	5,000,000
10.6 Provision for diminution in value of investments			
10.6.1 Opening balance		4,408,122	5,100,858
Charge / (reversal)			
Charge for the year		39,677	73,426
Reversals for the year		(2,376)	(12,043)
Provision for diminution in value of investments - net	33	37,301	61,383
Transfer to Non-current assets held for sale	16	(1,984,343)	-
Amounts written off		-	(754,119)
Closing Balance	10.6.1.1	2,461,080	4,408,122

10.6.1.1 Break up of provision for diminution in the value of investments is as follows:

Investments - Islamic	122,974	122,006
Investments - Conventional	2,338,106	4,286,116
	2,461,080	4,408,122

10.6.2 Particulars of provision against debt securities

Category of classification	2019		2018	
	Non-performing investments	Specific Provision	Non-performing investments	Specific Provision
	----- Rupees in '000 -----			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	901,942	625,691	904,318	628,067
Total	901,942	625,691	904,318	628,067

10.6.2.1 The Bank does not hold overseas classified debt securities.

10.7	Quality of Available for Sale Securities:	2019	2018
		Cost	
		----- Rupees in '000 -----	

Details regarding quality of Available for Sale (AFS) securities are as follows:

10.7.1 Federal Government Securities - Government guaranteed

GOP Ijarah Sukuks	-	26,511,713
Bai Muajjal	10,305,836	-
	10,305,836	26,511,713

10.7.2 Non Government Debt Securities*

Listed

Unrated	30,535,000	-
---------	------------	---

Unlisted

AAA	7,184,941	9,002,459
AA	100,000	-
A	-	542,000
A-	220,000	-
A+	424,535	50,000
AA-	50,000	100,000
Unrated	628,789	658,534
	8,608,265	10,352,993

* Entity's ratings are used where sukuk and term finance certificates ratings were not available.

	2019	2018
	Cost	
	----- Rupees in '000 -----	

10.7.3 Mutual Funds

A(f)	5	5
AA(f)	5	5
Unrated	11	11
	21	21

10.7.4 Shares (Equity Securities)

10.7.4.1 Listed Companies

- Real Estate Investment Trust	-	143,771
- Bank (Islamic Bank)	190,990	64,871
- Modarabas	91,675	91,675
- Chemical	50,198	53,783
- Power Generation and Distribution	-	20
	332,863	354,120

Note	As at	2019		2018	
		Cost	Breakup value	Cost	Breakup value
----- Rupees in '000 -----					
10.7.4.2 Unlisted Companies					
Pakistan Export Finance	June 30, 2010	5,680	0.50	5,680	0.50
Guarantee Agency Limited	December 31, 2014	28,000	3.06	28,000	3.06
KASB Invest (Private) Limited					
10.4		<u>33,680</u>	<u>3.56</u>	<u>33,680</u>	<u>3.56</u>
				2019	2018
				Note	Cost
----- Rupees in '000 -----					

10.7.5 Foreign Securities

Equity Securities

Unlisted

Evolve Capital Limited - Incorporated in British Virgin Islands

10.4 1,155,350 1,155,350

10.8 Particulars relating to Held to Maturity securities are as follows:

Non Government Debt Securities

Unlisted

- Unrated

321,601 321,601

10.8.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Nil (December 31, 2018: Nil).

10.9 Details of investment in subsidiaries		2019						
		As at	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation
----- Rupees in '000 -----								
Unlisted								
My Solutions Corporation Limited	December 31, 2017	100.00	Pakistan	14,448	29,678	1,978	(6,237)	(6,237)

10.10 Details of investment in associates		2019						
		As at	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation
----- Rupees in '000 -----								
Unlisted								
Islamic								
Shakarganj Food Products Limited	December 31, 2019	36.38	Pakistan	10,693,308	7,051,145	1,454,691	(229,487)	(229,487)
Conventional								
KASB Funds Limited	December 31, 2015	43.89	Pakistan	46,465	32,465	23,640	(66,241)	(65,679)
New Horizon Exploration and Production Limited	December 31, 2014	20.00	Pakistan	452,899	117,949	73,048	37,870	37,870
KASB Capital Limited*	December 31, 2016	21.78	Mauritius	\$ 652,864	\$ 135,428	-	\$ (34,084)	\$ (34,084)

* This represents the full US\$ amount.

Note 2019 2018
----- Rupees in '000 -----

11 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES

Islamic financing and related assets - net	11.1	131,471,570	118,087,795
Advances (relating to amalgamated entity) - net	11.2	302,934	483,016
		<u>131,774,504</u>	<u>118,570,811</u>

	Note	Performing		Non Performing		Total	
		2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----							
11.1 ISLAMIC FINANCING AND RELATED ASSETS							
In Pakistan							
- Running Musharakah	11.11	35,522,924	22,058,948	-	2,345,510	35,522,924	24,404,458
- Diminishing Musharakah financing and related assets - Others	11.3	26,611,862	19,510,716	1,241,965	1,085,397	27,853,827	20,596,113
- Muswammah financing and related assets / Karobar financing	11.4	11,176,623	14,654,320	2,806,150	577,934	13,982,773	15,232,254
- Istisna financing and related assets	11.5 & 11.10	13,625,060	14,148,931	858,108	922,480	14,483,168	15,071,411
- Diminishing Musharakah - Housing		11,903,851	12,489,541	1,323,994	896,876	13,227,845	13,386,417
- Murabahah financing and related assets	11.6 & 11.9	6,634,565	9,498,668	664,272	396,904	7,298,837	9,895,572
- Diminishing Musharakah financing and related assets - Auto		10,670,368	8,394,715	87,725	52,478	10,758,093	8,447,193
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000	6,250,000
- Ijarah financing under IFAS 2 and related assets	11.7	3,094,951	3,641,357	187,321	240,051	3,282,272	3,881,408
- Financing to employees		2,750,540	2,507,961	138,085	95,490	2,888,625	2,603,451
- Qardh e Hasana		2,081	205,099	552,330	394,095	554,411	599,194
- Murabahah against Bills		166,338	169,671	892	-	167,230	169,671
- Salam	11.8	100,000	143,935	337	337	100,337	144,272
- Post Due Acceptance		239,534	108,728	-	-	239,534	108,728
- Housing finance portfolio - others		33,786	37,819	-	-	33,786	37,819
- Net investment in Ijarah financing in Pakistan	11.12	35,242	36,543	-	-	35,242	36,543
- Musharakah financing		280,000	-	-	-	280,000	-
- Financing against Bills		59,173	-	-	-	59,173	-
Gross financing and related assets		129,156,898	113,856,952	7,861,179	7,007,552	137,018,077	120,864,504
Less: Provision against non-performing Islamic financing and related assets							
- Specific	11.15 & 11.16	-	-	(5,208,752)	(2,546,436)	(5,208,752)	(2,546,436)
- General	11.15 & 11.16	(337,755)	(230,273)	-	-	(337,755)	(230,273)
		(337,755)	(230,273)	(5,208,752)	(2,546,436)	(5,546,507)	(2,776,709)
Islamic financing and related assets-net of provisions		128,819,143	113,626,679	2,652,427	4,461,116	131,471,570	118,087,795
11.2 ADVANCES							
Loans, cash credits, running finances, etc. - In Pakistan*		175,815	194,852	6,229,714	7,218,699	6,405,529	7,413,551
Net investment in finance lease - In Pakistan	11.12	-	255	582,185	584,988	582,185	585,243
Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan		-	122,451	714,646	592,195	714,646	714,646
Advances - gross		175,815	317,558	7,526,545	8,395,882	7,702,360	8,713,440
Provision against advances							
- Specific	11.15 & 11.16	-	-	(7,518,228)	(8,386,515)	(7,518,228)	(8,386,515)
- General	11.15 & 11.16	(57)	(369)	-	-	(57)	(369)
		(57)	(369)	(7,518,228)	(8,386,515)	(7,518,285)	(8,386,884)
Advances - net of provision		175,758	317,189	8,317	9,367	184,075	326,556
Fair value adjustment	11.17	-	-	118,859	156,460	118,859	156,460
Advances - net of provision and fair value adjustment		175,758	317,189	127,176	165,827	302,934	483,016

* This includes non-interest bearing performing financing facilities amounting to Rs. 121.991 million (2018: Rs. 88.944 million).

	Note	2019	2018
----- Rupees in '000 -----			
11.3 Diminishing Musharakah financing and related assets - Others			
Diminishing Musharakah financing		27,821,116	20,542,427
Advance against Diminishing Musharakah financing		32,711	53,686
		<u>27,853,827</u>	<u>20,596,113</u>
11.4 Muswammah financing and related assets / Karobar financing			
Muswammah financing		10,543,334	13,496,828
Advance against Muswammah financing		1,619	-
Muswammah inventories		3,437,820	1,735,426
		<u>13,982,773</u>	<u>15,232,254</u>
11.5 Istisna financing and related assets			
Istisna financing		8,771,480	10,180,982
Advance against Istisna financing		5,711,688	4,624,429
Istisna inventories		-	266,000
		<u>14,483,168</u>	<u>15,071,411</u>
11.6 Murabahah financing and related assets			
Murabahah financing		5,364,666	7,928,163
Deferred murabahah income		185,009	337,220
Advances against Murabaha financing		252,766	1,630,189
Murabaha Inventories		1,496,396	-
		<u>7,298,837</u>	<u>9,895,572</u>
11.6.1 Murabaha receivable - gross	11.6.2	5,549,675	8,265,383
Less: Deferred murabaha income	11.6.4	(88,968)	(123,982)
Profit receivable		(96,041)	(213,238)
Murabaha financing		<u>5,364,666</u>	<u>7,928,163</u>
11.6.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		8,265,383	11,442,916
Sales during the year		16,935,256	27,387,581
Received during the year		(19,650,964)	(30,565,114)
Closing balance		<u>5,549,675</u>	<u>8,265,383</u>
11.6.3 Murabahah sale price (for transactions during the year)		16,935,256	27,387,581
Murabahah Purchase price (for transactions during the year)		(16,215,498)	(26,682,001)
		<u>719,758</u>	<u>705,580</u>

	Note	2019	2018
----- Rupees in '000 -----			
11.6.4	Deferred Murabahah income		
	Opening balance	123,982	146,828
	Arising during the year	719,758	705,580
	Recognized during the year	(754,772)	(728,426)
	Closing balance	88,968	123,982
11.7	Ijarah financing under IFAS 2 and related assets		
	Net book value of assets under IFAS 2	3,281,590	3,880,726
	Advance against Ijarah financing	682	682
		3,282,272	3,881,408
		2019	2018
		----- Rupees in '000 -----	
11.8	Salam		
	Salam financing	55,337	52,305
	Advance against Salam	45,000	91,967
		100,337	144,272
11.9	Murabahah financing and related assets includes financing amounting to Rs. 994 million (2018: Rs. 600 million) and advance amounting to Rs. 741 million (2018: Rs. 500 million) under Islamic Export Refinance Scheme.		
11.10	Istisna financing and related assets includes financing amounting to Rs. 1,209.817 million (2018: Rs. 901.300 million) and advance amounting to Rs. 147 million (2018: Rs. 530.375 million) under Islamic Export Refinance Scheme.		
11.11	Running musharakah financing and related assets includes financing amounting to Rs. 993.187 million (2018: Nil) under Islamic Export Refinance Scheme.		
11.12	Break up of net investment in Ijarah financing and Finance lease	2019	2018
-----Rupees in '000-----			
	Islamic financing and related assets	35,242	36,543
	Advances	582,185	585,243
		617,427	621,786

11.12.1 Net investment in Ijarah financing in Pakistan and finance lease

	2019				2018			
	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	572,228	-	-	572,228	575,290	-	-	575,290
Residual value	89,445	-	-	89,445	90,794	-	-	90,794
Minimum Ijarah payments	661,673	-	-	661,673	666,084	-	-	666,084
Profit for future periods	(44,246)	-	-	(44,246)	(44,298)	-	-	(44,298)
Present value of minimum Ijarah payments	617,427	-	-	617,427	621,786	-	-	621,786

11.13 Ijarah Assets

	2019							
	Cost			Accumulated depreciation			Book value as at December 31, 2019	Rate of Depreciation %
	As at January 01, 2019	Addition / (deletions)	As at December 31, 2019	As at January 01, 2019	Charge / (deletions)	As at December 31, 2019		
----- Rupees in '000 -----								
Plant and Machinery	1,860,127	1,040,000 (845,390)	2,054,737	1,148,409	260,266 (768,560)	640,115	1,414,622	20-33.33
Vehicles	6,219,976	10,322 (2,087,091)	4,143,207	3,050,968	685,496 (1,460,225)	2,276,239	1,866,968	20-33.33
	8,080,103	1,050,322 (2,932,481)	6,197,944	4,199,377	945,762 (2,228,785)	2,916,354	3,281,590	

	2018							
	Cost			Accumulated depreciation			Book value as at December 31, 2018	Rate of Depreciation %
	As at January 01, 2018	Addition / (deletions)	As at December 31, 2018	As at January 01, 2018	Charge / (deletions)	As at December 31, 2018		
----- Rupees in '000 -----								
Plant and Machinery	1,856,078	4,049	1,860,127	1,007,861	140,548	1,148,409	711,718	20-33.33
Vehicles	7,290,401	257,259 (1,327,684)	6,219,976	2,710,707	1,020,174 (679,913)	3,050,968	3,169,008	20-33.33
	9,146,479	261,308 (1,327,684)	8,080,103	3,718,568	1,160,722 (679,913)	4,199,377	3,880,726	

11.13.1 Future Ijarah payments receivable

	2019				2018			
	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	1,859,213	517,180	-	2,376,393	1,237,529	1,378,157	-	2,615,686

	2019	2018
	----- Rupees in '000 -----	
11.14 Particulars of Islamic financing and related assets and advances - gross		
In local currency	142,150,863	129,576,156
In foreign currency	2,569,574	1,788
	<u>144,720,437</u>	<u>129,577,944</u>

11.15 Islamic financing and related assets and advances include Rs. 15,387.724 million (2018: Rs. 15,403.434 million) which have been placed under non-performing status as detailed below:

Category of classification

	2019		2018	
	Non-performing Islamic financing, related assets and advances	Specific Provision	Non-performing Islamic financing, related assets and advances	Specific Provision
	----- Rupees in '000 -----			
Domestic				
Other assets especially mentioned	525,244	-	267,237	220
Substandard	695,454	76,698	3,079,994	87,997
Doubtful	1,904,229	821,090	523,501	112,035
Loss	12,262,797	11,829,192	11,532,702	10,732,699
Total	<u>15,387,724</u>	<u>12,726,980</u>	<u>15,403,434</u>	<u>10,932,951</u>

11.15.1 The Bank does not hold overseas classified non-performing Islamic financing, related assets and advances.

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

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947
Charge for the year	2,798,104	107,170	2,905,274	824,518	6,764	831,282
Reversals for the year	(884,736)	-	(884,736)	(903,028)	-	(903,028)
	1,913,368	107,170	2,020,538	(78,510)	6,764	(71,746)
Amount written off	(119,339)	-	(119,339)	(438,608)	-	(438,608)
Closing balance	<u>12,726,980</u>	<u>337,812</u>	<u>13,064,792</u>	<u>10,932,951</u>	<u>230,642</u>	<u>11,163,593</u>
11.16.1						
Islamic	5,208,752	337,755	5,546,507	2,546,436	230,273	2,776,709
Conventional	7,518,228	57	7,518,285	8,386,515	369	8,386,884
	<u>12,726,980</u>	<u>337,812</u>	<u>13,064,792</u>	<u>10,932,951</u>	<u>230,642</u>	<u>11,163,593</u>

	2019	2018
	-----Rupees in '000-----	
11.16.2 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account		
Gross reversals for the year	884,736	903,028
Charge for the year	<u>(2,905,274)</u>	<u>(831,282)</u>
	(2,020,538)	71,746
Fair value adjusted - net	<u>(37,601)</u>	<u>(35,871)</u>
Net (charge) / reversals taken to the profit and loss account	<u><u>(2,058,139)</u></u>	<u><u>35,875</u></u>

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

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	12,726,980	337,812	13,064,792	10,932,951	230,642	11,163,593
In foreign currency	-	-	-	-	-	-
	<u>12,726,980</u>	<u>337,812</u>	<u>13,064,792</u>	<u>10,932,951</u>	<u>230,642</u>	<u>11,163,593</u>

11.16.4 The Bank maintains general reserve (provision) amounting to Rs. 337.812 million (2018: 230.642 million) 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.

11.16.5 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, 2019 amounts to Rs. 345.792 million (2018: Rs. 493.169 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 210.933 million (2018: Rs. 320.560 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.

	2019	2018
	-----Rupees in '000-----	
11.18 Particulars of write offs		
Against provisions	119,339	438,608
Directly charged to the profit and loss account	<u>-</u>	<u>-</u>
	<u>119,339</u>	<u>438,608</u>
Write offs Rs. 500,000 and above	119,339	438,608
Write offs below Rs. 500,000	<u>-</u>	<u>-</u>
	<u>119,339</u>	<u>438,608</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-I.

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	2019 -----Rupees in '000-----	2018
Balance at the beginning of the year		2,603,451	2,270,601
Financing granted during the year		1,281,863	1,014,232
Payments received during the year		<u>(996,689)</u>	<u>(681,382)</u>
Balance at the end of the year	11.19.1	<u><u>2,888,625</u></u>	<u><u>2,603,451</u></u>

11.19.1 This includes Rs. 5.397 million (2018: Rs. 5.413 million) as Qardh e Hasana to employees under the Bank's Human Resource Policy.

	Note	2019 ----- Rupees in '000 -----	2018
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12 FIXED ASSETS

Capital work-in-progress	12.1	362,346	87,761
Property and equipment	12.2	8,810,013	6,575,706
Right of use assets	3.4.4 & 12.2	3,545,032	-
		<u><u>12,717,391</u></u>	<u><u>6,663,467</u></u>

12.1 Capital work-in-progress

Advances to suppliers and contractors	321,746	87,761
Advance for acquiring properties:		
- Office premises	762,503	721,903
	1,084,249	809,664
Provision for impairment against advance for acquiring floor / office premises	(721,903)	(721,903)
	<u><u>362,346</u></u>	<u><u>87,761</u></u>

12.2 Property and Equipment

2019							
Freehold / Lease hold land	Freehold / Lease hold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	Total	
..... Rupees in '000							
At January 1, 2019							
Cost / Revalued amount	1,539,209	3,026,379	2,853,874	2,746,061	56,872	3,694,210	13,916,605
Accumulated depreciation	-	-	(1,527,889)	(2,103,048)	(15,752)	-	(3,646,689)
Net book value	1,539,209	3,026,379	1,325,985	643,013	41,120	3,694,210	10,269,916
Year ended December 2019							
Opening net book value	1,539,209	3,026,379	1,325,985	643,013	41,120	3,694,210	10,269,916
Additions	1,895,503	582,139	173,573	365,502	10,705	636,972	3,664,394
Disposals	-	(75,888)	(15,423)	(4,247)	(5,178)	-	(100,736)
Movement in surplus on assets revalued during the year							
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
Depreciation charge							
Depreciation charge	-	(148,305)	(238,781)	(310,633)	(12,844)	(786,150)	(1,496,713)
Reversal of Depreciation on revaluation	-	-	-	-	-	-	-
Reversal of Depreciation on disposal	-	135	7,849	3,789	6,411	-	18,184
	-	(148,170)	(230,932)	(306,844)	(6,433)	(786,150)	(1,478,529)
Closing net book value	3,434,712	3,384,460	1,253,203	697,424	40,214	3,545,032	12,355,045
At December 31, 2019							
Cost / Revalued amount	3,434,712	3,532,630	3,012,024	3,107,316	62,399	4,331,182	17,480,263
Accumulated depreciation	-	(148,170)	(1,758,821)	(2,409,892)	(22,185)	(786,150)	(5,125,218)
Net book value	3,434,712	3,384,460	1,253,203	697,424	40,214	3,545,032	12,355,045
Rate of depreciation (percentage)	-	2	10	15-25	20	-	-
..... Rupees in '000							
2018							
Freehold / Lease hold land	Freehold / Lease hold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	Total	
..... Rupees in '000							
At January 1, 2018							
Cost / Revalued amount	1,360,395	2,565,269	2,743,869	2,531,763	17,337	-	9,218,633
Accumulated depreciation	-	(197,062)	(1,262,761)	(1,856,730)	(12,159)	-	(3,328,712)
Net book value	1,360,395	2,368,207	1,481,108	675,033	5,178	-	5,889,921
Year ended December 2018							
Opening net book value	1,360,395	2,368,207	1,481,108	675,033	5,178	-	5,889,921
Additions	-	-	112,858	264,510	40,785	-	418,153
Disposals	-	-	(2,853)	(50,212)	(1,250)	-	(54,315)
Movement in surplus on assets revalued during the year							
Movement in surplus on assets revalued during the year	178,814	461,110	-	-	-	-	639,924
	178,814	461,110	-	-	-	-	639,924
Depreciation charge							
Depreciation charge	-	(81,572)	(267,932)	(295,505)	(4,843)	-	(649,852)
Reversal of Depreciation on revaluation	-	278,634	-	-	-	-	278,634
Reversal of Depreciation on disposal	-	-	2,804	49,187	1,250	-	53,241
	-	197,062	(265,128)	(246,318)	(3,593)	-	(317,977)
Closing net book value	1,539,209	3,026,379	1,325,985	643,013	41,120	-	6,575,706
At December 31, 2018							
Cost / Revalued amount	1,539,209	3,026,379	2,853,874	2,746,061	56,872	-	10,222,395
Accumulated depreciation	-	-	(1,527,889)	(2,103,048)	(15,752)	-	(3,646,689)
Net book value	1,539,209	3,026,379	1,325,985	643,013	41,120	-	6,575,706
Rate of depreciation (percentage)	-	2	10	15-25	20	-	-

12.2.1 Details of property and equipment disposed-off

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 during the year are disclosed in 'Annexure II'.

12.3 Cost of fully depreciated properties and equipment that are still in the Bank's use, as at December 31, 2019, amounted to Rs. 2,460.778 million (2018: Rs. 1,939.726 million).

12.4 During the year 2018, the Bank's freehold land and buildings on leasehold land were revalued by M/s. Harvester Services (Pvt.) Ltd., Gandhara Consultants (Pvt.) Ltd. and Akbani & Javed Associates 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. 4,565.588 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2019 would have been as follows:

	COST			DEPRECIATION			Net book value as at December 31, 2019
	As at January 01, 2019	Additions	Disposals	As at December 31, 2019	As at January 01, 2019	Charge for the year	
-----Rupees in '000-----							
Freehold / Leasehold Land	1,101,965	1,895,503	(55,733)	2,941,735	-	-	2,941,735
Building on leasehold land	1,543,682	582,139	-	2,125,821	303,948	68,994	1,752,879
	<u>2,645,647</u>	<u>2,477,642</u>	<u>(55,733)</u>	<u>5,067,556</u>	<u>303,948</u>	<u>68,994</u>	<u>4,694,614</u>

13 INTANGIBLE ASSETS

	2019				
	Computer software	Core deposits	Customer list	Goodwill (Note 13.2)	Total
-----Rupees in '000-----					
At January 1, 2019					
Cost	521,933	40,600	7,799	2,944,297	3,514,629
Accumulated amortization and impairment	(376,212)	(8,712)	(7,799)	-	(392,723)
Net book value	<u>145,721</u>	<u>31,888</u>	<u>-</u>	<u>2,944,297</u>	<u>3,121,906</u>
Year ended December 2019					
Opening net book value	145,721	31,888	-	2,944,297	3,121,906
Additions:					
- directly purchased	52,248	-	-	-	52,248
Impairment loss recognized in the profit and loss account - net	-	-	-	-	-
Disposals	-	-	-	-	-
Amortization charge	(70,082)	(2,278)	-	-	(72,360)
Other adjustments	-	-	-	-	-
Closing net book value	<u>127,887</u>	<u>29,610</u>	<u>-</u>	<u>2,944,297</u>	<u>3,101,794</u>
At December 31, 2019					
Cost	574,181	40,600	7,799	2,944,297	3,566,877
Accumulated amortization and impairment	(446,294)	(10,990)	(7,799)	-	(465,083)
Net book value	<u>127,887</u>	<u>29,610</u>	<u>-</u>	<u>2,944,297</u>	<u>3,101,794</u>
Rate of amortization (percentage)	<u>20</u>	<u>5.5-20</u>	<u>10</u>	<u>-</u>	<u>-</u>
Useful life (years)	<u>5</u>	<u>5 - 18</u>	<u>10</u>	<u>-</u>	<u>-</u>
-----Rupees in '000-----					
	2018				
	Computer software	Core deposits	Customer list	Goodwill (Note 13.2)	Total
-----Rupees in '000-----					
At January 1, 2018					
Cost	459,788	40,600	7,799	2,944,297	3,452,484
Accumulated amortization and impairment	(310,292)	(6,318)	(7,745)	-	(324,355)
Net book value	<u>149,496</u>	<u>34,282</u>	<u>54</u>	<u>2,944,297</u>	<u>3,128,129</u>
Year ended December 2018					
Opening net book value	149,496	34,282	54	2,944,297	3,128,129
Additions:					
- directly purchased	62,145	-	-	-	62,145
Impairment loss recognized in the profit and loss account - net	-	-	-	-	-
Disposals	-	-	-	-	-
Amortization charge	(65,920)	(2,394)	-	-	(68,314)
Other adjustments	-	-	(54)	-	(54)
Closing net book value	<u>145,721</u>	<u>31,888</u>	<u>-</u>	<u>2,944,297</u>	<u>3,121,906</u>
At December 31, 2018					
Cost	521,933	40,600	7,799	2,944,297	3,514,629
Accumulated amortization and impairment	(376,212)	(8,712)	(7,799)	-	(392,723)
Net book value	<u>145,721</u>	<u>31,888</u>	<u>-</u>	<u>2,944,297</u>	<u>3,121,906</u>
Rate of amortization (percentage)	<u>20</u>	<u>5.5-20</u>	<u>10</u>	<u>-</u>	<u>-</u>
Useful life (years)	<u>5</u>	<u>5 - 18</u>	<u>10</u>	<u>-</u>	<u>-</u>

13.1 The cost of fully amortized intangible assets that are still in the Bank's use, as at December 31, 2019 amounted to Rs. 241.319 million (2018: Rs. 196.261 million).

13.2 This represents goodwill recognized upon acquisition of defunct KASB Bank Undertakings based on fair values of assets and liabilities. The Bank carried out goodwill impairment testing as at December 31, 2019.

Key assumptions used in value in use calculation

The recoverable amount of Goodwill has been determined based on value in use calculation, using cash flow projections based on financial strategy approved by the Board of Directors of the Bank covering a five year period. The discount rates applied to cash flows beyond five years are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	%
Discount rate	16.53
Terminal growth rate	6.00

The calculation of value in use is most sensitive to following assumptions:

a) Profit margins

Profit margins are based on prevailing industry trends and anticipated market conditions.

b) Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using cost of equity of the Bank.

c) Key business assumptions

The assumptions are important as they represent management assessment of how the Bank's financial position might change over the projected period. Based on the expansion plans, management expects aggressive growth in financing, investments and deposits during the projected periods and thereafter stabilization in line with industry trends.

Management believes that any significant change in key assumptions, on which Goodwill's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value in use calculation of Goodwill are sensitive to changes in assumptions for profit rate spreads, Non Funded Income (NFI), long term growth rates and discount rates.

d) Sensitivity to changes in assumption

The estimated recoverable amount of Goodwill exceeds its carrying amount by approximately Rs. 2,099.452 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

Changes required individually for the carrying amount to equal recoverable amount

	%
Discount rate	1.40
Terminal growth rate	(2.00)

13.3 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.

14 DEFERRED TAX ASSETS

Deductible Temporary Differences on:

Accumulated tax losses	
Tax credit against minimum tax	
Provision for diminution in the value of investments	
Provision against non-performing Islamic financing and related assets and advances	
Provision for gratuity	
Impairment of goodwill	
Ijarah financing and related assets	
Accelerated tax depreciation	
Others	

Note	2019		
	At Jan 1 2019	Recognized in P&L & Unappropriated profit	Recognized in OCI

----- Rupees in 000-----

14.1	3,630,734	(331,692)	-	3,299,042
	168,353	101,585	-	269,938
	326,246	-	-	326,246
	4,034,741	(249,071)	-	3,785,670
	21,253	-	-	21,253
	-	-	-	-
	179,937	38,726	-	218,663
	-	16,377	-	16,377
	268,589	(27,759)	-	240,830
	8,629,853	(451,834)	-	8,178,019

Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation	
Accelerated tax depreciation	
Surplus on revaluation of fixed assets	24
Surplus on revaluation of non-banking assets	24
Surplus on revaluation of available for sale securities	24
Net investment in finance lease	

	(272,996)	43,150	-	(229,846)
	(77,420)	77,420	-	-
	(640,023)	16,638	-	(623,385)
	(22,212)	13,348	(3,309)	(12,172)
	(5,378)	-	(1,603,940)	(1,609,318)
	(81,603)	-	-	(81,603)
	(1,099,632)	150,556	(1,607,249)	(2,556,324)
	7,530,221	(301,278)	(1,607,249)	5,621,695

2018

Note	2018		
	At Jan 1 2018	Recognized in P&L & Unappropriated profit	Recognized in OCI

----- Rupees in 000-----

Deductible Temporary Differences on:

Accumulated tax losses	
Tax credit against minimum tax	
Provision for diminution in the value of investments	
Provision against non-performing Islamic financing and related assets and advances	
Provision for gratuity	
Impairment of goodwill	
Ijarah financing and related assets	
Others	

	3,548,284	82,450	-	3,630,734
	-	168,353	-	168,353
	580,183	(253,937)	-	326,246
	4,034,741	-	-	4,034,741
	21,253	-	-	21,253
	37,001	(37,001)	-	-
	108,229	71,708	-	179,937
	275,280	(6,691)	-	268,589
	8,604,971	24,882	-	8,629,853

Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation	
Accelerated tax depreciation	
Surplus on revaluation of fixed assets	24
Surplus on revaluation of non-banking assets	24
Surplus on revaluation of available for sale securities	24
Net investment in finance lease	

	(163,641)	(109,355)	-	(272,996)
	(120,636)	43,216	-	(77,420)
	(386,711)	-	(253,312)	(640,023)
	(5,149)	19,706	(36,769)	(22,212)
	(145,325)	-	139,947	(5,378)
	(81,603)	-	-	(81,603)
	(903,065)	(46,433)	(150,134)	(1,099,632)
	7,701,906	(21,551)	(150,134)	7,530,221

- 14.1** The Bank has aggregate tax losses of Rs. 9,425.835 million as at December 31, 2019 (2018: Rs. 10,373.525 million) which includes tax losses of amalgamated entity. The management has carried out an assessment for estimating the benefit of these losses. The Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognized deferred tax debit balance amounting to Rs. 3,299.042 million (2018: Rs. 3,630.734 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 realisibility of the deferred tax asset.

15 OTHER ASSETS	Note	2019	2018
		-----Rupees in '000 -----	
Profit / return accrued in local currency		7,483,717	2,549,844
Profit / return accrued in foreign currency		12,132	3,804
Advances, deposits, advance rent and other prepayments		468,406	754,090
Non-banking assets acquired in satisfaction of claims		2,075,858	2,462,019
Branch Adjustment Account		46,064	85,453
Takaful / insurance claim receivable		23,996	24,280
Receivable against First WAPDA Sukuk Acceptances	15.2	50,000	50,000
Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts		-	25,489
Unrealized gain on Shariah compliant alternative of future sale contracts		-	21,006
Amount held with financial institution	25.3.1.4	738,477	738,477
Others		461,129	361,851
		<u>15,707,735</u>	<u>8,020,338</u>
Less: Provision held against other assets	15.3	<u>(1,253,182)</u>	<u>(678,959)</u>
Other Assets (Net of Provision)		14,454,553	7,341,379
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		201,186	384,502
Other assets - total		<u>14,655,739</u>	<u>7,725,881</u>
15.1 Market value of non-banking assets acquired in satisfaction of claims		<u>1,572,365</u>	<u>2,317,671</u>

The properties of the Bank have been revalued by independent professional valuers as at 31 December 2019. The revaluation was carried out by M/s. Harvester Services (Pvt.) Ltd., Gandhara Consultants (Pvt.) Ltd., Akbani & Javed Associates and Sadruddin Associates on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 63.707 million.

Impairment against non-banking assets acquired in satisfaction of claims amounting to Rs. 704.679 million (2018: Rs. 528.850 million) is included in provision held against other assets.

15.1.1 Non-banking assets acquired in satisfaction of claims

	2019	2018
	----- Rupees in '000 -----	
Opening Balance	2,317,671	1,239,568
Additions	-	952,620
Disposals	(500,000)	(126,670)
Revaluation	63,707	258,806
Depreciation	(8,994)	(6,653)
Impairment	(160,019)	-
General provision	(140,000)	-
Closing Balance	<u>1,572,365</u>	<u>2,317,671</u>

15.1.2 Gain / (loss) on disposal of non-banking assets acquired in satisfaction of claims

Sale Proceeds	561,000	116,100
Less: Carrying Value	(500,000)	(126,670)
Gain / (loss) on disposal	<u>61,000</u>	<u>(10,570)</u>

15.2 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 recognized any provision in respect of the above amount as it is fully secured through a lien over a deposit account.

	Note	2019	2018
		----- Rupees in '000 -----	
15.3 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		26,692	26,692
Non banking assets acquired in satisfaction of claims		704,679	528,850
Amount held with financial institution	25.3.1.4	369,239	-
Others		152,572	123,417
	15.3.1	<u>1,253,182</u>	<u>678,959</u>

15.3.1 Movement in provision held against other assets

Opening balance	678,959	668,897
Charge for the year	699,688	11,327
Reversals for the year	(1,275)	(1,265)
Adjustment for the year	(124,190)	-
Closing balance	<u>1,253,182</u>	<u>678,959</u>

16 NON-CURRENT ASSETS HELD FOR SALE

On April 25, 2019, the Board of Directors announced their decision on Pakistan Stock Exchange to explore and evaluate the strategic options including divestment of shares held by the Bank in one or more associated and subsidiary companies. Subsequently, the Bank has made some progress in sale of its investment in BankIslami Modaraba Investment Limited and BIPL Securities Limited but none of these transactions had been completed at the balance sheet date. However, the Bank expects a sale to occur in the upcoming year. Accordingly, these investments have been classified as held for sale. The Board considered these investments to meet the criteria for classification as assets held for sale for the following reasons:

BankIslami Modaraba Investment Limited

- (a) A potential buyer has been identified for the sale and has made final offer.
- (b) The management is in the process of taking necessary steps including arranging regulatory approvals to conclude the transaction.

BIPL Securities Limited

- (a) The management is committed to complete the sale transaction.
- (b) The subsidiary is available for immediate sale and can be sold in present condition.
- (c) The sale is expected to occur within the next twelve months.
- (d) The potential buyers have been identified and they have also announced their intention to acquire the subsidiary at Pakistan Stock Exchange and have also initiated the due diligence exercise.

	2019		
	Cost / Amortized cost	Provision for diminution	Carrying Value
	----- Rupees in '000 -----		
Islamic Investment			
BankIslami Modaraba Investments Limited	191,015	(112,207)	78,808
Conventional Investment			
BIPL Securities Limited	2,394,937	(1,872,136)	522,801
	<u>2,585,952</u>	<u>(1,984,343)</u>	<u>601,609</u>

17 BILLS PAYABLE

	2019	2018
	----- Rupees in '000 -----	
In Pakistan	3,645,324	3,242,180
Outside Pakistan	-	-
	<u>3,645,324</u>	<u>3,242,180</u>

18 DUE TO FINANCIAL INSTITUTIONS	Note	2019	2018
		----- Rupees in '000 -----	
Secured			
Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	18.1	3,816,813	2,496,675
Acceptances from State Bank of Pakistan for financial assistance	18.2	3,086,794	2,822,857
Refinance facility for Islamic Mortgage	18.3	1,000,000	-
Total secured		7,903,607	5,319,532
Unsecured			
Wakalah Acceptance	18.4	4,000,000	-
Musharakah Acceptance	18.5	3,200,000	2,500,000
Total unsecured		7,200,000	2,500,000
		15,103,607	7,819,532
<p>18.1 The acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favor of the State Bank of Pakistan (SBP). A limit of Rs. 5,000 million (2018: Rs. 5,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2019.</p> <p>18.2 This represents amortized 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 Federal Government securities. 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. Accordingly, the profit amortization rate applied by the Bank in this respect is 0.04% per annum.</p> <p>18.3 The agreements are on a profit and loss sharing basis and are secured against housing finance. The profit rate on these agreements is 12.97% (December 31, 2018: Nil) per annum.</p> <p>18.4 The profit rate on this agreement is 11.5% (2018: Nil) per annum and has maturity in 6 days (2018: Nil).</p> <p>18.5 The profit rates on these agreements are varying between 9% to 12% (2018: 9.10% to 9.60%) per annum and has maturity in 2 to 27 days (2018: 3 to 25 days).</p>			
18.6 Particulars of due to financial institutions with respect to currencies		2019	2018
		----- Rupees in '000 -----	
In local currency		15,103,607	7,819,532
In foreign currencies		-	-
		15,103,607	7,819,532

19 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
..... Rupees in '000						
Customers						
Current deposits	64,907,052	2,728,254	67,635,306	57,544,632	1,571,063	59,115,695
Savings deposits	55,379,811	3,120,219	58,500,030	57,397,384	2,932,484	60,329,868
Term deposits	87,652,008	1,303,894	88,955,902	54,272,975	617,886	54,890,861
Others	2,673,856	19,555	2,693,411	438,238	17,697	455,935
	210,612,727	7,171,922	217,784,649	169,653,229	5,139,130	174,792,359
Financial Institutions						
Current deposits	197,108	7,673	204,781	162,566	11,425	173,991
Savings deposits	7,607,705	-	7,607,705	7,482,013	-	7,482,013
Term deposits	3,229,540	-	3,229,540	2,245,000	-	2,245,000
	11,034,353	7,673	11,042,026	9,889,579	11,425	9,901,004
	221,647,080	7,179,595	228,826,675	179,542,808	5,150,555	184,693,363

	2019	2018
----- Rupees in '000 -----		
19.1 Composition of deposits		
Individuals	60,267,699	53,743,188
Government (Federal and Provincial)	5,570,891	7,786,734
Public Sector Entities	9,482,568	10,074,411
Banking Companies	426,545	4,350
Non-Banking Financial Institutions	10,615,481	9,902,753
Private Sector	142,463,491	103,181,927
	<u>228,826,675</u>	<u>184,693,363</u>

19.2 Total Deposits includes eligible deposits under deposit protection mechanism amounting to Rs. 103,293.988 million (2018: Rs. 110,586.391 million).

20 SUBORDINATED SUKUK

The Bank is in the process of issuing fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of sukuks under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I (ADT-1) Capital as outlined by State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013. The total size of ADT-1 sukuk is Rs. 2,000 million.

As of 31 December 2019, the Pre-IPO (Initial public offer) phase of ADT-1 sukuk was achieved through which subscription amounting to Rs. 1,700 million was received. Further, the Bank is in process of conducting the IPO of ADT-1 sukuk, subject to regulatory approvals, amounting to Rs. 300 million. Subsequent to the year end, the SBP vide its letter no. BPRD/BA&CP/649/3760/20 dated 24 February 2020 allowed the Bank to complete the Additional Tier-1 (ADT-1) eligible Sukuk process by 31 March 2020.

The State Bank of Pakistan also allowed the Bank to consider the advance subscription money of Rs. 1,700 million received against the issuance of ADT-1 Sukuk (Pre-IPO) for Capital Adequacy Ratio subject to following conditions:

- The advance subscription money will not contribute towards the Minimum Capital Requirement (MCR).
- The advance subscription money received from the investors cannot be returned without prior approval of The SBP.
- The advance subscription money shall be subject to all laws, rules and regulations as applicable on ADT-1 instruments.

21 OTHER LIABILITIES	Note	2019	2018
----- Rupees in '000 -----			
Profit / return payable in local currency		2,015,445	860,995
Profit / return payable in foreign currencies		16,216	9,837
Accrued expenses		661,911	500,693
Deferred Murabahah Income - Financing and IERS		138,841	173,447
Deferred Murabahah Income - Commodity Murabahah		-	17,561
Payable to defined benefit plan		4,677	4,880
Payable to defined contribution plan		2,656	2,917
Defined benefit plan liabilities		110,626	78,446
Security deposits against Ijarah		1,453,017	2,053,039
Ijarah (lease) Liability	3.4.4	3,781,937	-
Provision against off-balance sheet obligations	21.1	85,975	129,093
Acceptances		4,347,956	944,025
Receipt appropriation account		195,818	74,056
Current taxation (provisions less payments)		283,212	214,429
Provision against other tax liabilities		55,334	58,683
Sundry creditors		175,312	176,996
Payable to brokers against purchase of shares - net		-	33,444
Unrealized loss on Shariah compliant alternative of forward foreign exchange contracts		33,978	-
Charity payable	21.2	21,605	12,966
Retention money payable		17,499	10,857
Provision for Workers' Welfare Fund	21.3	67,843	31,939
Rental received in advance		563,555	-
Others		91,143	85,063
		<u>14,124,556</u>	<u>5,473,366</u>

21.1 Provision against off-balance sheet obligations

Opening balance	129,093	129,093
Reversals	(43,118)	-
Closing balance	<u>85,975</u>	<u>129,093</u>

21.1.1 These are overdue non-funded facilities that could not be transferred to funded due to litigation.

21.2 Charity payable	Note	2019	2018
----- Rupees in '000 -----			
Opening balance		12,966	2,679
Additions during the year			
- Received from customers on account of delayed payment		29,248	51,213
- Shariah non-compliant income		4,727	2,773
- Profit on charity saving account		964	101
		34,939	54,087
Distribution of Charity			
- Education		(1,000)	(1,700)
- Health		(18,300)	(37,500)
- Islamic microfinance program		(1,000)	(500)
- Community development		(6,000)	(4,100)
	21.2.1	(26,300)	(43,800)
Closing balance		21,605	12,966

21.2.1 Charity was paid to the following:

Akhuwat Foundation	1,000	500
Alamgir Welfare Trust International	2,000	2,600
Autism Care	500	-
Bait us Salam Welfare Trust	2,000	1,000
Caravan Of Life	500	-
Centre for Development of Social Services	-	500
Child Aid Association	-	100
Future Trust	2,000	-
Ghousia Free Dispensary	300	500
Indus Hospital	15,000	35,500
Institute of Behavioral Psychology	-	500
Karewan-e-Hayat	-	300
Kharadar General Hospital	-	500
Koohi Goth Hospital	-	300
Nigahban Welfare Association	-	100
Pakistan Association of The Blind (Sindh)	-	100
Pink Ribbon Pakistan	1,000	-
Shoukat Khanum Memorial	500	300
The Aga Khan Hospital	500	-
The Citizen Foundation	1,000	1,000
	26,300	43,800

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

21.3 In consequence of the 18th amendment made in the Constitution of Pakistan, labor related matters have devolved to the provinces. Consequently, the Sindh Workers' Welfare Fund Act, 2014 ("SWWF Act") was promulgated applicable for financial year commencing on or after 31 December 2013. Only specified service sector entities are liable to Sindh Workers Welfare Fund ("SWWF") which inter-alia includes banking companies. However, the banking companies have challenged such levy before the Honorable Sindh High Court and matter is currently pending adjudication.

Furthermore, in terms of judgment of the Honorable Supreme Court of Pakistan (SCP) dated 28 March 2018 it has been held that the workers of the establishments carrying on business in more than one province (i.e. trans-provincial organization) shall be governed by the Federal legislation.

The definition of the term industrial establishment in the Workers' Welfare Fund (WWF) Ordinance, 1971 (i.e. Federally governed WWF) was extended vide the amendment through the Finance Act 2008 in term of which banking companies were also liable to pay WWF. This amendments were challenged at various level and matter has finally been decided by the SCP vide its order dated November 10, 2016. Through the above order, it was held that the amendments made in the WWF Ordinance, as stated above, were not lawful. The Federal Board of Revenue has filed review petitions against the above judgment which are currently pending with SCP.

Based on the legal advice obtained by the Pakistan Banks' Association, it has been observed that consequent to filing of these review petitions, a risk has arisen, and the judgment is not conclusive until the review petitions are decided. Accordingly, the Bank has not reversed the WWF provided earlier in the audited accounts.

22 SHARE CAPITAL - NET

22.1 Authorized capital

2019	2018		2019	2018
----- 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

22.2 Issued, subscribed and paid up capital

2019	2018		2019	2018
		Ordinary shares of Rs 10 each		
1,007,912,090	1,007,912,090	Fully paid in cash	10,079,121	10,079,121
100,791,209	-	Issued during the year - right issue	1,007,912	-
-	-	Less: Discount on issue of shares	(79,042)	(79,042)
<u>1,108,703,299</u>	<u>1,007,912,090</u>		<u>11,007,991</u>	<u>10,000,079</u>

23 RESERVES

	Note	2019	2018
----- Rupees in '000 -----			
Statutory Reserves	23.1	936,267	718,799
Reserve for bad debts and contingencies		250,000	250,000
		<u>1,186,267</u>	<u>968,799</u>

23.1 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.

24 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note	2019	2018
		----- Rupees in '000 -----	
Surplus on revaluation of:			
Available for sale securities	10.1	4,598,052	15,366
Fixed Assets		2,072,001	2,119,539
Non-banking assets acquired in satisfaction of claims		201,186	383,356
		<u>6,871,239</u>	<u>2,518,261</u>
Deferred tax liability on surplus on revaluation of:			
Available for sale securities	14	(1,609,318)	(5,378)
Fixed Assets		(623,385)	(640,023)
Non-banking assets acquired in satisfaction of claims		(12,172)	(22,213)
		<u>(2,244,875)</u>	<u>(667,614)</u>
		<u>4,626,364</u>	<u>1,850,647</u>
24.1 Surplus on revaluation of fixed assets			
Freehold / Leasehold Land			
Surplus on revaluation of fixed assets at January 1		290,901	112,087
Surplus recognized during the year		-	178,814
		<u>290,901</u>	<u>290,901</u>
Building on leasehold land			
Surplus on revaluation of fixed assets at January 1		1,828,638	1,104,890
Surplus recognized during the year		-	739,745
Surplus transferred to unappropriated profit		(16,619)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(14,281)	(10,398)
Related deferred tax liability on surplus realized on disposal		(8,948)	-
Related deferred tax liability in respect of incremental depreciation charged during the year		(7,690)	(5,599)
		<u>(30,919)</u>	<u>(15,997)</u>
		1,781,100	1,828,638
Related deferred tax liability on surplus as at January 1		(640,023)	(386,711)
Related deferred tax liability on surplus arising during the year		-	(258,911)
Related deferred tax liability on surplus on revaluation transferred to unappropriated profit		8,948	-
Related deferred tax liability in respect of incremental depreciation charged during the year		7,690	5,599
		<u>(623,385)</u>	<u>(640,023)</u>
		<u>1,157,715</u>	<u>1,188,615</u>
		<u>1,448,616</u>	<u>1,479,516</u>

	2019	2018
	----- Rupees in '000 -----	
24.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Freehold / Leasehold Land		
Surplus on revaluation of Non Banking Assets at January 1	263,592	166,619
Surplus recognized during the year	42,662	153,276
Surplus transferred to unappropriated profit	(196,141)	(56,303)
	<u>110,113</u>	<u>263,592</u>
Building on leasehold land		
Surplus on revaluation of Non Banking Assets at January 1	119,764	14,708
Surplus recognized during the year	21,045	105,530
Surplus transferred to unappropriated profit	(31,353)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(976)	(308)
Related deferred tax liability on surplus realized on disposal	(16,882)	-
Related deferred tax liability in respect of incremental depreciation charged during the year	(525)	(166)
	<u>(18,383)</u>	<u>(474)</u>
	91,073	119,764
Related deferred tax liability on surplus as at January 1	(22,213)	(5,149)
Related deferred tax liability on surplus arising during the year	(7,366)	(36,936)
Related deferred tax liability on surplus on revaluation transferred to unappropriated profit	16,882	19,706
Related deferred tax liability in respect of incremental depreciation charged during the year	525	166
	<u>(12,172)</u>	<u>(22,213)</u>
	<u>78,901</u>	<u>97,551</u>
	<u>189,014</u>	<u>361,143</u>

	Note	2019	2018
		----- Rupees in '000 -----	
25 CONTINGENCIES AND COMMITMENTS			
- Guarantees	25.1	10,629,042	6,709,789
- Commitments	25.2	13,618,551	13,971,812
- Other contingent liabilities	25.3	2,404,485	2,453,168
		<u>26,652,078</u>	<u>23,134,769</u>
25.1 Guarantees:			
Financial guarantees		80,182	123,320
Performance guarantees		8,290,906	4,701,791
Other guarantees		2,257,954	1,884,678
		<u>10,629,042</u>	<u>6,709,789</u>

	Note	2019	2018
		----- Rupees in '000 -----	
25.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		10,938,636	3,706,280
Commitments in respect of:			
- Shariah compliant alternative of forward foreign exchange contracts	25.2.1	(1,162,379)	2,870,624
- Shariah compliant alternative of future sale of shares	25.2.2	-	(165,634)
- operating leases	25.2.3	-	4,913,424
Commitments for acquisition of:			
- fixed assets		219,931	198,145
- intangible assets		38,037	114,207
Other commitments	25.2.4	3,584,326	2,334,766
		13,618,551	13,971,812
25.2.1 Commitments in respect of Shariah compliant alternative of forward foreign exchange contracts			
Purchase		12,252,861	9,694,236
Sale		(13,415,240)	(6,823,612)
		(1,162,379)	2,870,624
25.2.2 Shariah compliant alternative of future sale of shares			
Purchase		-	170
Sale		-	(165,804)
		-	(165,634)
25.2.3 Commitments in respect of operating leases			
Not later than one year		-	160,769
Later than one year and not later than five years		-	1,524,244
Later than five years		-	3,228,411
		-	4,913,424
25.2.4 Other commitments			
Bills for collection		3,584,326	2,334,766

25.2.4.1 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.

	Note	2019	2018
----- Rupees in '000 -----			
25.3 Other contingent liabilities			
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	25.3.1	11,200	161,200
Tax Contingencies	25.3.2	2,393,285	2,291,968
		<u>2,404,485</u>	<u>2,453,168</u>

25.3.1 Suit filed by customers / borrowers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt

25.3.1.1 These are court cases, which represent counter claims filed by the borrowers, for restricting the Bank for disposal of the financed assets, (such as mortgaged / leased / pledged assets, kept as security), as well as, the cases where the Bank is pleaded as proforma defendant for defending its interest.

25.3.1.2 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, at Honorable Sindh High Court, Honorable Lahore High Court and Islamabad High Court, in which the Bank has been made a party. The double bench of Honorable Sindh High Court has disposed-off the prayers in three Constitutional Petitions, without any negative inference to the Bank, and issued certain directions to SBP which were then complied with. Subsequently, an appeal was filed against the decision of the Honorable Sindh High Court which has also been dismissed by the Honorable Supreme Court. Thereafter, Civil Review Petitions were filed in Honorable Supreme Court against dismissal order of the appeal, which have also been dismissed by the Honorable Supreme Court of Pakistan. The cases at Honorable Lahore High Court are also disposed off in the light of Honorable Supreme Court and Honorable Sindh High Court order. The cases at Honorable Islamabad High Court are pending. The management based on the opinion of its legal counsel is confident that these cases will also be dismissed by the Honorable Court.

25.3.1.3 There are two cases filed against the Bank by KASB Corporation Ltd. One case is filed at Honorable Sindh High Court and the other is filed at Honorable Islamabad High Court. The Corporation claims of having placed Rs. 981.410 million with Ex-KASB Bank, as Advance against Issue of Right Shares. The amount was reported by the Ex-KASB Bank as part of the shareholders equity in the financial statements with the permission of SBP. Subsequent to the merger, KASB Corporation Limited and Mr. Nasir Ali Shah Bokhari filed a suit against the Bank in the Honorable High Court of Sindh; and also filed Miscellaneous Applications, praying thereby to restrain the Bank from using or transferring the amount of advance; and for directing the Bank to deposit the aforementioned amount with the Nazir of the Court; and to invest the same in interest / mark-up bearing certificates. On April 18, 2018, these Miscellaneous Applications were dismissed by the Honorable High Court of Sindh, however, the main Suit is still pending adjudication. In addition, the Corporation has filed a Writ Petition at Honorable Islamabad High Court, which is yet pending for hearing. The management based on the opinion of its legal counsel is confident that the main Suit will be dismissed by the Honorable Courts.

25.3.1.4 The Bank has filed suit no. 2038 of 2018 in Honorable High Court of Sindh against the international payment scheme and others along with an application for interim order restraining international payment scheme from deducting amounts aggregating to USD 6.1 million, relating to potential financial impact that may arise from a cybercrime incident. Following this incident, the local settlement bank deducted the above mentioned amount from the Bank's respective clearing account (refer note 15). The Honorable Court issued the stay order restraining the international payment scheme from taking any steps to debit the aforementioned amount. The management strongly believes that it substantially complied with actions required to be taken during the cybercrime incident involving an ATM Cash out. During the year, the international payment scheme filed an application for return of plaint on grounds of jurisdiction, which after arguments, has been dismissed by the Honorable Court. Further, the Bank on the advice of the international payment scheme has also conducted an independent review of the incident by engaging PCI Forensic Investigator (PFI) which could not forensically identify any malicious software / activity directly related to the cybercrime incident.

The management based on the advice of its legal counsel believes that it has a good arguable case and it is not liable to settle the amount of the fraudulent transactions since the Bank had immediately complied with all the necessary requirements (refer Note 15.3).

25.3.2 Tax Contingencies

25.3.2.1 The income tax returns of the Bank have been filed up to tax year 2019 whereas the tax assessments have been made by the tax authorities up to tax year 2017. The returns filed for the tax year 2014 to tax year 2019 are treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.

25.3.2.2 During the year 2014 (relating to 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 an appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year 2016, 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 an 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. During the year Appellate Tribunal Inland Revenue (ATIR) passed an order vacating the CIRA Order and setting aside the order passed by the assessing officer.

25.3.2.3 During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the CIRA (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 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 which are pending finalization.

- 25.3.2.4** 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 favor 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 year.
- 25.3.2.5** 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 during the current year.
- 25.3.2.6** For tax years 2003 and 2004 (relating to defunct KASB Bank Limited), the CIRA 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 an 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 year.
- 25.3.2.7** 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 Honorable Azad Kashmir High Court against such additions for the above mentioned assessment / tax years up to 2004. For the tax year 2005, the CIRA - AJK has passed order in favor of the defunct KASB Bank Limited. However, the tax department has preferred appeal before the 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 was subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax years 2006 and 2008 reduced to Rs. 13.304 million. Subsequently the learned CIRA - AJK has passed orders under section 129 of the Ordinance for the tax years 2006 and 2008 whereby he has confirmed all additions. Therefore, the defunct KASB Bank Limited has preferred an appeal before the ATIR - AJK. An appeal against the order of CIRA for the tax years 2006 and 2008 has been filed by the Bank before the Appellate Tribunal Inland Revenue (ATIR) - AJK.
- 25.3.2.8** In respect of tax year 2015, the ACIR 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. 32.893 million and levied super tax. As a result, a tax demand of Rs. 124.134 million was created.

The Bank filed an appeal against the said decision before CIRA as a result of which an appellate order has been passed. In the appellate order, the CIRA confirmed the restriction of minimum tax and other disallowances to the extent of Rs. 9.857 million. Against the treatment meted out by the CIRA, an appeal has been filed before the ATIR.

25.3.2.9 For the tax years 2017 and 2018, the AJK tax authorities issued notices under section 122(5A) of the Income Tax Ordinance, 2001 and amended the return submitted by the Bank by adding / disallowing various expenses and worked out an additional tax liability of Rs. 46.165 million and Rs. 55.152 million for the tax years 2017 and 2018 respectively. The Bank filed an appeal against the said decision before CIRA which is pending adjudication.

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

	2019	2018
	----- Rupees in '000 -----	
26 PROFIT / RETURN EARNED		
Profit earned on:		
Financing	13,742,072	8,378,121
Investments	6,273,086	2,685,833
Placements	3,529,524	1,039,981
Others	105,765	100,303
	<u>23,650,447</u>	<u>12,204,238</u>
27 PROFIT / RETURN EXPENSED		
Deposits and other accounts	11,663,790	5,359,084
Due to financial institutions	693,204	810,398
Cost of foreign currency swaps against foreign currency deposits	37,738	793
Finance cost on Ijarah (lease) liabilities	443,605	-
Additional Tier-1 sukuk	21,719	-
	<u>12,860,056</u>	<u>6,170,275</u>
28 FEE AND COMMISSION INCOME		
Branch banking customer fees	43,742	92,812
Commission on bancatakaful	83,328	53,684
Card related fees	137,509	272,409
Financing related fees	-	1,572
Commission on arrangement with financial institutions	36,906	21,401
Consumer finance related fees	29,470	26,532
Commission on guarantees	46,412	54,737
Investment banking fees	63,893	150,047
Commission on cash management	3,620	8,495
Commission on remittances including home remittances	46,907	61,844
Commission on trade	118,683	92,478
Others	7,462	6,224
	<u>617,932</u>	<u>842,235</u>

	Note	2019	2018
		----- Rupees in '000 -----	
29 GAIN ON SECURITIES			
Realized gain	29.1	660,253	66,504
Unrealized gain - held for trading		-	71,594
		<u>660,253</u>	<u>138,098</u>
29.1 Realized gain on:			
Federal Government Securities		(4,148)	(5,581)
Non-Government Shariah compliant Securities		658,674	58,416
Shares / Mutual Funds Units		5,727	13,669
		<u>660,253</u>	<u>66,504</u>
30 OTHER INCOME			
Rent on property		8,417	11,126
Gain on termination of financing		69,124	59,402
Gain on sale of property and equipment		10,244	11,542
Gain / (loss) on sale of non-banking assets		61,000	(10,570)
Recoveries against previously expensed items		9,544	9,657
Others		2,111	1,089
		<u>160,440</u>	<u>82,246</u>
31 OPERATING EXPENSES			
Total compensation expense		3,090,808	2,739,480
Property expense			
Rent & taxes		88,911	968,582
Takaful / Insurance		1,839	7,782
Utilities cost		344,953	327,767
Security (including guards)		323,447	325,536
Repair & maintenance (including janitorial charges)		147,902	109,669
Depreciation	12.2	329,345	278,082
Depreciation on right-of-use assets	12.2	786,150	-
Others		1,582	588
		<u>2,024,129</u>	<u>2,018,006</u>

	Note	2019	2018
----- Rupees in '000 -----			
Information technology expenses			
Software maintenance		155,114	95,577
Hardware maintenance		139,799	63,528
Depreciation	12.2	195,582	175,263
Amortization	13	70,082	66,031
Network charges		145,090	158,873
		705,667	559,272
Other operating expenses			
Directors' fees and allowances		7,650	6,900
Fees and allowances to Shariah Board		12,982	12,282
Legal & professional charges		180,197	78,147
Travelling & conveyance		47,540	30,532
NIFT clearing charges		20,403	20,310
Depreciation	12.2	185,636	196,507
Depreciation on non banking assets	15.1.1	8,994	6,653
Entertainment expense		75,466	62,570
Training & development		10,464	18,638
Postage & courier charges		38,255	46,729
Communication		49,998	45,839
Stationery & printing		150,599	105,353
Marketing, advertisement & publicity		151,670	125,959
Repairs and maintenance		87,948	78,577
Takaful, tracker and other charges on car Ijarah		145,016	158,998
Takaful / Insurance		286,678	141,055
Fee and subscription		143,152	115,497
Vehicle running and maintenance		131,433	101,845
Auditors' remuneration	31.2	18,277	12,933
Amortization	13	2,278	2,283
CDC and share registrar services		11,917	13,094
Brokerage and commission		20,956	10,807
Stamp duty, registration & verification charges		43,353	15,319
Others		69,699	72,412
		1,900,561	1,479,239
		7,721,165	6,795,997

	Note	2019	2018
----- Rupees in '000 -----			
31.1 Total compensation expense			
Managerial remuneration			
(i) Fixed		1,266,741	1,239,749
(ii) Variable - Cash bonus / awards		24,207	7,984
Provision for bonus to employees		100,000	-
Charge for defined benefit plan	39.8.1	110,919	88,717
Contribution to defined contribution Plan	40	92,035	87,831
Rent & house maintenance allowance		557,758	498,706
Utilities allowance		123,911	110,783
Medical allowance		147,316	149,928
Car maintenance allowance		171,031	169,795
Conveyance allowance		6,830	4,221
Fuel allowance		11,026	9,694
Sports & welfare		2,131	1,817
Staff life takaful		33,083	8,323
Overtime allowance		2,524	2,127
Increment allowance		50,576	-
Special allowance		74,922	41,285
Phone banking allowance		813	557
Relocation allowance		409	587
Sales commission		111,008	129,047
Contract staff cost		202,060	178,312
Others		1,508	17
Sub-total		3,090,808	2,729,480
Sign-on bonus (Paid to 1 person as per contract)		-	10,000
Grand Total		3,090,808	2,739,480
31.2 Auditors' remuneration			
Audit fee		7,178	6,439
Fee for the review of half yearly financial statements		1,906	1,733
Fee for other statutory certifications		2,175	2,017
Special certifications and sundry advisory services		6,033	531
Tax services		377	1,400
Out-of-pocket expenses		608	813
		18,277	12,933

	Note	2019	2018
----- Rupees in '000 -----			
32 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		36,511	54,359
33 PROVISIONS AND WRITE OFFS - NET			
Provision for diminution in value of investments - net		35,680	61,383
Provision / (reversal of provision) against Islamic financing and related assets and advances - net	11.16.2	2,058,139	(35,875)
Other provisions - net		704,838	11,327
		<u>2,798,657</u>	<u>36,835</u>
34 TAXATION			
Current year		442,722	168,353
Prior years		-	33,591
Deferred		301,278	(12,040)
		<u>744,000</u>	<u>189,904</u>

34.1 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 amalgamated entity.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the return of income for the tax years 2006 to 2019 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.

	Note	2019	(Restated) 2018
----- Rupees in '000 -----			
35 BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation for the period		1,087,338	212,664
----- Number of shares -----			
Weighted average number of ordinary shares in issue		1,025,766,071	1,013,207,752
----- Rupees -----			
Earnings per share - basic / diluted	35.1	1.0600	0.2099

35.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2019 and December 31, 2018.

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

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2019:

- (i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- (ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
- (iii) Special Mudarabah Deposits Pool
- (iv) Treasury 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 backed Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channeled 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 the Bank 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 and Wakalah, wherein the Bank 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 47.1 to the 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.

2019

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	9.98%	50.00%	50.00%	2,593,581	4.33%	8.70%	225,607
USD Pool	Monthly	1.48%	50.00%	50.00%	20,634	0.78%	17.16%	3,540
GBP Pool	Monthly	0.65%	50.00%	50.00%	829	0.38%	15.71%	130
EURO Pool	Monthly	0.12%	50.00%	50.00%	93	0.07%	23.31%	22

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 Client
(Rupees in '000)						(Rupees in '000)		
Islamic Export Refinance (IERS) Pool	Monthly	5.88%	49.03%	50.97%	3,001,847	2.00%	0.00%	-
Pakistan Mortgage Refinance Company (PMRC)	Monthly	12.82%	99.00%	1.00%	877	12.97%	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)						(Rupees in '000)		
(i) Special Pool PKR	Monthly	13.62%	80.25%	19.75%	1,328,145	11.88%	37.65%	500,086
(ii) 1-3 Years Term Deposits	Monthly	11.68%	88.23%	11.77%	214,103	10.49%	14.84%	31,783
(iii) Special Pool USD	Monthly	3.68%	70.07%	29.93%	3,913	2.52%	22.06%	863
(iv) Special Pool Euro	Monthly	2.61%	57.33%	42.67%	1,720	1.08%	16.09%	277

- (v) In addition to the above, 224 short term Treasury Pools were created to meet liquidity requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

	Note	2019	2018
		----- Rupees in '000 -----	
37 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	14,640,163	14,292,752
Balances with other banks	8	1,877,508	832,621
		<u>16,517,671</u>	<u>15,125,373</u>

38 STAFF STRENGTH	Number of employees	
Permanent	2,527	2,252
Contractual basis	920	800
Total staff strength	<u>3,447</u>	<u>3,052</u>

39 DEFINED BENEFIT PLAN

39.1 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.

39.2 Number of Employees under the scheme

The number of employees covered under the defined scheme are 2,527 (2018: 2,252)

39.3 Principal actuarial assumptions

Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2019	2018
- Valuation Discount rate	11.75%	9.50%
- Salary Increase Rate	11.75%	9.50%
- Expected Return on Plan Assets	11.75%	13.75%

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, rated down by one year.

	2019	2018
		----- Rupees in '000 -----
39.4 Reconciliation of (receivable from) / payable to defined benefit plans		
The amount recognized in the statement of financial position (in respect of the gratuity scheme) is determined as follows:		
Present value of defined benefit obligations	366,882	380,601
Fair value of plan assets	<u>(256,256)</u>	<u>(302,155)</u>
	<u>110,626</u>	<u>78,446</u>

	Note	2019	2018
----- Rupees in '000 -----			
39.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		380,601	327,613
Current service cost		104,721	86,723
Return expense		42,120	29,023
Benefits paid by the Bank		(81,882)	(44,217)
Re-measurement gain		(78,678)	(18,541)
Obligations at the end of the year		<u>366,882</u>	<u>380,601</u>
39.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		302,155	281,620
Return earned on plan assets		35,922	27,029
Contribution by the Bank - net		(81,882)	5,783
Re-measurements: Net return on plan assets over return expense	39.8.2	61	(12,277)
Fair value at the end of the year		<u>256,256</u>	<u>302,155</u>
39.7 Movement in payable under defined benefit schemes			
Opening balance		78,446	45,993
Charge for the year		110,919	88,717
Contribution by the Bank - net		-	(5,783)
Re-measurement gain recognized in OCI during the year	39.8.2	(78,739)	(6,264)
Benefits paid by the Bank		-	(44,217)
Closing balance		<u>110,626</u>	<u>78,446</u>
39.8 Charge for defined benefit plans			
39.8.1 Cost recognized in profit and loss			
Current service cost		104,721	86,723
Net financial charges		6,198	1,994
		<u>110,919</u>	<u>88,717</u>
39.8.2 Re-measurements recognized in OCI during the year			
Gain on obligation			
- Demographic assumptions		-	-
- Financial assumptions		(3,266)	24,874
- Experience adjustment		(75,412)	(43,415)
Return on plan assets over profit earned		(61)	12,277
Total re-measurements		<u>(78,739)</u>	<u>(6,264)</u>
Deferred tax impact		27,559	2,192
Total re-measurements recognized in OCI		<u>(51,180)</u>	<u>(4,072)</u>

	2019	2018
	----- Rupees in '000 -----	
39.9 Components of plan assets		
Bank balance	199,470	250,563
Units of Mutual Funds	56,786	51,592
	<u>256,256</u>	<u>302,155</u>

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

39.10 Sensitivity analysis

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

	2019	2018
	----- Rupees in '000 -----	
1% increase in discount rate	326,514	343,694
1% decrease in discount rate	413,949	424,301
1 Year increase in Life expectancy / Withdrawal rate	366,500	380,589
1 Year decrease in Life expectancy / Withdrawal rate	366,501	380,613

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 recognized within the Statement of Financial Position.

	Rupees in '000
39.11 Expected contributions to be paid to the funds in the next financial year	<u>96,765</u>
39.12 Expected charge for the next financial year	<u>116,127</u>

39.13 Maturity profile

The weighted average duration of the defined benefit obligation is 11.93 years.

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

At December 31, 2019	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
Gratuity	18,027	17,389	64,208	2,263,290	2,362,914

39.14 Funding Policy

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. 116.127 million as per the actuarial valuation report of the Bank as of December 31, 2019.

39.15 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.

40 DEFINED CONTRIBUTION PLAN

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 have made during the year amounted to Rs. 92.035 million (2018: Rs. 87.831 million) each.

41 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Additional / amended disclosures effective from the accounting year ending 31 December 2019

The State Bank of Pakistan (SBP) through its letter BPRD/R&PD/2018/17232 had relaxed the implementation and disclosure requirements under the revised framework for Governance and Remuneration practices. The implementation of the risk adjusted remuneration framework, as described in the guidelines across the converged business areas and MRTs / MRCs was made effective from 01 January 2019, while the disclosures were made effective from 31 December 2019. Accordingly, the information as required under the said framework and as required under the revised format of annual financial statements by SBP through BPRD Circular No. 02 of 2018 dated 25 January 2018, have been presented and disclosed in these financial statements.

41.2 Total Compensation Expense

Items	2019						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
Fees and Allowances etc.	2,100	-	5,550	1,125	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	6,384	25,455	62,823	27,144
Rent & house maintenance	-	-	-	-	-	26,019	12,215
Utilities	-	-	-	-	-	5,782	2,714
Medical	-	-	-	-	-	5,782	2,714
Conveyance	-	-	-	1,248	-	14,867	6,567
Shariah Board allowance	-	-	-	4,150	-	-	-
Others	-	-	-	75	16,545	5,222	2,675
Total	2,100	-	5,550	12,982	42,000	120,495	54,029
Number of Persons	1	-	6	3	1	16	12

Items	2018						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
Fees and Allowances etc.	1,800	-	5,100	1,350	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	5,447	16,242	46,342	15,034
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	683	-	1,715	233
Rent & house maintenance	-	-	-	675	-	19,465	6,765
Utilities	-	-	-	150	-	4,326	1,503
Medical	-	-	-	150	-	4,326	1,503
Conveyance	-	-	-	1,211	-	13,351	4,982
Shariah Board allowance	-	-	-	2,565	-	-	-
Others	-	-	-	51	20,847	7,270	5,322
Total	1,800	-	5,100	12,282	37,089	96,795	35,342
Number of Persons	1	-	6	3	1	16	10

41.2.1 The President / CEO has been provided with Bank maintained cars.

41.2.2 The President / CEO and certain key management personnel have been provided with club memberships.

41.3 Remuneration paid to Directors for participation in Board and Committee Meetings

		2019					
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					Total Amount Paid
		For Board Meetings	For Board Committees				
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board Remuneration Committee	
----- Rupees '000 -----							
1	Mr. Ali Hussain	2,100	-	-	-	-	2,100
2	Mr. Fawad Anwar	1,050	-	-	-	-	1,050
3	Dr. Amjad Waheed	1,400	-	-	-	-	1,400
4	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	1,400	-	-	-	-	1,400
5	Mr. Noman Yakoob	700	-	-	-	-	700
6	Mr. Siraj Ahmed Dadabhoy	600	-	-	-	-	600
7	Mr. Muhammad Nadeem Farooq	400	-	-	-	-	400
	Total Amount Paid	7,650	-	-	-	-	7,650

		2018					
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					Total Amount Paid
		For Board Meetings	For Board Committees				
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board Remuneration Committee	
----- Rupees '000 -----							
1	Mr. Ali Hussain	1,800	-	-	-	-	1,800
2	Mr. Fawad Anwar	900	-	-	-	-	900
3	Dr. Amjad Waheed	1,200	-	-	-	-	1,200
4	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	1,200	-	-	-	-	1,200
5	Mr. Noman Yakoob	600	-	-	-	-	600
6	Mr. Siraj Ahmed Dadabhoy	600	-	-	-	-	600
7	Mr. Muhammad Nadeem Farooq	600	-	-	-	-	600
	Total Amount Paid	6,900	-	-	-	-	6,900

41.4 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
----- Rupees in '000 -----						
a. Meeting Fees and Allowances	-	-	1,125	-	-	1,350
b. Managerial remuneration & allowances	8,975	2,883	-	8,568	2,364	-
Total Amount	8,975	2,883	1,125	8,568	2,364	1,350
Total Number of Persons	1	1	1	1	1	1

42 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity or investments in subsidiaries & associates, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost less impairment losses. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted Shariah compliant securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

42.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2019			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	278,342	-	-	278,342
Non-Government Shariah compliant Securities	35,099,983	7,233,845	-	42,333,828
Units of open ended mutual funds	63	-	-	63
Non-current assets classified as held for sale	-	-	601,609	601,609
Non-Financial Assets - measured at fair value				
Fixed assets - Land and building	-	-	6,819,172	6,819,172
Non-banking assets	-	-	1,572,365	1,572,365
Off-balance sheet financial instruments - measured at fair value				
Shariah compliant alternative of forward purchase of foreign exchange	-	12,350,287	-	12,350,287
Shariah compliant alternative of forward sale of foreign exchange	-	13,486,552	-	13,486,552

2018			
Level 1	Level 2	Level 3	Total

----- Rupees in '000 -----

On balance sheet financial instruments

Financial assets - measured at fair value

Investments

Federal Government Securities	-	26,513,606	-	26,513,606
Shares	440,067	-	-	440,067
Non-Government Shariah compliant Securities	-	10,045,048	-	10,045,048
Units of open ended mutual funds	65	-	-	65

Non-Financial Assets - measured at fair value

Fixed assets - Land and building	-	-	4,565,588	4,565,588
Non-banking assets	-	-	2,317,671	2,317,671

Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	-	9,846,491	-	9,846,491
Shariah compliant alternative of forward sale of foreign exchange	-	6,950,378	-	6,950,378
Shariah compliant alternative of future purchase of shares	161	-	-	161
Shariah compliant alternative of future sale of shares	144,789	-	-	144,789

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
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.
Shariah compliant alternative of 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.

42.2 The Bank's policy is to recognize 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 from last year.

43 SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

	2019				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
Profit & Loss					
Net profit / return	7,864,273	(7,621,988)	10,449,873	98,233	10,790,391
Inter segment revenue - net	(7,453,983)	18,485,589	(10,835,569)	(196,037)	-
Total other income	911,654	399,749	239,644	82,137	1,633,184
Total income	1,321,944	11,263,350	(146,052)	(15,667)	12,423,575
Segment direct expenses	77,243	5,057,297	239,940	2,419,100	7,793,580
Inter segment expense allocation	142,831	1,691,577	628,925	(2,463,333)	-
Total expenses	220,074	6,748,874	868,865	(44,233)	7,793,580
Provisions	35,680	88,915	1,960,790	713,272	2,798,657
Profit / (loss) before tax	1,066,190	4,425,561	(2,975,707)	(684,706)	1,831,338
----- Rupees in '000 -----					
Balance Sheet					
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
Assets					
Cash & Bank balances	7,296,147	9,221,524	-	-	16,517,671
Investments	55,194,471	-	-	-	55,194,471
Net inter segment placements	-	187,685,751	-	1,689,747	189,375,498
Due from financial institutions	42,911,620	-	-	-	42,911,620
Islamic financing and related assets - performing	-	25,517,712	101,226,832	2,707,029	129,451,573
- non-performing	-	1,328,137	886,548	108,246	2,322,931
Others	9,263,877	4,383,533	4,512,287	18,538,531	36,698,228
Total Assets	114,666,115	228,136,657	106,625,667	23,043,553	472,471,992
Liabilities					
Due to financial institutions	10,286,794	4,816,813	-	-	15,103,607
Subordinated sukuk	-	-	-	1,700,000	1,700,000
Deposits & other accounts	7,501,146	221,325,529	-	-	228,826,675
Net inter segment acceptances	92,530,220	-	96,845,278	-	189,375,498
Others	4,347,955	1,994,315	9,780,389	1,647,221	17,769,880
Total liabilities	114,666,115	228,136,657	106,625,667	3,347,221	452,775,660
Equity				19,696,332	19,696,332
Total Equity & liabilities	114,666,115	228,136,657	106,625,667	23,043,553	472,471,992
Contingencies & Commitments					
	(1,162,379)	-	21,567,678	6,246,779	26,652,078

2018					
Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total	
----- Rupees in '000 -----					
Profit & Loss					
Net profit / return	2,969,057	(2,882,976)	5,847,579	100,303	6,033,963
Inter segment revenue - net	(3,033,441)	9,071,018	(6,037,577)	-	-
Total other income	360,932	557,002	323,234	22,844	1,264,012
Total income	296,548	6,745,044	133,236	123,147	7,297,975
Segment direct expenses	19,050	4,304,155	314,569	2,220,798	6,858,572
Inter segment expense allocation	109,280	1,492,155	497,355	(2,098,790)	-
Total expenses	128,330	5,796,310	811,924	122,008	6,858,572
Provisions	72,711	10,332	(59,248)	13,040	36,835
Profit / (loss) before tax	95,507	938,402	(619,440)	(11,901)	402,568

2018					
Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total	
----- Rupees in '000 -----					
Assets					
Cash & Bank balances	8,309,890	6,815,483	-	-	15,125,373
Investments	38,832,093	-	-	-	38,832,093
Net inter segment placements	-	150,947,147	-	-	150,947,147
Due from financial institutions	18,173,504	-	-	-	18,173,504
Islamic financing and related assets - performing	-	22,423,321	89,165,423	2,511,581	114,100,325
- non-performing	-	746,700	3,649,429	74,357	4,470,486
Others	1,727,663	4,084,360	4,166,067	15,063,385	25,041,475
Total Assets	67,043,150	185,017,011	96,980,919	17,649,323	366,690,403
Liabilities					
Due to financial institutions	5,331,216	2,488,316	-	-	7,819,532
Subordinated sukuk	-	-	-	-	-
Deposits & other accounts	6,094,393	178,587,235	-	11,735	184,693,363
Net inter segment acceptances	55,536,094	-	95,411,053	-	150,947,147
Others	81,447	3,941,460	1,569,866	3,122,773	8,715,546
Total liabilities	67,043,150	185,017,011	96,980,919	3,134,508	352,175,588
Equity	-	-	-	14,514,815	14,514,815
Total Equity & liabilities	67,043,150	185,017,011	96,980,919	17,649,323	366,690,403
Contingencies & Commitments	2,704,990	-	10,416,069	10,013,710	23,134,769

44 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 assets are not assets of the bank and, therefore, are not included in its balance sheet. Following is the list of assets held under trust:

Category	Type	No. of IPS account		Face Value	
		2019	2018	2019	2018
				-----Rupees in '000-----	
Insurance Companies	Sukuks	3	2	529,500	479,500
Asset Management Companies	Sukuks	30	38	2,624,530	3,407,030
Employee Funds / NGO's	Sukuks	7	7	51,000	40,500
Individuals	Sukuks	2	7	144,470	154,470
Others	Sukuks	14	13	2,583,500	2,951,500
		56	67	5,933,000	7,033,000

Category	Type	No. of IPS account		Face Value	
		2019	2018	2019	2018
				-----Rupees in '000-----	
Insurance Companies	Sukuk / Islamic Commercial Paper	4	-	235,000	-
Asset Management Companies	Sukuk / Islamic Commercial Paper	33	-	10,211,700	-
Employee Funds / NGO's	Sukuk / Islamic Commercial Paper	8	-	320,000	-
Individuals	Sukuk / Islamic Commercial Paper	4	-	49,300	-
Others	Sukuk / Islamic Commercial Paper	4	-	1,075,000	-
		53	-	11,891,000	-

45 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, employee benefit plans, its directors and Key Management Personnel.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2019				2018					
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Investments										
Opening balance	-	-	2,690,723	1,660,111	-	-	-	2,690,723	1,660,111	-
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	2,690,723	1,660,111	-	-	-	2,690,723	1,660,111	-
Provision for diminution in value of investments	-	-	(2,089,114)	(1,032,169)	-	-	-	(2,063,033)	(1,032,169)	-
Islamic financing and related assets										
Opening balance	25,280	284,740	256,850	392,853	461,667	27,464	184,202	162,777	582,084	1,880,378
Addition during the year	-	67,350	512,000	887,767	2,871,793	-	258,618	128,348	675,000	3,196,861
Repaid during the year	(2,742)	(51,589)	(614,071)	(755,441)	(2,299,598)	(2,184)	(82,809)	(34,275)	(864,231)	(4,180,572)
Transfer in / (out) - net	-	(105,794)	-	-	160,000	-	4,494	-	-	(435,000)
Closing balance	22,538	194,707	154,779	525,179	1,193,862	25,280	364,505	256,850	392,853	461,667
Other Assets										
Profit receivable on financings	116	68	670	7,392	33,659	135	118	782	8,225	15,470
Subordinated sukuk										
Opening balance	-	-	-	-	-	-	-	-	-	-
Issued / subscribed during the year	-	10,000	-	-	-	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	10,000	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	3,696	46,092	263,847	80,269	1,232,106	2,458	32,016	247,712	25,849	902,081
Received during the year	224,391	271,707	15,564,101	3,265,405	8,151,896	34,119	579,006	17,161,595	2,738,230	8,232,318
Withdrawn during the year	(224,553)	(270,748)	(15,558,171)	(3,263,588)	(8,321,740)	(34,528)	(563,296)	(17,145,460)	(2,684,170)	(7,850,192)
Transfer in / (out) - net	-	(40,791)	-	-	-	1,647	(1,634)	-	360	(52,101)
Closing balance	3,534	6,260	269,777	82,086	1,062,262	3,696	46,092	263,847	80,269	1,232,106

	2019					2018				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Other Liabilities										
Profit / return payable	1	138	2,497	18	10,786	2	178	131	148	7,513
Contingencies and Commitments										
Other contingencies	-	-	-	49,406	50,957	-	-	-	19,760	91,572
Income										
Profit / return earned	2,283	4,663	25,868	53,241	106,363	2,096	12,267	20,489	51,832	78,085
Dividend income	-	-	-	-	-	-	-	40,000	-	-
Advisory Fee	-	-	-	-	-	-	-	-	7,910	-
Other income	-	1,068	1,261	-	-	-	17	658	96	-
Expense										
Profit / return expensed	30	250	27,167	1,229	108,734	39	1,848	12,704	2,921	61,748
Other administrative expenses	6,936	4,577	606	92	1,679	3,079	3,232	253	239	-
Meeting Fee / Remuneration	7,650	162,495	-	-	-	6,900	213,757	-	-	-
Contribution to employees provident fund	-	-	-	-	92,035	-	-	-	-	87,831
Contribution to employees gratuity fund	-	-	-	-	110,919	-	-	-	-	88,717

(Rupees in '000)

46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The State Bank of Pakistan vide its letter no BPRD/BA&CP/649/3634/2019 dated February 15, 2019 has advised the Bank to apply regulatory deductions with respect to the balance sheet amount of "Goodwill" and "Deferred Tax Assets" pertaining to Defunct KASB Bank in the year ending 31 December 2019, 31 December 2020, 31 December 2021 at the cumulative rate of 25%, 60% and 100% respectively. Accordingly, the amounts of goodwill and deferred tax asset pertaining to defunct KASB Bank Limited have been deducted at the rate of 25% from CET 1 capital as at 31 December 2019.

Further, SBP vide its letter no. BPRD/BA&CP/649/3760/20 dated February 24, 2020 has allowed the bank to consider funds received against Pre-IPO of ADT-1 sukuk as ADT-1 sukuk for the purpose of calculation of capital adequacy ratio (subject to conditions as disclosed in note 20 to these unconsolidated financial statements).

	2019	2018
	----- Rupees in '000 -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,007,991	10,000,079
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,488,185	11,995,695
Eligible Additional Tier 1 (ADT 1) Capital	1,700,000	-
Total Eligible Tier 1 Capital	15,188,185	11,995,695
Eligible Tier 2 Capital	4,264,299	4,151,812
Total Eligible Capital (Tier 1 + Tier 2)	19,452,484	16,147,507
Risk Weighted Assets (RWAs):		
Credit Risk	113,639,899	94,255,376
Market Risk	926,050	1,373,209
Operational Risk	15,588,775	11,284,350
Total	130,154,724	106,912,935
Common Equity Tier 1 Capital Adequacy ratio	10.36%	11.22%
Tier 1 Capital Adequacy Ratio	11.67%	11.22%
Total Capital Adequacy Ratio	14.95%	15.10%
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)	2.50%	1.90%
Total Capital plus CCB	12.50%	11.90%

The capital to risk weighted assets ratio is calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardized Approach for credit and market risk and Basic Indicator Approach for operational risk.

	2019	2018
	----- Rupees in '000 -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	15,188,185	11,995,695
Total Exposures	312,180,465	230,798,907
Leverage Ratio	<u>4.87%</u>	<u>5.20%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	52,694,993	42,125,500
Total Net Cash Outflow	33,979,271	21,949,912
Liquidity Coverage Ratio	<u>162.60%</u>	<u>191.92%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	230,215,305	187,439,582
Total Required Stable Funding	115,685,066	97,963,189
Net Stable Funding Ratio	<u>199.00%</u>	<u>191.34%</u>

- 46.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time has been placed on the Bank's website. The link to the full disclosures is available at www.bankislami.com.pk/investor-relations

47 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.

47.1 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.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analyzed as follows:

47.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross Due from Financial Institutions		Non-performing Due from Financial Institutions		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Public/ Government	-	-	-	-	-	-
Private	42,942,400	18,205,904	30,780	32,400	30,780	32,400
	<u>42,942,400</u>	<u>18,205,904</u>	<u>30,780</u>	<u>32,400</u>	<u>30,780</u>	<u>32,400</u>

47.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Chemical and Pharmaceuticals	499,423	499,423	499,423	499,423	499,423	499,423
Electronics and electrical appliances	55,000	55,000	55,000	55,000	-	-
Construction	32,800	32,800	32,800	32,800	32,800	32,800
Power (electricity), Gas, Water, Sanitary	37,870,925	9,078,277	-	-	-	-
Financial	717,571	717,571	25,571	25,571	25,571	25,571
Services	67,898	70,273	67,898	70,273	67,897	70,273
Others	10,527,086	26,732,963	221,250	221,250	-	-
	<u>49,770,703</u>	<u>37,186,307</u>	<u>901,942</u>	<u>904,317</u>	<u>625,691</u>	<u>628,067</u>

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Public/ Government	48,074,226	35,589,990	-	-	-	-
Private	1,696,476	1,596,317	901,941	904,317	625,691	628,067
	<u>49,770,702</u>	<u>37,186,307</u>	<u>901,941</u>	<u>904,317</u>	<u>625,691</u>	<u>628,067</u>

47.1.3 Islamic financing, related assets and advances - net

Credit risk by industry sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Agriculture, Forestry, Hunting and Fishing	1,611,671	855,863	117,394	132,612	32,254	35,323
Mining and Quarrying	-	983	-	-	-	-
Textile	12,470,145	11,676,817	3,555,353	3,602,362	3,481,634	3,491,143
Chemical and Pharmaceuticals	1,531,234	2,855,252	787,386	788,132	786,979	713,175
Cement	2,799,427	1,328,298	665,170	540,000	457,585	540,000
Sugar	4,870,079	5,041,129	847,195	847,195	665,195	665,195
Footwear and Leather garments	1,142,161	5,078	2,459	2,459	2,459	2,459
Automobile and transportation equipment	966,193	332,005	101,872	100,359	100,737	100,359
Education	251,427	95,796	-	-	-	-
Electronics and electrical appliances	2,440,998	2,668,437	1,397,568	494	946,784	494
Construction	2,773,959	2,962,636	823,378	925,256	822,256	924,770
Power (electricity), Gas, Water, Sanitary	16,080,338	15,436,217	3,029	21,833	2,431	21,235
Wholesale and Retail Trade	4,373,493	4,510,763	1,883,832	844,260	1,725,941	788,596
Exports / Imports	263,704	244,458	39,586	47,644	25,205	8,059
Transport, Storage and Communication	399,248	884,979	141,828	345,110	141,828	345,110
Financial	619,919	1,789,874	240,400	254,323	240,189	240,189
Services	20,590,508	19,451,355	96,744	155,420	89,245	71,016
Individuals	29,935,293	30,267,672	2,948,294	2,770,532	1,604,440	1,749,119
Food and beverages	24,057,779	15,201,404	430,442	2,744,956	305,370	183,001
Private Trust & NGO	-	3,789	-	-	-	-
Packing and Paper products	545,079	664,326	13,000	13,000	13,000	13,000
Others	16,997,782	13,300,813	1,292,794	1,267,487	1,283,448	1,040,708
	<u>144,720,437</u>	<u>129,577,944</u>	<u>15,387,724</u>	<u>15,403,434</u>	<u>12,726,980</u>	<u>10,932,951</u>

Credit risk by public / private sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Public/ Government	44,274,327	32,756,879	-	-	-	-
Private	100,446,110	96,821,065	15,387,724	15,403,434	12,726,980	10,932,951
	<u>144,720,437</u>	<u>129,577,944</u>	<u>15,387,724</u>	<u>15,403,434</u>	<u>12,726,980</u>	<u>10,932,951</u>

	2019	2018
	----- Rupees in '000 -----	
47.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	71,395	52,555
Mining and Quarrying	-	14,441
Textile	3,364,681	361,084
Chemical and Pharmaceuticals	134,464	58,545
Cement	363,362	212,417
Sugar	48,865	48,865
Automobile and transportation equipment	2,101,069	1,123,364
Education	56,319	54,621
Electronics and electrical appliances	41,680	183,050
Production and transmission of energy	1,034,583	1,384
Construction	1,605,416	1,321,998
Power (electricity), Gas, Water, Sanitary	1,170,114	388,138
Wholesale and Retail Trade	6,769,630	2,045,169
Exports / Imports	140,688	60,508
Transport, Storage and Communication	337,043	384,611
Financial	129,098	2,660,572
Services	1,081,363	3,033,200
Individuals	178,945	107,416
Food and beverages	730,726	159,055
Manufacturing	1,019,086	625,564
Packing and Paper products	58,537	56,954
Others	6,215,014	10,181,258
	<u>26,652,078</u>	<u>23,134,769</u>
Credit risk by public / private sector		
Public/ Government	1,981,189	682,170
Private	24,670,889	22,452,599
	<u>26,652,078</u>	<u>23,134,769</u>

47.1.5 Concentration of Financing

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 65,016.591 million (2018: Rs. 38,485.639 million) are as following:

	2019	2018
	----- Rupees in '000 -----	
Funded	55,977,491	33,727,023
Non Funded	9,039,100	4,758,616
Total Exposure	<u>65,016,591</u>	<u>38,485,639</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 69,764 million (2018: Rs. 65,909 million)

47.1.6 Total funded classified therein

	2019		2018	
	Amount	Provision held	Amount	Provision held
----- Rupees in '000 -----				
OAEM	525,244	-	267,237	220
Substandard	695,454	76,698	3,079,994	87,997
Doubtful	1,904,229	821,090	523,501	112,035
Loss	12,262,797	11,829,192	11,532,702	10,732,699
Total	15,387,724	12,726,980	15,403,434	10,932,951

For the purpose of this note, exposure means outstanding funded facilities and utilized non-funded facilities as at the reporting date.

47.1.7 Financing - Province/Region-wise Disbursement & Utilization

Province/Region	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
----- Rupees in '000 -----							
Punjab	67,361,571	67,361,571	-	-	-	-	-
Sindh	108,854,204	-	108,854,204	-	-	-	-
KPK including FATA	277,833	-	-	277,833	-	-	-
Baluchistan	165,764	-	-	-	165,764	-	-
Islamabad	6,044,526	-	-	-	-	6,044,526	-
AJK including Gilgit-Baltistan	14,808	-	-	-	-	-	14,808
Total	182,718,706	67,361,571	108,854,204	277,833	165,764	6,044,526	14,808

Province/Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
----- Rupees in '000 -----							
Punjab	58,795,634	58,795,634	-	-	-	-	-
Sindh	70,975,610	-	70,975,610	-	-	-	-
KPK including FATA	379,151	-	-	379,151	-	-	-
Baluchistan	518,866	-	-	-	518,866	-	-
Islamabad	5,206,806	-	-	-	-	5,206,806	-
AJK including Gilgit-Baltistan	2,501	-	-	-	-	-	2,501
Total	135,878,568	58,795,634	70,975,610	379,151	518,866	5,206,806	2,501

47.2 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, VaR. 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.

47.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- Rupees in '000 -----						
Cash and balances with treasury banks	14,640,163	-	14,640,163	14,292,752	-	14,292,752
Balances with other banks	1,877,508	-	1,877,508	832,621	-	832,621
Due from financial institutions	42,911,620	-	42,911,620	18,173,504	-	18,173,504
Investments	55,194,471	-	55,194,471	38,687,556	144,537	38,832,093
Islamic financings, related assets & advances	131,774,504	-	131,774,504	118,570,811	-	118,570,811
Fixed assets	12,717,391	-	12,717,391	6,663,467	-	6,663,467
Intangible assets	3,101,794	-	3,101,794	3,121,906	-	3,121,906
Deferred tax assets - net	5,621,695	-	5,621,695	7,530,221	-	7,530,221
Other assets	14,655,739	-	14,655,739	7,725,881	-	7,725,881
Non current assets held for sale	601,609	-	601,609	-	-	-
	283,096,494	-	283,096,494	215,598,719	144,537	215,743,256

47.2.2 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.

	2019				2018			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees in '000 -----								
Pakistan Rupee	275,858,598	256,196,852	1,162,379	20,824,125	213,407,437	196,060,268	(2,870,624)	14,476,545
United States Dollar	6,249,108	6,180,314	(1,192,765)	(1,123,971)	1,428,762	4,174,304	2,840,238	94,696
Great Britain Pound	386,007	411,042	-	(25,035)	481,183	473,797	-	7,386
Japanese Yen	7,347	44	-	7,303	16,135	10,603	-	5,532
Euro	512,759	594,308	30,386	(51,163)	326,163	489,947	30,386	(133,398)
UAE Dirham	8,894	7,548	-	1,346	17,928	11,059	-	6,869
Asian Currency Unit	34,107	-	-	34,107	36,255	-	-	36,255
Swiss Franc	1,217	-	-	1,217	3,682	-	-	3,682
Chinese Yuan	1,854	-	-	1,854	16,517	-	-	16,517
Australian Dollar	2,868	1,755	-	1,113	1,472	1,586	-	(114)
Saudi Riyal	33,329	3,848	-	29,481	4,325	19	-	4,306
Canadian Dollar	285	4,451	-	(4,166)	3,275	6,858	-	(3,583)
Turkish Lira	121	-	-	121	122	-	-	122
	283,096,494	263,400,162	-	19,696,332	215,743,256	201,228,441	-	14,514,815

2019		2018	
Banking book	Trading book	Banking book	Trading book
----- Rupees in '000 -----			

Impact of 1% change in foreign exchange rates on

- Profit and loss account
- Other comprehensive income

11,278	-	383	-
-	-	-	-

47.2.3 Equity Position Risk

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.

2019		2018	
Banking book	Trading book	Banking book	Trading book

----- Rupees in '000 -----

Impact of 5% change in equity prices on

- Profit and loss account	-	-	-	7,227
- Other comprehensive income	13,920	-	14,780	-

47.2.4 Yield / Profit Rate Risk

It includes all material yield risk positions of the Bank taking into account all re-pricing and maturity data. It includes current balances and contractual yield rates, the Bank understands that its Islamic financing and related assets shall be re-priced 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.

2019		2018	
Banking book	Trading book	Banking book	Trading book

----- Rupees in '000 -----

Impact of 1% change in interest rates on

- Profit and loss account	107,904	-	60,340	-
- Other comprehensive income	-	-	-	-

47.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2019

Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk										Non-interest 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	Over 5 to 10 Years	Above 10 Years		
On-balance sheet financial instruments												
Assets												
	14,640,163	-	-	-	-	-	-	-	-	-	-	14,640,163
Cash and balances with treasury banks	1,877,508	360	-	-	-	-	-	-	-	-	-	1,877,148
Balances with other banks	42,911,620	9,150,860	8,171,560	14,870,606	10,718,594	-	-	-	-	-	-	-
Due from financial institutions	55,194,471	1,328,081	35,368,095	7,288,267	-	10,305,836	-	-	-	-	-	904,192
Investments	131,774,504	29,032,560	25,891,264	12,422,169	30,736,877	1,451,842	1,837,104	1,318,331	8,548,205	17,658,810	-	2,877,342
Islamic financing, related assets and advances	14,141,269	-	-	-	-	-	-	-	-	-	-	14,141,269
Other assets	260,539,535	39,511,861	69,430,919	34,581,042	41,455,471	1,451,842	12,142,940	1,318,331	8,548,205	17,658,810	-	34,440,114
Liabilities												
	3,645,324	-	-	-	-	-	-	-	-	-	-	3,645,324
Bills payable	15,103,607	7,259,813	2,562,000	1,195,000	1,000,000	-	-	-	-	-	-	-
Due to financial institutions	228,826,675	158,293,177	-	-	-	-	-	-	-	-	-	70,533,498
Deposits and other accounts	1,700,000	1,700,000	-	-	-	-	-	-	-	-	-	-
Subordinated sukuk	13,148,252	-	-	-	-	-	-	-	-	-	-	13,148,252
Other liabilities	262,423,858	165,552,990	4,262,000	1,195,000	1,000,000	-	-	-	3,086,794	-	-	87,327,074
On-balance sheet gap	(1,884,323)	(126,041,129)	65,168,919	33,386,042	40,455,471	1,451,842	12,142,940	1,318,331	5,461,411	17,658,810	(52,886,960)	
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions	21,567,678	21,567,678	-	-	-	-	-	-	-	-	-	-
Commitments in respect of:												
- forward foreign exchange contracts	(1,162,379)	(666,574)	(1,956,365)	1,460,560	-	-	-	-	-	-	-	-
Other commitments	3,842,294	3,842,294	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	24,247,593	24,743,398	(1,956,365)	1,460,560	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	(101,297,731)	63,212,554	34,846,602	40,455,471	1,451,842	12,142,940	1,318,331	5,461,411	17,658,810	(52,886,960)		
Cumulative Yield/Interest Risk Sensitivity Gap	(101,297,731)	(38,085,177)	(3,238,575)	37,216,896	38,668,738	50,811,678	52,130,009	57,591,420	75,250,230	22,363,270		

Rupees in '000

2018

Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk							Non-interest 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
	14,292,752	-	-	-	-	-	-	-	-	14,292,752
	832,621	4,575	-	-	-	-	-	-	-	832,621
2.91%	18,173,504	17,639,465	534,039	-	-	-	-	-	-	-
6.73%	38,832,093	1,082,272	26,513,617	9,126,799	-	-	-	-	-	2,109,405
6.31%	118,570,811	11,013,126	24,593,875	35,124,501	24,818,119	9,578,114	863,085	334,547	1,010,902	1,388,678
7.48%	6,839,843	-	-	-	-	-	-	-	-	6,839,843
	197,541,624	29,739,438	51,641,531	44,251,300	24,818,119	9,578,114	863,085	334,547	1,010,902	1,388,678
	3,242,180	-	-	-	-	-	-	-	-	3,242,180
	7,819,532	2,568,000	640,000	1,788,675	-	-	-	-	2,822,857	-
6.28%	184,693,363	124,947,742	-	-	-	-	-	-	-	59,745,621
3.11%	-	-	-	-	-	-	-	-	-	-
-	4,690,832	-	-	-	-	-	-	-	-	4,690,832
	200,445,907	127,515,742	640,000	1,788,675	-	-	-	-	2,822,857	67,678,633
	(2,904,283)	(97,776,304)	51,001,531	42,462,625	24,818,119	9,578,114	863,085	334,547	(1,811,955)	1,388,678
	10,416,069	10,416,069	-	-	-	-	-	-	-	-
	2,870,623	376,321	2,359,265	135,037	-	-	-	-	-	-
	7,394,908	7,394,908	-	-	-	-	-	-	-	-
	20,681,600	18,187,298	2,359,265	135,037	-	-	-	-	-	-
	(79,589,006)	53,360,796	42,462,625	24,953,156	9,578,114	863,085	334,547	(1,811,955)	1,388,678	(33,762,723)
	(79,589,006)	(26,228,210)	16,234,415	41,187,571	50,765,685	51,628,770	51,963,317	50,151,362	51,540,040	17,777,317

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with Treasury Banks
Balances with other Banks
Due from financial institutions
Investments
Islamic financing, related assets and advances
Other assets

Liabilities

Bills payable
Due to financial institutions
Deposits and other accounts
Subordinated sukuk
Other liabilities

On-balance sheet gap

Off-balance sheet financial instruments

Documentary credits and short-term trade-related transactions

Commitments in respect of:

- forward foreign exchange contracts
Other commitments

Off-balance sheet gap

Total Yield/Interest Risk Sensitivity Gap

Cumulative Yield/Interest Risk Sensitivity Gap

47.3 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.

47.3.1 Operational Risk-Disclosures Basel II Specific

The Bank uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average annual gross income of the bank over the past three years with 15% as per guidelines issued by State Bank of Pakistan.

To reduce losses arising from operational risk, the Bank has strengthened its risk management framework by developing strategies, policies, guidelines and manuals. It also includes risk and control self-assessment, key risk indicator, loss data management, improving efficiency and effectiveness of operations and improving quality of human resource through training and mitigation of operational risk.

47.4 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.

The Bank'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, 2019, Bank's LCR stood at 165.66% against the SBP's minimum requirement of 100%.

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.

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 placement 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 placement 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 placement 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 placement 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 backed 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 59.71% of total deposits, term deposits are 40.29% and borrowing from SBP and financial institutions is 6.60% 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 3.14% of Bank's total deposits.

47.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2019										
----- Rupees in '000 -----										
Total	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	Above 10 Years	
Assets										
Cash and balances with treasury banks	14,640,163	-	-	-	-	-	-	-	-	-
Balances with other banks	1,877,508	-	-	-	-	-	-	-	-	-
Due from financial institutions	42,911,620	8,171,560	14,870,605	10,718,595	-	-	-	-	-	-
Investments	55,194,471	1,131,457	-	-	102,535	10,353,948	220,000	42,757,714	628,817	-
Islamic financing and related assets and advances	131,774,504	24,249,243	34,464,037	6,194,418	2,750,434	4,070,195	3,832,904	32,212,004	11,474,935	-
Fixed assets	12,717,391	4,495	8,992	14,250	1,015,468	427,720	1,998,599	2,099,979	6,859,636	-
Intangible assets	3,101,794	-	1,582	30,000	9,006	14,196	86,317	-	2,944,287	-
Deferred tax assets	5,621,695	-	-	-	313,803	418,260	1,133,500	2,630,296	-	-
Other assets	14,655,739	2,650,022	4,103,476	969,042	-	-	50,000	-	2,277,044	-
Non current assets held for sale	601,609	-	-	-	-	-	-	-	601,609	-
	283,096,494	53,703,748	46,749,647	32,047,344	19,220,332	4,283,463	15,284,319	7,321,320	79,699,993	24,786,328
Liabilities										
Bills payable	3,645,324	-	-	-	-	-	-	-	-	-
Due to financial institutions	15,103,607	2,562,000	1,195,000	1,000,000	-	-	-	-	3,086,794	-
Deposits and other accounts	228,826,675	160,882,294	19,452,392	20,577,737	11,716,541	4,298,699	1,041,213	56,847	-	-
Subordinated sukuk	1,700,000	-	-	-	-	-	-	-	-	1,700,000
Other liabilities	14,124,556	2,782,884	698,123	4,433,931	676,837	3,873,080	1,453,017	-	-	-
	263,400,162	174,570,315	22,712,515	16,429,883	22,254,574	4,505,383	2,494,230	3,143,641	1,700,000	-
Net assets	19,696,332	(120,866,567)	24,037,132	15,617,461	(3,034,242)	(11,306,158)	10,778,936	4,827,090	76,556,352	23,086,328
Share capital-net	11,007,991	-	-	-	-	-	-	-	-	-
Reserves	1,186,267	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	4,626,364	-	-	-	-	-	-	-	-	-
Unappropriated profit	2,875,710	-	-	-	-	-	-	-	-	-
	<u>19,696,332</u>	<u>(120,866,567)</u>	<u>24,037,132</u>	<u>15,617,461</u>	<u>(3,034,242)</u>	<u>(11,306,158)</u>	<u>10,778,936</u>	<u>4,827,090</u>	<u>76,556,352</u>	<u>23,086,328</u>

2018

Total	Rupees in '000									
	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	Above 10 Years	
14,292,752	14,292,752	-	-	-	-	-	-	-	-	-
832,621	832,621	-	-	-	-	-	-	-	-	-
18,173,504	17,639,465	534,039	-	-	-	-	-	-	-	-
38,832,093	1,294,050	26,513,617	-	-	-	74,340	-	9,694,459	-	1,255,627
118,570,811	12,537,840	18,308,272	13,062,925	20,080,633	3,321,592	4,340,251	26,787,041	8,423,837	11,708,420	
6,663,467	205	454,956	18,963	45,775	103,961	114,112	418,354	1,802,901	3,704,240	
3,121,906	54	34,108	48	16,327	26,630	26,980	73,463	-	2,944,296	
7,530,221	-	-	-	419,984	1,506,787	559,788	1,517,046	3,526,616	-	-
7,725,881	1,005,109	1,882,867	1,248,752	692,633	-	-	50,000	-	2,846,520	
215,743,256	47,602,096	47,727,859	14,330,688	21,255,352	4,958,970	5,115,471	28,845,904	23,447,813	22,459,103	
3,242,180	3,242,180	-	-	-	-	-	-	-	-	-
7,819,532	2,568,000	640,000	1,788,675	-	-	-	-	2,822,857	-	-
184,693,363	140,857,116	11,620,360	9,324,277	15,569,946	2,125,461	2,377,820	2,543,421	274,962	-	-
-	-	-	-	-	-	-	-	-	-	-
5,473,366	1,463,715	494,121	1,073,118	81,363	85,063	222,947	2,053,039	-	-	-
201,228,441	148,131,011	12,754,481	12,186,070	15,651,309	2,210,524	2,600,767	4,596,460	3,097,819	-	-
14,514,815	(100,528,915)	34,973,378	2,144,618	5,604,043	2,748,446	2,514,704	24,249,444	20,349,994	22,459,103	
10,000,079										
968,799										
1,850,647										
1,695,290										
14,514,815										

Assets

Cash and balances with treasury banks
Balances with other banks
Due from financial institutions
Investments
Islamic financing and related assets and advances
Fixed assets
Intangible assets
Deferred tax assets
Other assets

Liabilities

Bills payable
Due to financial institutions
Deposits and other accounts
Subordinated sukuk
Other liabilities

Net assets

Share capital-net
Reserves
Surplus on revaluation of assets
Unappropriated profit

47.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2019									
	Total	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	Above 10 Years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks	14,640,163	-	-	-	-	-	-	-	-	-
Balances with other banks	1,877,508	1,877,508	-	-	-	-	-	-	-	-
Due from financial institutions	42,911,620	9,150,860	8,171,560	14,870,605	10,718,595	-	-	-	-	-
Investments	55,194,471	1,131,457	-	-	-	102,535	10,353,948	220,000	42,757,714	628,817
Islamic financing and related assets and advances	131,774,504	24,249,243	34,464,037	12,526,334	6,194,418	2,750,434	4,070,195	3,832,904	32,212,004	11,474,935
Fixed assets	12,717,391	4,495	8,992	14,250	1,015,468	288,252	427,720	1,998,599	2,099,979	6,859,636
Intangible assets	3,101,794	-	1,582	30,000	9,006	16,406	14,196	86,317	-	2,944,287
Deferred tax assets	5,621,695	-	-	-	313,803	1,125,836	418,260	1,133,500	2,630,296	-
Other assets	14,655,739	2,650,022	4,103,476	4,606,155	969,042	-	-	50,000	-	2,277,044
Non current assets held for sale	601,609	-	-	78,808	522,801	-	-	-	-	-
	283,096,494	53,703,748	46,749,647	32,126,152	19,743,133	4,283,463	15,284,319	7,321,320	79,699,993	24,184,719
Liabilities										
Bills payable	3,645,324	3,645,324	-	-	-	-	-	-	-	-
Due to financial institutions	15,103,607	7,259,813	2,562,000	1,195,000	1,000,000	-	-	-	3,086,794	-
Deposits and other accounts	228,826,675	31,848,132	26,029,783	15,878,335	24,523,162	19,607,382	16,134,962	20,768,320	39,511,057	34,525,542
Subordinated sukuk	1,700,000	-	-	-	-	-	-	-	-	1,700,000
Other liabilities	14,124,556	2,782,884	698,123	4,433,931	676,837	3,873,080	206,684	1,453,017	-	-
	263,400,162	45,536,153	29,289,906	21,507,266	26,199,999	23,480,462	16,341,646	22,221,337	42,597,851	36,225,542
Net assets	19,696,332	8,167,595	17,459,741	10,618,886	(6,456,866)	(19,196,999)	(1,057,327)	(14,900,017)	37,102,142	(12,040,823)
Share capital-net	11,007,991									
Reserves	1,186,267									
Surplus on revaluation of assets	4,626,364									
Unappropriated profit	2,875,710									
	19,696,332									

2018

	Rupees in '000									
	Total	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	Above 10 Years
Assets										
Cash and balances with treasury banks	14,292,752	-	-	-	-	-	-	-	-	-
Balances with other banks	832,621	-	-	-	-	-	-	-	-	-
Due from financial institutions	18,173,504	17,639,465	534,039	-	-	-	-	-	-	-
Investments	38,832,093	1,294,050	26,513,617	-	-	-	74,340	-	9,694,459	1,255,627
Islamic financing and related assets and advances	118,570,811	12,537,840	18,308,272	13,062,925	20,080,633	3,321,592	4,340,251	26,787,041	8,423,837	11,708,420
Fixed assets	6,663,467	205	454,956	18,963	45,775	103,961	114,112	418,354	1,802,901	3,704,240
Intangible assets	3,121,906	54	34,108	48	16,327	26,630	26,980	73,463	-	2,944,296
Deferred tax assets	7,530,221	-	-	-	419,984	1,506,787	559,788	1,517,046	3,526,616	-
Other assets	7,725,881	1,005,109	1,882,867	1,248,752	692,633	-	-	50,000	-	2,846,520
	215,743,256	47,602,096	47,727,859	14,330,688	21,255,352	4,958,970	5,115,471	28,845,904	23,447,813	22,459,103
Liabilities										
Bills payable	3,242,180	3,242,180	-	-	-	-	-	-	-	-
Due to financial institutions	7,819,532	2,568,000	640,000	1,788,675	-	-	-	-	2,822,857	-
Deposits and other accounts	184,693,363	17,885,616	17,954,266	14,193,719	19,350,638	9,680,064	13,713,115	21,433,319	38,060,733	32,421,893
Subordinated sukuk	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,473,366	1,463,715	494,121	1,073,118	81,363	85,063	222,947	2,053,039	-	-
	201,228,441	25,159,511	19,088,387	17,055,512	19,432,001	9,765,127	13,936,062	23,486,358	40,883,590	32,421,893
Net assets	14,514,815	22,442,585	28,639,472	(2,724,824)	1,823,351	(4,806,157)	(8,820,591)	5,359,546	(17,435,777)	(9,962,790)
Share capital- net	10,000,079									
Reserves	968,799									
Surplus on revaluation of assets	1,850,647									
Unappropriated profit	1,695,290									
	14,514,815									

47.5 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.

47.6 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.

47.7 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 organization and its adherence should be reflected in the products and activities.

47.8 Shariah compliant forward and future contracts

Shariah compliant forward and future contracts are recognized at fair value. In case of equity futures, the fair value is calculated with reference to quoted market price. Shariah compliant forward and future contracts with positive market values (i.e. unrealized gains) are included in other receivables and derivatives with negative market values (i.e. unrealized 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.

48 GENERAL

48.1 Captions, as prescribed by BPRD Circular No. 02, dated: January 25, 2018 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.

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

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





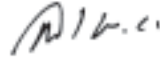
48.4 Corresponding figures

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:

Transfer from	Transfer to	Cost / Amortized cost	Provision for diminution	Carrying Value
(Rupees in '000)				
Statement of Financial Position:				
Investments - net Conventional	Investments - net Islamic			
Available for sale securities	Available for sale securities			
Shares	Shares	141,867	(87,094)	54,773
Associates	Associates	627,942	-	627,942
Profit and Loss Account:				
Income from shariah compliant forward and future contracts	Foreign exchange income	-	-	47,393
Income from shariah compliant forward and future contracts	Gain on securities	-	-	91,280

49 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on February 27, 2020 by the Board of Directors of the Bank.

				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR



Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2019

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year			Rupees in '000-			Profit written-off / waived	Other financial relief	Total (9+10+11)
				Principal	Profit	Others	Principal	Profit	Total (5+6+7)			
1				5	6	7	8	9	10	11	12	
	Pakistan Telephone Cables, 18th Mile RCD Highway, 27/3/2, Mouza Bairrut Tehsil Hub, District Lasbella, Baluchistan	Raza Abdul Aziz AlRaece 682586-386801-1 Ajijaz Abdul Aziz AlRaece 682586-762443-1 Riyadh Abdul Aziz AlRaece 682586-864624-1 Rabia Barkat Ali 682586-558747-2 Asma Hafeez AlRaece 682586-364505-2 Sumiah Saeed-ur-Rehman 682586-471235-2 Muhammad Kashif 42201-6870144-1	Haji Abdul Aziz AlRaece Haji Abdul Aziz AlRaece Haji Abdul Aziz AlRaece Raza Abdul Aziz AlRaece Ajijaz Abdul Aziz AlRaece Riyadh Abdul Aziz AlRaece Barkat Ali	75,998	13,227	-	89,225	-	13,227	-	13,227	
	Agro Oil Extraction Industries 2/Plot No. 308, Main National Highway Peperi, Bin Qasim, Karachi	Raza Abdul Aziz AlRaece 682586-386801-1 Ajijaz Abdul Aziz AlRaece 682586-762443-1 Riyadh Abdul Aziz AlRaece 682586-864624-1 Abdullah Raza AlRaece 682586-005705-3 Rabia Barkat Ali 682586-558747-2 Asma Hafeez AlRaece 682586-364505-2 Sumiah Saeed-ur-Rehman 682586-471235-2	Haji Abdul Aziz AlRaece Haji Abdul Aziz AlRaece Haji Abdul Aziz AlRaece Raza Abdul Aziz AlRaece Ajijaz Abdul Aziz AlRaece Riyadh Abdul Aziz AlRaece	203,471	108,705	-	312,176	119,339	108,705	-	228,044	
	Pervaiz Iqbal 3/Chak No. 93/12-L, Tehsil Cheecha Watni, Districts Sahiwal	Pervaiz Iqbal 36501-7188530-9	Muhammad Siddique	1,340	770	-	2,109	-	770	-	770	
	Still Vision Film Movie Maker 4/83/3, 9 Commercial Street, Phase-IV, DHA, Karachi	Faisal Rasheed 42201-0572004-1	Abdul Rasheed	36	3	-	39	-	3	-	3	
	Dandot Cement 3-A/3, Gulberg III, Lahore	Muhammad Rasheed 36302-0479679-5 Mansoor Rasheed 36302-3805509-9 Saud Rasheed 36302-0319483-5 Mrs. Tanveer Rasheed 36302-9179515-6, Rizwana Rasheed 36302-6826545-6, Aminna Saud 35201-7476246-6	Mir M Amin Muhammad Rasheed Muhammad Rasheed W/o. Muhammad Rasheed Muhammad Rasheed W/o. Saud Rasheed	290,000	45,904	-	335,904	-	45,904	-	45,904	
	Mansoor Rasheed 6/50-Sher Shah Block, New Garden Town, Lahore	Mansoor Rasheed 36302-3805509-9	Muhammad Rasheed	148,616	27,925	-	176,541	-	27,925	-	27,925	
	Ibrahim Enterprises 1063/J.D. Street No. 5, Qadeerabad, Multan	Malik Ilyas Ahmad 36302-0348562-7	Ibrahim Ahmad Khalil	1,176	191	-	1,367	-	191	-	191	
	Eagle Motor Pump 8 Nagri Ahmed Shah, P.O. Aroop, 5-KM, Sialkot Road, Gujranwala	Kashif Hussain 34603-5837475-5	Hussain Akbar	494	540	-	1,034	-	540	-	540	
	Eagle PVC Pipe 9 Nagri Ahmed Shah, Post Office Aroop, Daska Road, Gujranwala	Iftikhar Ahmed 34603-2346768-9	Muhammad Ramzan	3,703	1,648	-	5,351	-	1,648	-	1,648	
	Shoab Silk Factory 10/First Floor, Iftikhar Chambers, Allaf Hussain Road, New Challi, Karachi	Tahir Shafiq 42301-5028980-9	Muhammad Shafiq	9,780	783	-	10,563	-	783	-	783	
	Al-Ashar Melamine 11 Noushera Road, Near Awan Chowk, Gujranwala	Muhammad Imran 34101-2629301-3	Muhammad Shafi	1,994	856	-	2,850	-	856	-	856	
	M.A. Enterprises 12 Shop No. 04, Iqra Terrace, J/11/1/16/2, Near Khatri Masjid, Mithadar, Karachi	Muhammad Altaf 42301-0892687-5	Muhammad Hashim	516	277	-	793	-	266	-	266	
	Hi-Tech Trade Link (1), Shop No. A/9, Al-Yousuf Manzil, Aram 13 Bagh, Karachi	Danish Karim 42301-0888129-9	Abdul Karim	13,365	3,986	-	17,352	-	3,986	-	3,986	
	G.F. Business Office No. 204, Al-Asar Centre, Block-13-B, Gulshan-e-Iqbal, Main University Road, Karachi	Syed Farrukh Hussain 42101-1608051-7	Syed Mazhar Hussain	936	247	-	1,183	-	247	-	247	
	SUN MAN International 60-E, E-Market, Block-6, FECHS, Karachi	Farooq Ali Khan 514-90-139088	Asif Ali Khan	44	13	-	57	-	13	-	13	

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year						Principal written-off	Profit written-off / waived	Other financial relief	Total (9+10+11)			
				Principal	Profit	Others	Total (5+6+7)		9					10	11	12
							5	6								
Rupees in '000																
1																
16	Shahzad Siddiqui House # 56/ Z/2, Block-6, P.E.C.H.S., Karachi.	Shahzad Siddiqui 42201-7249114-5	Sabir Siddiqui	14	53	-	67	-	53	-	53	53				
17	Abdul Hameed Mangi B-63, Block-B, Sachal Goth, Suparco Road near PCSIR Laboratory, Gulshan-e-Iqbal Town, Karachi.	Abdul Hameed Mangi 43304-3485435-1	Abdul Ghafoor Mangi	34	3	-	37	-	3	-	3	3				
18	Zafar Ullah Khan E-276, PIA Housing Society, Johar Town, Lahore	Zafar Ullah Khan 35202-0219374-9	Chaudhry Muhammad Khan	79	193	-	272	-	193	-	193	193				
19	Syed Zulfikar Ali 53-A, PIA Housing Society, Johar Town, Lahore.	Syed Zulfikar Ali 36601-1413105-1	Syed Shamshad Ali	156	111	-	267	-	111	-	111	111				
20	Ali Hussain Khan House# 8/3-B, Gali # 56 near Aastana-e- Khairiya, G-7/2, Islamabad.	Ali Hussain Khan 61101-1859242-3	Muhammad Younus Khan (Late)	27	54	-	81	-	54	-	54	54				
21	Dawood Ul Hassan House No. 312, Street-3, Madni Mohallah, Dhoke Syedan, Rawalpindi.	Dawood Ul Hassan 37405-0260140-3	Gul Hassan	98	264	-	362	-	264	-	264	264				
22	Wajid Ali Saleem House # 269-B, Street # 16, Sector G-6/2, Islamabad.	Wajid Ali Saleem 61101-5615297-7	Zafar Ali Saleem	41	81	-	122	-	73	-	73	73				
23	Ruh ul Amin Khasra No. 308/3-6, Madina Town, Nai Abadi, Alipur, Islamabad.	Ruh ul Amin 61101-2898153-7	Muhammad Ismail Qureshi	30	111	-	141	-	107	-	107	107				
24	Majid Khan House No. 64, Gulshan-e-fatima Scheme, Rawalpindi.	Majid Khan 37405-0233157-1	Sher Dad Khan	274	415	-	689	-	398	-	398	398				
25	Muhammad Ghaffar Plot# A-117, Al-Falah Co-operative Housing Society, Drig Road, Shah Faisal Town, Karachi.	Muhammad Ghaffar 42000-6263195-5	Shahbuddin	2,197	2,845	-	5,042	-	2,845	-	2,845	2,845				
26	Syed Ali Jaffar Zaidi C-III-15/1, F.C. Area, Near Humsalar Lawn, Karachi.	Syed Ali Jaffar Zaidi 42101-3214865-5	Syed Shakir Hussain Zaidi	19	18	-	37	-	18	-	18	18				
27	Muhammad Aslam Qureshi House # N-25, Sector 5-J, North Karachi, Karachi.	Muhammad Aslam Qureshi 42401-2010495-9	Qasim Ali	14	6	-	20	-	6	-	6	6				
28	Syed Talal Shah C-65, Sector 14/A, Shadman Town, North Karachi, Karachi.	Syed Talal Shah 42101-7247405-3	Syed Abdul Shakoor Shah	30	278	-	308	-	278	-	278	278				
29	Muhammad Younus House # 49/B, Mohallah Ali Park, Singhpura, Baghban Pura, Lahore Cant., Lahore.	Muhammad Younus 35201-1287944-5	Muhammad Mushaq	29	98	-	127	-	98	-	98	98				
30	Muhammad Waseem Faiz House# 61, Gali # 10, Ariyan Mohallah-II, Rawalpindi.	Muhammad Waseem Faiz 37405-0309167-1	Muhammad Faiz	7	70	-	77	-	64	-	64	64				
31	Ghulam Naveed Mohallah Shah Khaki, Bohar Wali Gali, Ghaohad Pur Opposite Bismillah General Store, Sialkot.	Ghulam Naveed 34603-2159988-1	Ghulam Nabi	57	91	-	148	-	91	-	91	91				
32	Moin Uddin Shaikh R-307, Block-15, Dastagir, F. B. Area near Farzana Dawakhana, Karachi.	Moin Uddin Shaikh 42101-2133648-5	Sheekh Lal	6	10	-	16	-	10	-	10	10				
33	Syed Afsar Ali Flat # T-3/II, First Floor, Maymar Ahsan Apartment, Sector-I, Ahsanabad, Karachi	Syed Afsar Ali 42201-9004806-9	Syed Kafil Ahmed	474	927	-	1,401	-	613	-	613	613				

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year						Principal written-off	Profit written-off / waived	Other financial relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)	8	9				
1	2	3	4	5	6	7	8	9	10	11	12		
34	Sher Afzal Hussain House # 232, Street-5, Mustafa Colony, Gopal Nagar, Gulberg-III, Lahore.	Sher Afzal Hussain 35202-2863119-3	Miraj Din (Late)	28	4	-	32	-	4	-	4		
35	Muhammad Sufyan House # 24-A, Street # 7, Khadija Street Mohallah Clifton Colony, Wahdat Road, Lahore.	Muhammad Sufyan 35202-8619745-9	Faizan Ahmed	177	435	-	612	-	435	-	435		
36	Mian Khurshid Ahmed Shahid House # 2/12, Street-23-A, Bashir-Street, Band Road, Lahore.	Mian Khurshid Ahmed Shahid 35200-1419523-5	Mian Ghulam Muhammad	11	626	-	637	-	626	-	626		
37	Muhammad Iftikhar Village Bhatay, Post Office, Batapur, Cantt., Lahore.	Muhammad Iftikhar 35201-3496677-1	Muhammad Rafique	31	50	-	81	-	50	-	50		
38	Syed Muhammad Irfan Ullah House # A-30, Pehlwan Goth, Block-9, Gulistan-e-Johar, Karachi.	Syed Muhammad Irfan Ullah 42201-0613603-3	Syed Khalid Khan	59	9	-	68	-	9	-	9		
39	Syed Tanveer Ali Shah House # 297/A, Mohallah Peoples Colony # 1, Faisalabad.	Syed Tanveer Ali Shah 33100-2357632-9	Syed Hamid Ali Shah	21	11	-	32	-	11	-	11		
40	Ghulam Muqtedir House # 178, EMECHS, Mullan Road, Lahore.	Ghulam Muqtedir 35202-5532133-5	Syed Iqtidar Ali Shah	37560	39,906	-	77,466	-	39,906	-	39,906		
41	Muhammad Bilal House # 72-B, Street # 134, Mohallah Shah Deen Scheme, Achara, Lahore.	Muhammad Bilal 35202-6484057-3	Sheikh Khalid Amin	499	1,226	-	1,725	-	1,226	-	1,226		
42	Muhammad Saleem House # 492-A, Block Taipura scheme, Lahore.	Muhammad Saleem 35201-5001454-7	Muhammad Sharif	25	17	-	42	-	17	-	17		
43	Rahim Nuroze Ali Lakhani Flat# 203, 2nd Floor, Ali Tower, Block # 7, F.B. Area, Karachi.	Rahim Nuroze Ali Lakhani 42101-1783922-1	Nuroze Ali Lakhani	69	9	-	78	-	9	-	9		
44	Ibraz Waheed House # 44, Block-G, Yakk Gate, Lahore.	Ibraz Waheed 35202-6336398-5	Abdul Waheed	46	55	-	101	-	55	-	55		
45	Muhammad Nadeem House # 426, Mohallah Block-15, Sector B-1, Township, Lahore.	Muhammad Nadeem 35202-2458970-9	Bashir Uddin	2	18	-	20	-	18	-	18		
46	Basit Karim House # 23/12-N, Alpine Street, Mohallah Extension, Cavalry Ground, Lahore.	Basit Karim 35201-4815755-5	Shahjahan Karim	31	96	-	127	-	96	-	96		
47	Mohsin Raza Khan Plot No. 82/1, 2nd Street, Phase-VI, DHA, Karachi.	Mohsin Raza Khan 42301-1093002-5	Hasan Raza Khan	-	32	-	32	-	32	-	32		
TOTAL:				793,611	253,198	-	1,046,809	119,339	252,837	-	372,176		

* Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.

Annexure - II

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 -----						
Vehicle	5,178	5,178	-	4,300	4,300	Tender	Yaseen Motors
Building	56,916	5,387	51,529	88,606	37,077	Tender	Danish Elahi
Computer Hardware	950	950	-	3	3	Tender	Kashif Scrap
Computer Hardware	107	107	-	5	5	Bank Policy	Syed Mubashir Hasan (Staff)
Computer Hardware	107	107	-	5	5	Bank Policy	Syed Arbab Wadood (Staff)
Computer Hardware	125	125	-	5	5	Bank Policy	Haroon Khan (Staff)
Computer Hardware	119	111	8	19	12	Bank Policy	Bilal Bin (Staff)
Computer Hardware	119	40	79	5	(74)	Bank Policy	Mehmood Rashid (Staff)
Computer Hardware	109	109	-	5	5	Bank Policy	Waqas Shamsi (Staff)
Computer Hardware	124	123	-	5	5	Bank Policy	Saad Madani (Staff)
Total	63,854	12,237	51,616	92,958	41,343		



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INDEPENDENT AUDITORS' REPORT

To the members of BankIslami Pakistan Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of BankIslami Pakistan Limited (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. Cyber Crime Incident</p> <p>As disclosed in note 25.3.2 to the financial statements, during 2019, the Bank faced a cybercrime incident with respect to its payment card facility. In relation to this incident, the international payment service provider has claimed an amount of USD 6.1 million (PKR 738 million) from the Bank.</p> <p>While The Bank had challenged this claim in the court of law and a stay was been granted in favor of the Bank last year, which is currently in operation. The Bank has made a partial provision against the said claim during the year. Considering the high level of management judgement associated with determining the likelihood and magnitude of the required provision in-respect of accounting of this contingent liability we have identified the same as a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - Assessing the judgements used by management based on the available information in determining the level of provision required in respect of the claim. - We sent confirmation letters to, and obtained responses from the lawyers used by the Bank while focusing on matters relating to the court proceedings in progress. - We considered the factors used by the managements expert in determining the best estimate for the provision. Further, we engaged an independent legal expert to review the facts of the case to assist us in determining the impact of this incident on the financial statements. - We considered the accounting treatment of the provision, contingent liabilities and disclosures under applicable financial reporting framework, to conclude whether these were appropriate in the circumstances.
<p>2. Provision against Non Performing Islamic Financing and Related Assets</p> <p>The Bank's Islamic financing portfolios include fund-based and non-funded financing facilities. The portfolio include corporate financing to several public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</p> <p>As per the Bank's accounting policy (refer note 6.4.13 to the financial statements), the Bank determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Bank's process for identification and classification of non-performing financing including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired financing and declassification of accounts from non-performing to regular, as the case may be. - We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations;

Key audit matters	How the matter was addressed in our audit
<p>The determination of loan loss provision against financing, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p> <p>The disclosures relating to provisioning against non- performing financing and related assets are included in notes 11.15 and 11.16 to the financial statements.</p>	<ul style="list-style-type: none"> - In addition, we selected a representative sample of borrowers from the financing portfolios including individually significant corporate loans and performed tests and procedures such as review of financing documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the bank and status of litigation, if any, with the borrower; - Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; - In respect of the level of general provision maintained by the Bank we discussed the approach and policy followed by the Bank with the management on consistent basis and checked the approval of Board of Directors in this regard; and - We also assessed adequacy of disclosures as included in note 11 to the financial statements regarding the non-performing financing and provisions made for the same in the financial statements in accordance with the requirements of the applicable financial reporting framework.
<p>3. Recoverability of deferred tax assets</p> <p>As disclosed in note 14 to the financial statements, as at 31 December 2019, Rs. 5,566.768 million was recorded on the Statement of financial position with respect to deferred tax assets, of which Rs. 3,299.042 million represents carryforward accumulated tax losses.</p> <p>The carry-forward of unused tax losses requires a deferred tax asset to be recognized to the extent that it is probable that future tax profits are available against which the unused tax losses can be set off.</p>	<p>We applied a range of audit procedures including the following:</p> <p>We involved our internal valuation specialists to assist in evaluating the Bank's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on most recent budgets and plans, prepared by management by using the same criteria described for testing the impairment of assets and goodwill, principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognized.</p>



Key audit matters	How the matter was addressed in our audit
<p>We deemed this subject to be a key audit matter because management is required to exercise judgement when deciding whether to recognize a deferred tax asset for tax loss carryforwards as well as when assessing the recoverability of recognized deferred tax assets.</p>	<ul style="list-style-type: none"> - We ascertained that information used was derived from the Bank's business plans has been subject to internal reviews and were approved by those charged with governance. - We reviewed the adequacy of the disclosures made by the Bank in this area approved by those charged with governance. - we reviewed the adequacy of the disclosures made by the Bank in this area.
<p>4. Impairment testing of goodwill</p>	
<p>As at 31 December 2018, Intangible assets include goodwill amounting to Rs. 2.9 billion acquired as a result of scheme of amalgamation as disclosed in note 13 to the consolidated financial statements.</p> <p>Goodwill is required to be annually assessed for impairment under IAS 36 "Impairment of Assets". Accordingly, Management performed an impairment test on the recoverability of the goodwill which is subjective in nature due to assumptions made about future performance.</p> <p>As disclosed in notes 13.4, the Bank uses a discounted cash flow model to determine value in use, on the basis of the certain key assumptions.</p> <p>Due to the significance and impact of the assumptions and judgements involved, the impairment tests of goodwill is considered to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> - Evaluated the model used in determining the value in use as well as assessing the discount rate used; - Compared the cash flow forecasts to approved budgets and other relevant market and economic information, as well as testing the underlying calculations; - We involved our internal valuation specialists to assist in evaluating management's key assumptions used in the impairment calculations. - Performed sensitivity analyses around the key assumptions used in the models. - We assessed the adequacy of the related disclosures in the financial statements.
<p>5. Adoption of IFRS-16 "Leases"</p>	
<p>As referred to in note 3.4.4 to the financial statements, IFRS 16 'Leases' (the standard) has become effective for the current financial year.</p> <p>The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Bank is required to recognize right of use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The impacts of the adoption of the standard are disclosed in note 3.4.4 to the unconsolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the financial statements; - We obtained an understanding of the process and controls in place for identification of in-scope and material lease contracts and capturing of relevant data regarding the terms and condition of the lease contracts;



Key audit matters	How the matter was addressed in our audit
<p>The application of the new standard requires management to make significant estimates and judgements such as in related to determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.</p>	<ul style="list-style-type: none"> - We corroborated the completeness of the leases identified by the management by reviewing the reconciliations of leases with the list of branch properties in the use of the Bank and reviewing the rent expense ledgers for the year; - We performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts; - We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease term; and - We evaluated the adequacy of disclosures made regarding the application of the standard and its impact on the unconsolidated financial statements of the Bank for the year.

Information Other than the Consolidated Financial Statements and Auditors’ Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors’ report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group’s financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtal.



Chartered Accountants

Place: Karachi



Date: March 02, 2020

Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2019

	Note	2019	2018
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks	7	14,640,163	14,292,752
Balances with other banks	8	1,880,592	1,164,553
Due from financial institutions	9	42,911,620	18,173,504
Investments	10	55,806,907	39,236,762
Islamic financing, related assets and advances	11	131,619,725	118,320,811
Fixed assets	12	12,717,885	6,683,785
Intangible assets	13	3,148,805	3,173,692
Deferred tax assets	14	5,566,768	7,471,963
Other assets	15	14,656,497	8,315,446
Assets classified as held for sale	16	1,515,051	-
Total Assets		284,464,013	216,833,268
LIABILITIES			
Bills payable	17	3,645,324	3,242,180
Due to financial institutions	18	15,103,607	7,819,532
Deposits and other accounts	19	228,556,897	184,429,521
Subordinated Sukuk	20	1,700,000	-
Deferred tax liabilities		-	-
Other liabilities	21	14,014,986	6,066,223
Liabilities directly associated with assets held for sale	16	989,683	-
		264,010,497	201,557,456
NET ASSETS		20,453,516	15,275,812
REPRESENTED BY			
Share capital - net	22	11,007,991	10,000,079
Reserves	23	1,187,624	968,799
Surplus on revaluation of assets - net of tax	24	4,626,773	1,875,495
Unappropriated profit		3,436,341	2,236,825
		20,258,729	15,081,198
Non-controlling interest		194,787	194,614
		20,453,516	15,275,812
CONTINGENCIES AND COMMITMENTS			
	25		

The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.





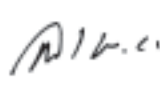
				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Consolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
----- Rupees in '000 -----			
Profit / return earned	26	23,624,544	12,204,667
Profit / return expensed	27	12,832,859	6,145,543
Net Profit / return		10,791,685	6,059,124
OTHER INCOME			
Fee and commission income	28	617,932	842,235
Dividend income		10,947	23,029
Foreign exchange income		183,612	92,182
Income from shariah compliant forward and future contracts		-	138,673
Gain on securities	29	660,253	46,818
Other income	30	159,178	82,246
Total other income		1,631,922	1,225,183
Total Income		12,423,607	7,284,307
OTHER EXPENSES			
Operating expenses	31	7,720,891	6,810,250
Workers Welfare Fund		35,904	8,216
Other charges	32	36,511	54,359
Total other expenses		7,793,306	6,872,825
Profit before provisions		4,630,301	411,482
Provisions / (Reversal of provisions) and write offs - net	33	2,773,316	(3,165)
Extra ordinary / unusual items		-	-
Loss for the year from BIPL Securities Limited - net of tax	34	-	(46,755)
Share of profit from associate		11,525	145,830
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		1,868,510	513,722
Taxation	35	744,000	190,084
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		1,124,510	323,638
DISCONTINUING OPERATIONS			
Loss After Taxation From Discontinuing Operations	16	(20,705)	-
PROFIT FOR THE YEAR		1,103,805	323,638
ATTRIBUTABLE TO:			
Equity shareholders of the Bank		1,107,791	334,266
Non-controlling interest		(3,986)	(10,628)
		1,103,805	323,638
----- Rupees -----			
(Restated)			
Basic earnings per share	31	1.0800	0.3299
Diluted earnings per share	31	1.0800	0.3299

The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.





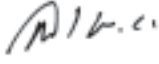
				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	----- Rupees in '000 -----	
Profit after taxation for the period attributable to:		
Equity shareholders of the Bank	1,107,791	334,266
Non-controlling interest	(3,986)	(10,628)
	1,103,805	323,638
<u>Other Comprehensive Income</u>		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments - net of tax attributable to:		
Equity shareholders of the Bank	2,954,307	(160,633)
Non-controlling interest	4,159	-
	2,958,466	(160,633)
Items that may not be reclassified to profit and loss account in subsequent periods		
Re-measurement gain on defined benefit obligations - net of tax	51,180	4,053
Movement in surplus on revaluation of fixed assets - net of tax	-	659,648
Movement in surplus on revaluation of non-banking assets - net of tax	56,341	221,870
	107,521	885,571
Total comprehensive income	4,169,792	1,048,576
Total comprehensive income attributable to:		
Equity shareholders of the Bank	4,169,619	1,059,204
Non-controlling interest	173	(10,628)
	4,169,792	1,048,576

The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.

				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital	Discount on Issue of shares	Statutory reserve	Reserve for bad debts & contingencies	Surplus on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
					Investments	Fixed / Non Banking Assets				
Rupees in '000										
Balance as at December 31, 2017	10,079,121	(79,042)	676,266	250,000	195,469	1,006,444	1,893,736	14,021,994	205,242	14,227,236
Profit after taxation for the year	-	-	-	-	-	-	334,266	334,266	(10,628)	323,638
Other comprehensive income - net of tax	-	-	-	-	(160,633)	881,518	4,053	724,938	-	724,938
Total comprehensive income for the year	-	-	-	-	(160,633)	881,518	338,319	1,059,204	(10,628)	1,048,576
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(10,398)	10,398	-	-	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	(308)	308	-	-	-
Transfer from surplus on revaluation of non-banking assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(36,597)	36,597	-	-	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-	-	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	34,836	1,840,659	2,236,825	15,081,198	194,614	15,275,812
Profit after taxation for the year	-	-	-	-	-	-	1,107,791	1,107,791	(3,986)	1,103,805
Other comprehensive income - net of tax	-	-	-	-	2,954,307	56,341	51,180	3,061,828	4,159	3,065,987
Total comprehensive income for the year	-	-	-	-	2,954,307	56,341	1,158,971	4,169,619	173	4,169,792
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(14,281)	14,281	-	-	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	(976)	976	-	-	-
Transfer from Surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(16,619)	16,619	-	-	-
Transfer from Surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	(227,494)	227,494	-	-	-
Transfer to statutory reserve	-	-	218,825	-	-	-	(218,825)	-	-	-
Transactions with owners, recorded directly in equity										
Issue of share capital (right shares)	1,007,912	-	-	-	-	-	-	1,007,912	-	1,007,912
Balance as at December 31, 2019	11,087,033	(79,042)	937,624	250,000	2,989,143	1,637,630	3,436,341	20,258,729	194,787	20,453,516

The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



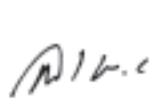
CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR







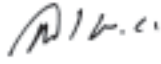
DIRECTOR

Consolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Note	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation from Continuing Operations	1,868,510	513,722
Loss before taxation from Discontinuing Operations	(23,672)	-
Less: Dividend Income	(10,947)	(23,029)
Less: Share of profit from associate	(11,525)	(145,830)
	<u>1,822,366</u>	<u>344,863</u>
Adjustments for non-cash charges and other items:		
Depreciation on fixed assets	710,086	649,522
Depreciation on non banking assets	26 8,994	6,653
Depreciation on right-of-use assets	26 786,150	-
Amortization	72,360	68,314
Depreciation on operating Ijarah assets	945,762	1,160,722
Finance cost on Ijarah (lease) liabilities	22 443,605	-
Provisions / (Reversal of provisions) and write offs - net	33 2,773,316	(3,165)
Unrealised gain on revaluation of investments classified as held for trading	29 -	19,686
Charge for defined benefit plan	31.1 110,919	89,186
Gain on sale of property and equipment	25 (69,124)	(11,542)
(Gain) / loss on sale of non-banking assets	(61,000)	10,570
	<u>5,721,068</u>	<u>1,989,946</u>
	7,543,434	2,334,809
(Increase) / decrease in operating assets		
Due from financial institutions	(24,738,116)	3,198,283
Held-for-trading securities	144,537	17,953
Islamic financing and related assets and advances	(16,302,815)	(438,879)
Others assets (excluding defined benefit assets)	(6,813,193)	(1,556,842)
	<u>(47,709,587)</u>	<u>1,220,515</u>
Increase / (decrease) in operating liabilities		
Bills payable	403,144	(686,289)
Due to financial institutions	7,284,075	(7,750,858)
Deposits and other accounts	44,127,376	6,367,416
Other liabilities (excluding current taxation and unrealised loss on forward sale promises)	5,122,694	(1,011,082)
	<u>56,937,289</u>	<u>(3,080,813)</u>
	16,771,136	474,511
Contributions to defined benefit plan	(81,882)	(50,469)
Income tax paid	(386,100)	(220,411)
Net cash generated from operating activities	<u>16,303,154</u>	<u>203,631</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(13,755,165)	3,053,169
Dividend received	10,947	23,029
Payment of ijarah (lease) liability against right-of-use assets	(926,714)	-
Investments in fixed assets	(3,322,007)	(769,424)
Investments in intangible assets	(47,473)	-
Proceeds from disposal of fixed assets	92,796	13,365
Net cash (used in) / generated from investing activities	<u>(17,947,616)</u>	<u>2,320,139</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital (right shares)	1,007,912	-
Pre-IPO proceeds of subordinated sukuk	1,700,000	-
Net cash generated from financing activities	<u>2,707,912</u>	<u>-</u>
Increase in cash and cash equivalents	<u>1,063,450</u>	<u>2,523,770</u>
Cash and cash equivalents at the beginning of the year	15,457,305	12,933,535
Cash and cash equivalents at the end of the year	<u>16,520,755</u>	<u>15,457,305</u>

The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.

				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Notes to and Forming Part of the Consolidated Financial Statements

AS AT DECEMBER 31, 2019

1 STATUS AND NATURE OF BUSINESS

The Group comprises of:

1.1 BankIslami Pakistan Limited (Holding Company or The Bank)

BankIslami Pakistan Limited (the Holding Company) 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 Holding Company 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 Holding Company is principally engaged in corporate, commercial, consumer, retail banking and investment activities.

The Holding Company is operating through 334 branches including 81 sub branches as at December 31, 2019 (2018: 330 branches including 81 sub branches). The registered office of the Holding Company is situated at 11th Floor, Dolmen City Executive Tower, Marine Drive, Block-4, Clifton, Karachi. The shares of the Holding Company 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 Subsidiary Companies classified as 'Held for Sale'

1.2.1.1 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, Shahrah-e-Faisal, Karachi.

During the year 2019, the Holding Company has decided to sell its investment in BankIslami Modaraba Investments Limited (refer Note 16).

The financial statements of the subsidiary company have been consolidated on the basis of financial information for the year ended December 31, 2019.

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 condensed interim consolidated financial statements.

1.2.1.2 BIPL Securities Limited - 77.12 percent holding

BIPL 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.

During the year 2019, the Holding Company has decided to sell its investment in BIPL Securities Limited (refer Note 16).

The financial statements of the subsidiary companies have been consolidated on the basis of financial information for the year ended December 31, 2019.

1.2.2 Other Subsidiary Companies

1.2.2.1 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.

1.2.2.2 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 (2019: 22.88%, 2018: 22.88%). The following table summarises key information relevant to the BIPL Securities Limited.

	2019	2018
	-----Rupees in '000-----	
Operating fixed assets	56,588	44,247
Investments	361,377	487,409
Advances, deposits, prepayments and other receivables	1,045,517	
Deferred tax asset - net	70,159	70,783
Taxation - net	123,494	111,479
Cash and Bank balances	238,825	546,138
Total Assets	1,895,960	1,829,583
Long-term loan	159,889	150,000
Short term financing-secured	6,485	100,000
Trade and other payables	976,191	701,685
Total Liabilities	1,142,565	951,685
Net Assets	753,395	877,898
Accumulated non-controlling interests of the subsidiary	172,377	200,863
Loss after tax of the subsidiary company	(11,942)	(26,959)
Intragroup eliminations	4,801	(19,796)
	(7,141)	(46,755)
Loss allocated to non-controlling interest	(1,634)	(10,698)

2 BASIS OF PRESENTATION

- 2.1 The Holding Company provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Running Musharakah (Shirkat-ul-Aqd), Muswammah and other Islamic modes as briefly explained in note 6.4 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 Holding Company.

2.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of The Holding Company 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, other than those classified as 'Held for Sale' (refer Note 16), are incorporated on a line-by-line basis and the investment held by The Holding Company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.

The financial statements of all material 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 IFRS 9: Financial Instruments, 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 Holding Company. 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 unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
 - Provisions of and directives issued under the banking Companies Ordinance, 1962 and the Companies Act, 2017; and
 - Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS or IFAS, the requirements of the banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

- 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 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 and non-banking assets have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 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 disclosure requirements under IFAS 3 have not been considered in these financial statements.

3.4 Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan that are effective in the current year:

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

Standard or Interpretation

- IFRIC 23 - Uncertainty over Income Tax Treatments
- IFRS 15 - Revenue from contracts with customers
- IFRS 16 - Leases

Amendment to IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures.

Amendments to IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement
 - IAS 12 Income Taxes
 - IAS 23 Borrowing Costs

3.4.2 IFRIC 23 - Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation did not have any material impact on the consolidated financial statements of the Group.

3.4.3 IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which is effective for annual periods beginning on or after 1 July 2018. The standard establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Holding company's revenue streams that are within the scope of IFRS 15 relate to certain fee and commission income. The accounting policy for recognition of such income is disclosed in note 6.11 to these financial statements. The application of this standard did not have any material impact on these financial statements, except for change in description of accounting policy.

3.4.4 IFRS 16 - 'Leases'

During the year, the SBP, vide its BPRD Circular Letter No. 8 dated April 30, 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated July 26, 2019 has directed all Islamic Banks to apply IFRS 16 - 'Leases' in all lease contracts where the Islamic Banks acts in capacity of lessee and accordingly, the Holding company has adopted the standard. The IFAS 2 - Ijarah would continue to be applicable on all the Lease contracts where the Islamic Banks acts as lessor.

The Holding company has lease contracts in the capacity of lessees for various properties used by the Holding company's branches. The Holding company has adopted modified retrospective approach for transition to IFRS 16. The standard also provides practical expedients, which has been applied by the Holding company. The Holding company has recognized right-of-use assets and lease liabilities for those leases which were previously accounted for under IFAS-2 Ijarah and recognized / classified as rent expense. Lease liabilities were discounted using the incremental borrowing rate at the date of initial application. Right of use asset is depreciated over lease term and classified as depreciation expense.

The overall impact of the initial application of IFRS 16 on these financial statements is summarized below:

	Note	As at January 01, 2019 Rupees in '000)
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	12.2	3,694,210
Decrease in other assets - Advances, deposits, advance rent and other prepayments		(72,293)
Increase in other liabilities - lease liability against right-of-use assets		3,622,476
Impact on Profit and Loss account		
		For the year ended December 31, 2019 (Rupees in '000)
Increase in Profit on deposits and other dues expensed - - Amortization of lease liability against right-of-use assets	27	(443,605)
(Increase) / decrease in administrative expenses		
- Depreciation on right-of-use assets	12.2	(786,150)
- Rent expense		880,262
		94,112
Decrease in profit before tax		(349,493)
Decrease in profit after tax		(213,191)

Right of Use (RoU) assets recognized as Fixed assets - increased by Rs. 3,545 million.

Lease liabilities recognized as Other liabilities - increased by Rs. 3,782 million.

Earnings per share for the year ended December 31, 2019 decreased by Rs. 0.21 per share.

	As at January 01, 2019
Note	(Rupees in '000)
Impact on operating lease commitments	
	4,913,424
25.2.3	<u>12.76%</u>
	<u>4,357,248</u>
Operating lease commitment as at December 31, 2018	
Weighted average discount rate as at January 1, 2019	
Discounted operating lease commitments as at January 1, 2019	(108,132)
Less:	(251,218)
Contracts effective after December 31, 2018	(375,422)
Commitments related to short term leases	<u>3,622,476</u>
Impact of change in expected lease term	
Lease liabilities as of January 1, 2019	

3.5 Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan that are not yet effective:

3.5.1 The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan would be effective for accounting periods beginning on or after 01 January 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required. IFRS 14 was originally issued by IASB in January 2014 with initial application date for a period beginning on or after 01 January 2016. During November 2019, the SECP modified the effective date for applicability of IFRS 14 for the annual reporting periods beginning on or after 01 July 2019.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. SBP has advised the effective date of implementation of IFRS 9 from January 01, 2021. Meanwhile, SBP has directed Banks to perform parallel run of IFRS 9 implementation starting from January 01, 2020 to assess the impact of implementation of IFRS 9.

The above amendments are not likely to have an impact on Holding Company's unconsolidated financial statements except for IFRS 9 'Financial instruments'. The Holding Company is currently evaluating the impact of the IFRS 9. In addition to above Standards, there are certain new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 01 January 2020 but are considered not to be relevant to the Holding Company's operations and therefore, are not detailed in these unconsolidated financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2021

3.5.2 Early adoption of standards

The Group has not early adopted any new or amended standard in 2019.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting 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 Holding Company's accounting policies. The significant accounting areas where various assumptions and estimates are significant to the Holding Company's financial statements or where judgment was exercised in the application of the accounting policies are as follows:

- (a) Classification and valuation of investments in accordance with the Holding Company's policy (notes 6.3 and 10).
- (b) Provision for non-performing Islamic financing and related assets and Advances (notes 6.4.2 and 11.16).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets and advances (note 11.16.5).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 6.3.5 and 10).
- (e) Determination of lease term and incremental borrowing rate for lease contract of various properties used by banks branches (note 3.4.4, 6.5.3, 12 and 21).
- (f) Staff retirement benefits (notes 6.10 and 40).
- (g) Revaluation and depreciation / amortization of fixed assets and intangible assets (notes 6.5, 12.2 and 13).
- (h) Valuation of non-banking assets acquired in satisfaction of claims (note 6.7 and 15.1)
- (i) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.6, 14 and 35).
- (j) Estimation of other provisions and contingent liabilities (note 33 and note 25)

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, commitments in respect of foreign exchange contracts and non-banking assets acquired in satisfaction of claims have been marked to market and are carried at fair value. Further, staff retirement benefits as discussed in notes 6.10 and 40 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 Holding Company'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 transactions, the Holding Company 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

In Musharakah, the Holding Company invests / accepts 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 Holding Company accepts funds from the SBP under shirkat-ul-Aqd to constitute a pool for investment in export refinance portfolio of the Holding Company 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 Holding Company has recorded Acceptances from State Bank of Pakistan for financial assistance at its fair value which is amortized over the period of the financing.

Commodity Murabaha

In Commodity Murabaha, the Holding Company sells commodities on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Wakalah

In Wakalah, the Holding Company accepts / places funds from / with financial Institutions by entering into Investment Agency for the funds to be invested in profitable avenues as / on behalf of the Muwakkil.

6.3 Investments

6.3.1 Classification

Investments of the Holding Company, other than investments in associates 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 Holding Company 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.

(d) Associates

Associates are all entities over which the Holding Company has significant influence but not control. Investment in associates is carried at cost less accumulated impairment losses, if any.

(e) Subsidiaries

Subsidiary is an entity over which the Holding Company has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

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 recognized at the trade date, which is the date on which the Holding Company commits to purchase or sell the investments.

6.3.3 Initial recognition and measurement

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

Premium or discount on Shariah compliant securities classified as available for sale is amortized 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 re-measurement are included in the net profit and loss for the year.

(b) Held-to-maturity

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

(c) Available for sale

Quoted / Government securities are subsequently re-measured at fair value. Surplus / (deficit) arising on re-measurement is included in the statement of comprehensive income and recognized in the statement of financial position in equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized 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 Holding Company has significant influence but not control. Investments in associate is are accounted for using the equity method.

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 recognized 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 as 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 recognized directly in surplus on revaluation of assets on the Statement of Financial Position in equity is removed there from and recognized in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognized 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 Holding Company and principally comprise of Murabahah, Istisna, Ijarah, Salam, Muswammah, Diminishing Musharakah, Running Musharakah (Shirkat-ul-Aqd) 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, financings 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 Ijarah Financing {Ijarah contracts where the Holding Company acts as Mujir (lessor)}

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 recognized 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 amortized 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 recognized as income on a receipt basis. Income on Ijarah is recognized 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.

6.4.3 Murabahah

Murabahah is a sale transaction with the purchase orderer wherein the first party (the Holding Company) 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 Holding Company purchases the assets / goods subject of the Murabahah from a third party and takes the possession thereof. However, the Holding Company 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.

6.4.4 Istisna

Istisna is a contract where the buyer (the Holding Company) 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 Holding Company purchases goods from the client and (ii) Wakalah whereby the Holding Company after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

6.4.5 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 ownership of the asset is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Holding Company).

6.4.6 Import Murabahah

Import Murabahah is a product, used to finance a commercial transaction which consists of purchase by the Holding Company (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the client after getting the title 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.

6.4.7 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 Holding Company purchases goods from the client and (ii) Wakalah whereby the Holding Company after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

6.4.8 Muswammah / Karobar Financing

Under this product the Holding Company purchases tangible identified goods from client at an agreed purchase price on the basis of Musawammah. The Holding Company then sells the goods in the market through agent (Client) at a higher price to earn its desired profit.

6.4.9 Musharakah

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

6.4.10 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).

6.4.11 Running Musharakah

In Running Musharakah financing, the Holding Company 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 Holding Company 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.

6.4.12 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 fixed assets.

6.4.13 Provisioning

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

General provision

Consumer Financing

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

6.5 Fixed assets

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 fixed assets note 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Holding Company 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 derecognized 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 Ijarah (Leased) assets {where the Holding Company is Mustajir (lessee)}

The SBP, vide its BPRD Circular Letter No. 8 dated April 30, 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated July 26, 2019 has directed all Islamic Banks to apply IFRS 16 - 'Leases' in all Ijarah (lease) contracts where the Islamic Banks acts in capacity of Mustajir (lessee).

Accounting policy with regards to Ijarah (leased) assets where the Holding Company is Mustajir (lessee) is as follows:

Right-of-use (RoU) assets

At the commencement date of the lease, the RoU asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any re-measurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the expected lease term.

Ijarah (lease) Liability

At the commencement date of the ijarah (lease), the Holding Company recognizes ijarah (lease) liability measured at the present value of the consideration (ijarah payments) to be made over the expected Ijarah (lease) term and is adjusted for ijarah (lease) prepayments. The lease payments are discounted using the effective rate implicit in the ijarah (lease), unless it is not readily determinable, in which case the Mustajir (lessee) may use the incremental rate of financing. After the commencement date, the carrying amount of ijarah (lease) liability is increased to reflect the accretion of finance cost and reduced for the ijarah (lease) payments made.

6.5.4 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight- line method over the estimated useful lives. The useful lives and amortization 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.

Amortization 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 capitalized to the extent that future economic benefits are expected to be derived by the Holding Company.

Intangible assets, including goodwill, with indefinite useful life are not amortized but tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

6.5.5 Impairment

At each reporting date, the Holding Company 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 recognized 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 recognized 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 Holding Company 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 recognized 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 Holding Company 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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 utilized.

The Holding Company also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities and 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 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 fixed assets.

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

6.8 Assets classified as held for sale

The Holding Company classifies a non-current asset as held for sale if it represents a separate major line of business or a geographical area of operations or is a investment in subsidiary / associate which the Holding Company has decided to divest; and its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

6.9 Acceptances

Acceptances representing undertakings by the Holding Company to pay bills of exchange drawn on customers are recognized as liabilities of the Holding Company at the date of acceptance.

6.10 Staff retirement benefits

6.10.1 Defined benefit plan

The Holding Company operates an approved funded gratuity scheme for its permanent employees. The liability recognized 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, 2019.

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

6.10.2 Defined contribution plan

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

6.11 Revenue recognition

6.11.1 Profit on Murabahah and Commodity Murabahah is recognized over the financing stage 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 recognized immediately on the culmination date.

6.11.2 Profit from Istisna, Salam and Muswammah (Karobar Finance) are recorded on an accrual basis commencing from the time of sale of goods till the realization of proceeds by the Holding Company. Profit from Diminishing Musharakah are recognized on a time proportionate basis in the form of rentals.

6.11.3 The Holding Company follows the finance method in recognizing 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 amortized 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 recognized as income on a receipt basis. Income on Ijarah is recognized 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.

6.11.4 Provisional profit of Musharakah financing is recognized on an accrual basis. Actual profit / loss on Musharakah financing is adjusted after declaration of profit by Musharakah partner or on liquidation of Musharakah.

6.11.5 Profit on Wakalah-tul-Istismar financings is booked on an accrual basis and is adjusted upon declaration of profit by the Wakeel.

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

6.11.7 Profit on classified financing is recognized on a receipt basis.

6.11.8 Dividend income is recognized when the right to receive the dividend is established.

6.11.9 Gains and losses on sale of investments are recognized in the profit and loss account.

6.11.10 Fee on issuance of letter of credit and acceptance is recognized on receipt basis as generally the transactions consummate within an accounting period. Commission on guarantees, if considered material, is recognized over the period of guarantee. The Company earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services. The Company recognises fees earned on transaction-based arrangements at a point in time when the Company has fully provided the service to the customer. Where the contract requires services to be provided over time, the income is recognised on a systematic basis over the life of the related service.

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

6.11.12 Income earned from revenues that are not Shariah compliant are not recognized in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Board of the Holding Company.

6.12 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.

6.13 Financial Instruments

6.13.1 Financial assets and financial liabilities

All financial assets and financial liabilities are recognized at the time when the Holding Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Holding Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any loss on de-recognition 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.

6.13.2 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 recognized amount and the Holding Company intends either to settle on a net basis or to realize 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 accounting and reporting standards as applicable in Pakistan.

6.13.3 Shariah compliant derivatives

Shariah compliant derivative financial instruments are recognized at fair value. In case of equity Shariah compliant futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (i.e. unrealized gains) are included in other receivables and derivatives with negative market values (i.e. unrealized 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.

6.14 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 Holding Company operates. The financial statements are presented in Pakistani Rupee, which is the Holding Company'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.

6.15 Fiduciary assets

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

6.16 Deposits

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

Deposits taken on Qard basis are classified as 'Current non-remunerative accounts' and Deposits generated on Mudarabah 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. 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 realized 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.

6.17 Pool Management

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

Under the general deposits pools, the Holding Company accepts funds on Mudarabah 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 utilizing 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, high- net worth customers and other banks for Islamic Export Refinance to bank's customers and liquidity management respectively under the Musharakah / Mudarabah modes. The profit of each deposit pool is calculated on all the remunerative assets booked by utilizing the funds from the pool after deduction of expenses directly incurred in earning the income of such pool along with 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 share) 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. 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.

6.18 Provisions and contingent assets and liabilities

Provisions are recognized when the Holding Company 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 recognized, 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 recognized when intimated and reasonable certainty exists for the Holding Company to settle the obligation. Charge to the profit and loss account is stated net of expected recoveries.

6.19 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 Holding Company'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 recognized 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.

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 Holding Company. 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 recognized in equity.

6.20 Segment reporting

A segment is a distinguishable component of the Holding Company 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 Holding Company's primary format of reporting is based on business segments. The Holding Company has defined its segments in line with the requirements of IFRS 8 - "Operating Segments".

IFRS 8 requires the entity to define operating segment based on various factors including the basis on which operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

6.20.1 Business segments

Trading and sales

It includes equity, foreign exchanges, commodities, money market placements and debt investments.

Retail banking

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

Commercial banking

It includes investment banking business, trade business and Islamic financing and related assets relating to its corporate, SME and agriculture customers.

Support Centre

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

6.20.2 Geographical segment

The Group operates only in Pakistan.

6.21 Earnings per share

The Holding Company 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.

	Note	2019	2018
7 CASH AND BALANCES WITH TREASURY BANKS		----- Rupees in '000 -----	
In hand:			
- local currency		4,578,845	3,619,317
- foreign currency		449,739	332,378
		5,028,584	3,951,695
With the State Bank of Pakistan in:			
- local currency current account	7.1	6,032,362	7,642,125
- foreign currency deposit accounts:			
- Cash Reserve Account	7.2	369,621	268,835
- Special Cash Reserve Account	7.3	446,116	323,828
- US Dollar Clearing Account		14,450	26,604
		830,187	619,267
With National Bank of Pakistan in:			
- local currency current account		2,744,790	2,079,665
National Prize Bonds	7.4	4,240	-
		14,640,163	14,292,752
7.1	This represents Rs. 6,032.362 million (2018: 7,642.125 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement. Balance held under this account is non-remunerative.		
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). Balance held under this account is non-remunerative.		
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.		
7.4	The Holding company has collected National Prize Bonds from customers in line with circular issued by SBP in this regard. The value of the Prize Bonds represents a receivable due to the Bank from the Government of Pakistan occurring as a result of Islamic concept of Hawala (assignment of debt) arrangement.		
8 BALANCES WITH OTHER BANKS		2019	2018
		----- Rupees in '000 -----	
In Pakistan:			
- in current accounts		2,861	7,665
- in deposit accounts		3,444	331,258
		6,305	338,923
Outside Pakistan:			
- in current accounts		1,874,287	825,630
		1,880,592	1,164,553
8.1	These represent deposits with various Islamic banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 7.01% (2018: 3.5%) per annum.		

9 DUE FROM FINANCIAL INSTITUTIONS

Note	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----						
Secured						
Commodity Murabahah	-	-	-	1,913,199	-	1,913,199
Bai Muajjal Receivable						
-from Other Financial Institutions	20,821,525	-	20,821,525	-	-	-
Unsecured						
Commodity Murabahah	-	-	-	15,726,266	-	15,726,266
Wakalah Placement	9.1	-	1,316,205	1,316,205	-	534,039
Bai Muajjal Receivable						
-from State Bank of Pakistan	9.2	6,172,475	-	6,172,475	-	-
-from Banks	9.3	5,942,762	-	5,942,762	-	-
-from other financial Institutions	9.4	8,658,653	-	8,658,653	-	-
Other placements		30,780	-	30,780	32,400	-
		<u>41,626,195</u>	<u>1,316,205</u>	<u>42,942,400</u>	<u>17,671,865</u>	<u>534,039</u>
Provision against placements		(30,780)	-	(30,780)	(32,400)	(32,400)
		<u>41,595,415</u>	<u>1,316,205</u>	<u>42,911,620</u>	<u>17,639,465</u>	<u>534,039</u>

9.1 This represents foreign currency placements and the profit rates on these agreements range between 1.70% to 3.40% (2018: 0.25% to 2.80%) per annum. The agreements have maturities ranging from 27 to 106 days (2018: 42 days to 78 days).

9.2 The profit rates on Bai Muajjal from State Bank of Pakistan range between 10.50% to 10.60% (2018: Nil) per annum and the agreements have maturities in 38 days (2018: Nil).

9.3 The profit rate on Bai Muajjal from banks range between 13.60% to 13.75% (2018: Nil) per annum and the agreements have maturities ranging from 6 to 94 days (2018: Nil).

9.4 The average return on this product ranges between 12.95% to 17.07% (2018: Nil) per annum. The balances have maturities ranging between 10 days to 266 days (2018: Nil). These Bai Muajjal are secured against Federal Government securities received as collateral and having market value of Rs. 22.739 million as at December 31 2019 (2018: Nil)

9.5 Category of classification

	2019		2018	
	Classified Placements	Provision held	Classified Placements	Provision held
----- Rupees in '000 -----				
Loss	30,780	30,780	32,400	32,400
	<u>30,780</u>	<u>30,780</u>	<u>32,400</u>	<u>32,400</u>

9.5.1 The Group does not hold overseas classified placements

10 INVESTMENTS

	Note	2019	2018
		----- Rupees in '000 -----	
Investments - Islamic	10.1 & 10.3	55,229,232	38,276,127
Investments - Conventional (relating to amalgamated entity)	10.2 & 10.4	577,675	960,635
		<u>55,806,907</u>	<u>39,236,762</u>

2019				2018			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----							

10.1 Islamic Investments by type

Held for trading securities

Shares	-	-	-	-	164,223	-	(19,686)	144,537
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Available for sale securities

Federal Government Securities	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Shariah compliant Securities	38,875,056	(35,880)	4,565,437	43,404,613	10,086,345	(39,818)	(1,479)	10,045,048
Mutual fund units	21	-	42	63	5,021	-	(1,278)	3,743
Modaraba certificates	-	-	-	-	16,208	(13,866)	5,856	8,198
Shares / Modaraba certificates	332,863	(87,094)	32,573	278,342	370,418	(73,498)	35,222	332,142
	<u>49,513,776</u>	<u>(122,974)</u>	<u>4,598,052</u>	<u>53,988,854</u>	<u>36,989,705</u>	<u>(127,182)</u>	<u>40,214</u>	<u>36,902,737</u>

Associates	1,240,378	-	-	1,240,378	1,228,853	-	-	1,228,853
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Total Islamic investments	<u>50,754,154</u>	<u>(122,974)</u>	<u>4,598,052</u>	<u>55,229,232</u>	<u>38,382,781</u>	<u>(127,182)</u>	<u>20,528</u>	<u>38,276,127</u>
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10.2 Conventional Investments by type*

Available for sale securities

Non Government Debt Securities	268,210	(268,210)	-	-	270,586	(270,586)	-	-
Shares	1,189,030	(611,355)	-	577,675	1,571,990	(611,355)	-	960,635
	<u>1,457,240</u>	<u>(879,565)</u>	<u>-</u>	<u>577,675</u>	<u>1,842,576</u>	<u>(881,941)</u>	<u>-</u>	<u>960,635</u>

Held to maturity securities

Non Government Debt Securities	321,601	(321,601)	-	-	321,601	(321,601)	-	-
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Held for trading securities

Non Government Debt Securities	-	-	-	-	45,369	(45,369)	-	-
Shares	-	-	-	-	-	-	-	-

Associates	1,032,746	(1,032,746)	-	-	1,064,375	(1,064,375)	-	-
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Total conventional investments	<u>2,811,587</u>	<u>(2,233,912)</u>	<u>-</u>	<u>577,675</u>	<u>3,273,921</u>	<u>(2,313,286)</u>	<u>-</u>	<u>960,635</u>
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* These assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

Note	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
10.3 Islamic Investments by segments								
Federal Government Securities								
GOP Ijarah Sukuks		-	-	-	26,511,713	-	1,893	26,513,606
Bai Muajjal	10,305,836	-	-	10,305,836	-	-	-	-
	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Shariah compliant Securities								
Pakistan Energy Sukuk-I	30,535,000	-	4,564,983	35,099,983	-	-	-	-
Other sukuk certificates-unlisted	8,340,056	(35,880)	454	8,304,630	10,086,345	(39,818)	(1,479)	10,045,048
	38,875,056	(35,880)	4,565,437	43,404,613	10,086,345	(39,818)	(1,479)	10,045,048
Mutual fund units								
Units of open-end mutual funds	21	-	42	63	5,021	-	(1,278)	3,743
Modaraba								
Modaraba Certificates	-	-	-	-	16,208	(13,866)	5,856	8,198
Shares								
Ordinary shares of listed companies	332,863	(87,094)	32,573	278,342	534,641	(73,498)	15,536	476,679
Associates - Unlisted								
Shakarganj Food Products Limited	1,240,378	-	-	1,240,378	1,228,853	-	-	1,228,853
	50,754,154	(122,974)	4,598,052	55,229,232	38,382,781	(127,182)	20,528	38,276,127

10.3.1 During the year, the Group invested in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments.

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
10.4 Conventional Investments by segments*								
Non Government Debt Securities								
Listed	90,388	(90,388)	-	-	92,764	(92,764)	-	-
Unlisted	517,570	(517,570)	-	-	544,792	(544,792)	-	-
	607,958	(607,958)	-	-	637,556	(637,556)	-	-
Shares								
Unlisted Companies	33,680	(33,680)	-	-	33,680	(33,680)	-	-
	33,680	(33,680)	-	-	33,680	(33,680)	-	-
Foreign Securities								
Equity Securities	1,155,350	(577,675)	-	577,675	1,538,310	(577,675)	-	960,635
Associates - Unlisted								
KASB Capital Limited	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	432,302	(432,302)	-	-	432,302	(432,302)	-	-
New Horizon Exploration & Production Limited	558,577	(558,577)	-	-	590,206	(590,206)	-	-
Shakarganj Food Products Limited	-	-	-	-	-	-	-	-
	1,064,375	(1,064,375)	-	-	1,064,375	(1,064,375)	-	-
	2,811,587	(2,233,912)	-	577,675	3,273,921	(2,313,286)	-	960,635

* These assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

	Note	2019	2018
----- Rupees in '000 -----			
10.5 Investments given as collateral			
Federal Government Securities		5,000,000	10,000,000
10.6 Provision for diminution in value of investments			
10.6.1 Opening balance		2,440,469	3,173,205
Charge / (reversals)			
Charge for the year		12,850	33,426
Reversals for the year		(46,657)	(12,043)
Provision for diminution in value of investments - net		(33,807)	21,383
Amounts written off		-	(754,119)
Transfer to non-current assets held for sale		(49,776)	-
Closing Balance	10.6.1.1	2,356,886	2,440,469

10.6.1.1 Break up of provision for diminution in the value of investments is as follows:

Investments - Islamic	122,974	127,183
Investments - Conventional	2,233,912	2,313,286
	2,356,886	2,440,469

10.6.2 Particulars of provision against debt securities
Category of classification

	2019		2018	
	Non-performing investments	Provision	Non-performing investments	Provision
----- Rupees in '000 -----				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	901,942	625,691	953,624	677,374
Total	901,942	625,691	953,624	677,374

10.6.2.1 The Group does not hold overseas classified debt securities.

10.9 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.

10.10 Reconciliation of investments in associates

Particulars	2019				Total
	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited*	Shakarganj Food Products Limited	
	----- Rupees in '000 -----				
As at Jan 1, 2019	41,867	432,302	558,577	1,228,853	2,261,599
Recognised in the profit and loss account	-	-	-	11,525	11,525
As at December 31, 2019	41,867	432,302	558,577	1,240,378	2,273,124
Provision for diminution in the value of investment	(41,867)	(432,302)	(558,577)	-	(1,064,375)
As at December 31, 2019	-	-	-	1,240,378	1,240,378

* Share of loss has not been recognised, as this is fully provided in the books.

Particulars	2018				Total
	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited	Shakarganj Food Products Limited	
	----- Rupees in '000 -----				
As at Jan 1, 2018	41,867	432,302	590,206	1,083,023	2,147,398
Recognised in the profit and loss account	-	-	-	145,830	145,830
As at December 31, 2018	41,867	432,302	590,206	1,228,853	2,293,228
Provision for diminution in the value of investment	(41,867)	(432,302)	(590,206)	-	(1,064,375)
As at December 31, 2018	-	-	-	1,228,853	1,228,853

* Share of loss has not been recognised, as this is fully provided in the books.

10.10.1 Summary of Associates

Details of investment in associates	2019						
	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
	----- Rupees in '000 -----						
Unlisted Islamic							
Shakarganj Food Products Limited	36.38	Pakistan	10,693,308	7,051,145	1,454,691	(229,487)	(229,487)
Conventional							
KASB Funds Limited	43.89	Pakistan	46,465	32,465	23,640	(66,241)	(65,679)
New Horizon Exploration and Production Limited *	43.89	Pakistan	452,899	117,949	73,048	37,870	37,870
KASB Capital Limited**	21.78	Mauritius	\$ 652,864	\$ 135,428	\$ -	\$ (34,084)	\$ (34,084)

* The total effective holding is 43.23% with direct holding being 19.64% and indirect holding being 23.59%.

** This represents the full US\$ amount.

	Note	2019	2018
		----- Rupees in '000 -----	
11 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES			
Islamic financing and related assets - net	11.1	131,316,791	117,837,795
Advances (relating to amalgamated entity) - net	11.2	302,934	483,016
		131,619,725	118,320,811

Note	Performing		Non Performing		Total	
	2019	2018	2019	2018	2019	2018

----- Rupees in '000 -----

11.1 ISLAMIC FINANCING AND RELATED ASSETS

In Pakistan

- Running Musharakah	11.11	35,522,924	22,058,949	-	2,345,509	35,522,924	24,404,458
- Diminishing Musharakah financing and related assets - Others	11.3	26,461,862	19,260,716	1,241,965	1,085,397	27,703,827	20,346,113
- Muswammah financing and related assets / Karobar financing	11.4	11,176,623	14,654,320	2,806,150	577,934	13,982,773	15,232,254
- Istisna financing and related assets	11.5 & 11.10	13,625,060	14,148,931	858,108	922,480	14,483,168	15,071,411
- Diminishing Musharakah - Housing		11,903,851	12,489,541	1,323,994	896,876	13,227,845	13,386,417
- Murabahah financing and related assets	11.6 & 11.9	6,634,565	9,498,668	664,272	396,904	7,298,837	9,895,572
- Diminishing Musharakah financing and related assets - Auto		10,670,368	8,394,715	87,725	52,478	10,758,093	8,447,193
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000	6,250,000
- Ijarah financing under IFAS 2 and related assets	11.7	3,090,172	3,641,356	187,321	240,052	3,277,493	3,881,408
- Financing to employees		2,750,540	2,507,961	138,085	95,490	2,888,625	2,603,451
- Qardh e Hasana		2,081	205,099	552,330	394,095	554,411	599,194
- Murabaha against bills		166,338	169,671	892	-	167,230	169,671
- Salam	11.8	100,000	143,935	337	337	100,337	144,272
- Post Due Acceptance		239,534	108,728	-	-	239,534	108,728
- Housing finance portfolio - others		33,786	37,819	-	-	33,786	37,819
- Net investment in Ijarah financing in Pakistan		35,242	36,543	-	-	35,242	36,543
- Musharakah financing		280,000	-	-	-	280,000	-
- Financing against Bills		59,173	-	-	-	59,173	-
Gross financing and related assets		129,002,119	113,606,952	7,861,179	7,007,552	136,863,298	120,614,504

Less: Provision against non-performing Islamic financing and related assets

- Specific	11.15 & 11.16	-	-	(5,208,752)	(2,546,436)	(5,208,752)	(2,546,436)
- General	11.15 & 11.16	(337,755)	(230,273)	-	-	(337,755)	(230,273)
		(337,755)	(230,273)	(5,208,752)	(2,546,436)	(5,546,507)	(2,776,709)

Islamic financing and related assets - net of provisions

		128,664,364	113,376,679	2,652,427	4,461,116	131,316,791	117,837,795
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11.2 ADVANCES

Loans, cash credits, running finances, etc. - In Pakistan*		175,815	194,852	6,229,714	7,218,699	6,405,529	7,413,551
Net investment in finance lease - In Pakistan		-	255	582,185	584,988	582,185	585,243
Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan		-	122,451	714,646	592,195	714,646	714,646
Advances - gross		175,815	317,558	7,526,545	8,395,882	7,702,360	8,713,440
Provision against advances							
- Specific	11.15 & 11.16	-	-	(7,518,228)	(8,386,515)	(7,518,228)	(8,386,515)
- General	11.15 & 11.16	(57)	(369)	-	-	(57)	(369)
		(57)	(369)	(7,518,228)	(8,386,515)	(7,518,285)	(8,386,884)
Advances - net of provision		175,758	317,189	8,317	9,367	184,075	326,556
Fair Value adjustment	11.17	-	-	118,859	156,460	118,859	156,460
Advances - net of provision and fair value adjustment		175,758	317,189	127,176	165,827	302,934	483,016

* This includes non-interest bearing performing financing facilities amounting to Rs. 121.991 million (2018: Rs. 88.944 million).

	Note	2019 ----- Rupees in '000 -----	2018
11.3 Diminishing Musharakah financing and related assets - Others			
Diminishing Musharakah financing		27,671,116	20,292,427
Advance against Diminishing Musharakah financing		<u>32,711</u>	<u>53,686</u>
		<u>27,703,827</u>	<u>20,346,113</u>
11.4 Muswammah financing and related assets / Karobar financing			
Muswammah financing		10,543,334	13,496,828
Advance against Muswammah financing		1,619	-
Muswammah inventories		<u>3,437,820</u>	<u>1,735,426</u>
		<u>13,982,773</u>	<u>15,232,254</u>
11.5 Istisna financing and related assets			
Istisna financing		8,771,480	10,180,982
Advance against Istisna financing		5,711,688	4,624,429
Istisna inventories		-	<u>266,000</u>
		<u>14,483,168</u>	<u>15,071,411</u>
11.6 Murabahah financing and related assets			
Murabahah financing		5,364,666	7,928,163
Deferred murabahah income		185,009	337,220
Advances against Murabaha financing		252,766	1,630,189
Murabaha Inventories		<u>1,496,396</u>	-
		<u>7,298,837</u>	<u>9,895,572</u>
11.6.1 Murabaha receivable - gross	11.6.2	5,549,675	8,265,383
Less: Deferred murabaha income	11.6.4	(88,968)	(123,982)
Profit receivable		(96,041)	(213,238)
Murabaha financing		<u>5,364,666</u>	<u>7,928,163</u>
11.6.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		8,265,383	11,442,916
Sales during the year		16,935,256	27,387,581
Received during the year		<u>(19,650,964)</u>	<u>(30,565,114)</u>
Closing balance		<u>5,549,675</u>	<u>8,265,383</u>
11.6.3 Murabahah sale price (for transactions during the year)		16,935,256	27,387,581
Murabahah Purchase price (for transactions during the year)		<u>(16,215,498)</u>	<u>(26,682,001)</u>
		<u>719,758</u>	<u>705,580</u>
11.6.4 Deferred Murabahah income			
Opening balance		123,982	146,828
Arising during the year		719,758	705,580
Recognized during the year		<u>(754,772)</u>	<u>(728,426)</u>
Closing balance		<u>88,968</u>	<u>123,982</u>

	2019	2018
	----- Rupees in '000 -----	
11.7 Ijarah financing under IFAS 2 and related assets		
Net book value of assets under IFAS 2	3,276,811	3,880,726
Advance against Ijarah financing	<u>682</u>	<u>682</u>
	<u><u>3,277,493</u></u>	<u><u>3,881,408</u></u>
11.8 Salam		
Salam financing	55,337	52,305
Advance against Salam	<u>45,000</u>	<u>91,967</u>
	<u><u>100,337</u></u>	<u><u>144,272</u></u>
11.9 Murabahah financing and related assets includes financing amounting to Rs. 994 million (2018: Rs. 600 million) and advance amounting to Rs. 741 million (2018: Rs. 500 million) under Islamic Export Refinance Scheme.		
11.10 Istisna financing and related assets includes financing amounting to Rs. 1,209.817 million (2018: Rs. 901.300 million) and advance amounting to Rs. 147 million (2018: Rs. 530.375 million) under Islamic Export Refinance Scheme.		
11.11 Running musharakah financing and related assets includes financing amounting to Rs. 993.187 million (2018: Nil) under Islamic Export Refinance Scheme.		

11.12 Break up of net investment in Ijarah financing and Finance lease	2019	2018
	-----Rupees in '000-----	
Islamic financing and related assets	35,242	36,543
Advances	<u>582,185</u>	<u>585,243</u>
	<u><u>617,427</u></u>	<u><u>621,786</u></u>

11.12.1 Net investment in Ijarah financing in Pakistan and finance lease

	2019				2018			
	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	572,228	-	-	572,228	575,290	-	-	575,290
Residual value	89,445	-	-	89,445	90,794	-	-	90,794
Minimum Ijarah payments	661,673	-	-	661,673	666,084	-	-	666,084
Profit for future periods	(44,246)	-	-	(44,246)	(44,298)	-	-	(44,298)
Present value of minimum Ijarah payments	617,427	-	-	617,427	621,786	-	-	621,786

11.13 Ijarah Assets

	2019							Rate of Depreciation %
	Cost			Accumulated depreciation			Book value as at December 31, 2019	
	As at January 01, 2019	Addition / (deletions)	As at December 31, 2019	As at January 01, 2019	Charge / (deletions)	As at December 31, 2019		
----- Rupees in '000 -----								
Plant and Machinery	1,860,127	1,040,000 (845,390)	2,054,737	1,148,409	260,266 (768,560)	640,115	1,414,622	20-33.33
Vehicles	6,219,976	10,322 (2,091,188)	4,139,110	3,050,968	685,496 (1,460,225)	2,276,239	1,862,871	20-33.33
	8,080,103	1,050,322 (2,936,578)	6,193,847	4,199,377	945,762 (2,228,785)	2,916,354	3,277,493	

	2018							Rate of Depreciation %
	Cost			Accumulated depreciation			Book value as at December 31, 2018	
	As at January 01, 2018	Addition / (deletions)	As at December 31, 2018	As at January 01, 2018	Charge / (deletions)	As at December 31, 2018		
----- Rupees in '000 -----								
Plant and Machinery	1,856,078	4,049	1,860,127	1,007,861	140,548	1,148,409	711,718	20-33.33
Vehicles	7,290,401	257,259 (1,327,684)	6,219,976	2,710,707	1,020,174 (679,913)	3,050,968	3,169,008	20-33.33
	9,146,479	261,308 (1,327,684)	8,080,103	3,718,568	1,160,722 (679,913)	4,199,377	3,880,726	

11.13.1 Future Ijarah payments receivable

	2019				2018			
	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	1,859,213	517,180	-	2,376,393	1,237,529	1,378,157	-	2,615,686

2019 2018
----- Rupees in '000 -----

11.14 Particulars of Islamic financing and related assets and advances - gross

In local currency	141,996,084	129,327,944
In foreign currency	2,569,574	1,788
	144,565,658	129,329,732
	144,565,658	129,329,732

11.15 Islamic financing and related assets and advances include Rs. 15,126.024 million (2018: Rs. 15,403.434 million) which have been placed under non-performing status as detailed below:

Category of classification

2019		2018	
Non-performing Islamic financing, related assets and advances	Specific Provision	Non-performing Islamic financing, related assets and advances	Specific Provision
----- Rupees in '000 -----			

Domestic

Other assets especially mentioned	525,244	-	267,237	220
Substandard	695,454	76,698	3,079,994	87,997
Doubtful	1,904,229	821,090	523,501	112,035
Loss	12,262,797	11,829,192	11,532,702	10,732,699
Total	15,387,724	12,726,980	15,403,434	10,932,951
	15,387,724	12,726,980	15,403,434	10,932,951

11.15.1 The Bank does not hold overseas classified non-performing Islamic financing, related assets and advances.

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

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947
Charge for the year	2,798,104	107,170	2,905,274	824,518	6,764	831,282
Reversals for the year	(884,736)	-	(884,736)	(903,028)	-	(903,028)
	1,913,368	107,170	2,020,538	(78,510)	6,764	(71,746)
Amount written off	(119,339)	-	(119,339)	(438,608)	-	(438,608)
Closing balance	12,726,980	337,812	13,064,792	10,932,951	230,642	11,163,593

11.16.1

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Islamic	5,208,752	337,755	5,546,507	2,546,436	230,273	2,776,709
Conventional	7,518,228	57	7,518,285	8,386,515	369	8,386,884
Total	12,726,980	337,812	13,064,792	10,932,951	230,642	11,163,593

2019 2018
----- Rupees in '000 -----

**11.16.2 Provision / reversal of provision net of fair value
adjustment taken to the profit and loss account**

Gross reversals for the year	884,736	903,028
Charge for the year	(2,905,274)	(831,282)
	(2,020,538)	71,746
Fair value adjusted - net	(37,601)	(35,871)
Net (charged) / reversals taken to the profit and loss account	(2,058,139)	35,875

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

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	12,726,980	337,812	13,064,792	10,932,951	230,642	11,163,593
In foreign currency	-	-	-	-	-	-
	12,726,980	337,812	13,064,792	10,932,951	230,642	11,163,593

11.16.4 The Holding Company maintains general reserve (provision) amounting to Rs. 337.812 million (December 31, 2018: 230.642 million) 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.

11.16.5 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, 2019 amounts to Rs. 345.792 million (2018: Rs. 493.169 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 210.933 million (2018: Rs. 320.560 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.

	2019	2018
	----- (Rupees in '000) -----	
11.18 Particulars of write offs		
Against provisions	119,339	438,608
Directly charged to the profit and loss account	-	-
	119,339	438,608
Write offs Rs. 500,000 and above	119,339	10,339
Write offs below Rs. 500,000	-	485
	119,339	10,824

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-I.

11.19 Particulars of financing to directors, executives or officers of the Holding Company

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

	Note	2019	2018
----- (Rupees in '000) -----			
Balance at the beginning of the year		2,603,451	2,270,601
Financing granted during the year		1,281,863	1,014,232
Payments received during the year		(996,689)	(681,382)
Balance at the end of the year	11.19.1	2,888,625	2,603,451

11.19.1 This includes Rs. 5.397 million (2018: Rs. 5.413 million) as Qardh e Hasana to employees under the Holding Company's Human Resource Policy.

	Note	2019	2018
----- (Rupees in '000) -----			
12 FIXED ASSETS			
Capital work-in-progress	12.1	382,346	87,761
Property and equipment	12.2	8,790,507	6,596,024
Right of use assets	3.4.4 & 12.2	3,545,032	-
		12,717,885	6,683,785

12.1 Capital work-in-progress

Advances to suppliers and contractors	341,746	87,761
Advance for acquiring properties:		
- Office premises	762,503	721,903
	1,104,249	809,664
Provision for impairment against advance for acquiring floor / office premises	(721,903)	(721,903)
	382,346	87,761

12.2 Property and Equipment

2019						
Freehold / Lease hold land	Freehold / Lease hold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	Total
..... Rupees in '000						
At January 1, 2019						
Cost / Revalued amount	1,539,209	3,692,609	2,237,750	2,980,199	63,226	3,694,210
Accumulated depreciation	-	(254,640)	(1,323,549)	(2,318,211)	(20,569)	-
Net book value	1,539,209	3,437,969	914,201	661,988	42,657	3,694,210
Year ended December 2019						
Opening net book value	1,539,209	3,437,969	914,201	661,988	42,657	3,694,210
Additions	1,895,503	582,139	173,573	365,502	10,705	636,972
Disposals	-	(75,888)	(15,423)	(4,247)	(5,178)	-
Transfer to Assets classified as held for sale						
Cost / Revalued amount	-	(46,095)	(25,436)	(105,296)	(4,292)	-
Accumulated depreciation	-	29,751	22,191	85,960	2,916	-
	-	(16,344)	(3,245)	(19,336)	(1,376)	-
Depreciation charge						
Depreciation charge	-	(148,305)	(238,781)	(310,156)	(12,844)	(786,150)
Reversal of Depreciation on revaluation	-	-	-	-	-	-
Reversal of Depreciation on disposal	-	135	7,849	3,789	6,411	-
	-	(148,170)	(230,932)	(306,367)	(6,433)	(786,150)
Closing net book value	3,434,712	3,779,706	838,174	697,540	40,375	3,545,032
At December 31, 2019						
Cost / Revalued amount	3,434,712	4,152,765	2,370,464	3,236,158	64,461	4,331,182
Accumulated depreciation	-	(373,059)	(1,532,290)	(2,538,618)	(24,086)	(786,150)
Net book value	3,434,712	3,779,706	838,174	697,540	40,375	3,545,032
Rate of depreciation (percentage)	-	2	10	15-25	20	-
..... Rupees in '000						
2018						
Freehold / Lease hold land	Freehold / Lease hold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	Total
..... Rupees in '000						
At January 1, 2018						
Cost / Revalued amount	1,360,395	3,231,499	2,126,934	2,760,859	24,193	-
Accumulated depreciation	-	(450,493)	(1,057,728)	(2,066,399)	(16,336)	-
Net book value	1,360,395	2,781,006	1,069,206	694,460	7,857	-
Year ended December 2018						
Opening net book value	1,360,395	2,781,006	1,069,206	694,460	7,857	-
Additions	-	-	113,669	269,598	40,785	-
Disposals						
Disposals	-	-	(2,853)	(51,059)	(3,759)	-
Other adjustments / transfers	-	-	-	801	2,007	-
	-	-	(2,853)	(50,258)	(1,752)	-
Movement in surplus on assets revalued during the year						
Movement in surplus on assets revalued during the year	178,814	461,110	-	-	-	-
	178,814	461,110	-	-	-	-
Depreciation charge						
Depreciation charge	-	(82,781)	(260,259)	(300,999)	(5,483)	-
Reversal of Depreciation on revaluation	-	278,634	-	-	-	-
Reversal of Depreciation on disposal	-	-	(5,562)	49,187	1,250	-
	-	195,853	(265,821)	(251,812)	(4,233)	-
Closing net book value	1,539,209	3,437,969	914,201	661,988	42,657	-
At December 31, 2018						
Cost / Revalued amount	1,539,209	3,692,609	2,237,750	2,980,199	63,226	-
Accumulated depreciation	-	(254,640)	(1,323,549)	(2,318,211)	(20,569)	-
Net book value	1,539,209	3,437,969	914,201	661,988	42,657	-
Rate of depreciation (percentage)	-	2	10	15-25	20	-

12.2.1 Details of property and equipment disposed-off

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 during the year are disclosed in 'Annexure II'.

12.3 Cost of fully depreciated properties and equipment that are still in the Group's use, as at December 31, 2019, amounted to Rs. 2,460.778 million (2018: Rs. 1,939.726 million).

12.4 During the year 2018, the Holding Company's freehold land and buildings on leasehold land were revalued by M/s. Harvester Services (Pvt.) Ltd., Gandhara Consultants (Pvt.) Ltd. and Akbani & Javed Associates 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. 4,565.588 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2019 would have been as follows:

	COST				DEPRECIATION			Net book value as at December 31, 2019
	As at January 01, 2019	Additions	(Disposals)	As at December 31, 2019	As at January 01, 2019	Charge for the year	As at December 31, 2019	
-----Rupees in '000-----								
Freehold / Leasehold land	1,101,965	1,895,503	(55,733)	2,941,735	-	-	-	2,941,735
Building on leasehold land	1,543,682	582,139	-	2,125,821	303,948	68,994	372,942	1,752,879
	2,645,647	2,477,642	(55,733)	5,067,556	303,948	68,994	372,942	4,694,614

13 INTANGIBLE ASSETS

	2019										
	Computer software	Core deposits	Customer list	Membership Cards (Notes 13.1&13.2)	Room at PSX	Booths at PSX	Contract and Mandets	License and Trademark	Foreign Affiliate Relationships	Goodwill (Note 13.2)	Total
-----Rupees in '000-----											
At January 1, 2019											
Cost	534,450	40,600	7,799	2,100	5,804	950	89,353	872	89,327	2,991,308	3,762,563
Accumulated amortization and impairment	(387,876)	(8,712)	(7,799)	-	(5,804)	-	(89,353)	-	(89,327)	-	(588,871)
Net book value	146,574	31,888	-	2,100	-	950	-	872	-	2,991,308	3,173,692
Year ended December 2019											
Opening net book value	146,574	31,888	-	2,100	-	950	-	872	-	2,991,308	3,173,692
Additions:											
- directly purchased	52,248	-	-	-	-	-	-	-	-	-	52,248
Other adjustments / transfers	-	(853)	-	(2,100)	-	(950)	-	(872)	-	-	(4,775)
Impairment loss recognized in the profit and loss account - net	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Amortization charge	(70,082)	(2,278)	-	-	-	-	-	-	-	-	(72,360)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-
Closing net book value	128,740	28,757	-	-	-	-	-	-	-	2,991,308	3,148,805
At December 31, 2019											
Cost	586,698	39,747	7,799	-	5,804	-	89,353	-	89,327	2,991,308	3,810,036
Accumulated amortization and impairment	(457,958)	(10,990)	(7,799)	-	(5,804)	-	(89,353)	-	(89,327)	-	(661,231)
Net book value	128,740	28,757	-	-	-	-	-	-	-	2,991,308	3,148,805
Rate of amortization (percentage)	20	5.5-20	10	-	-	-	-	-	-	-	-
Useful life (years)	5	5 - 18	10	-	-	-	-	-	-	-	-

2018											
Computer software	Core deposits	Customer list	Membership Cards (Notes 13.1&13.2)	Room at PSX	Booths at PSX	Contract and Mandets	License and Trademark	Foreign Affiliate Relationships	Goodwill (Note 13.2)	Total	
----- Rupees in '000 -----											
At January 1, 2018											
Cost	472,105	40,600	7,799	2,100	5,804	950	89,353	872	89,327	2,991,308	3,700,218
Accumulated amortization and impairment	(320,969)	(6,318)	(7,745)	-	(5,804)	-	(89,353)	-	(89,327)	-	(519,516)
Net book value	151,136	34,282	54	2,100	-	950	-	872	-	2,991,308	3,180,702
Year ended December 2018											
Opening net book value	151,136	34,282	54	2,100	-	950	-	872	-	2,991,308	3,180,702
Additions:											
- directly purchased	62,345	-	-	-	-	-	-	-	-	-	62,345
Impairment loss recognized in the profit and loss account - net	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Amortization charge	(66,907)	(2,394)	-	-	-	-	-	-	-	-	(69,301)
Other adjustments	-	-	(54)	-	-	-	-	-	-	-	(54)
Closing net book value	146,574	31,888	-	2,100	-	950	-	872	-	2,991,308	3,173,692
At December 31, 2018											
Cost	534,450	40,600	7,799	2,100	5,804	950	89,353	872	89,327	2,991,308	3,762,563
Accumulated amortization and impairment	(387,876)	(8,712)	(7,799)	-	(5,804)	-	(89,353)	-	(89,327)	-	(588,871)
Net book value	146,574	31,888	-	2,100	-	950	-	872	-	2,991,308	3,173,692
Rate of amortization (percentage)	20	5.5-20	10	-	-	-	-	-	-	-	-
Useful life (years)	5	5-18	10	-	-	-	-	-	-	-	-

13.1 The cost of fully amortized intangible assets that are still in the Group's use, as at December 31, 2019 amounted to Rs. 241.319 million (2018: Rs. 196.261 million).

13.2 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a stock exchange has been segregated from right to trade on the exchange. Accordingly, the BIPL Securities Limited has received equity shares of PSX and a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of PSX. The BIPL Securities Limited's entitlement in respect of PSX's shares is determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and the Company has been allotted 4,007,383 shares of the face value of Rs 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will 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 10.9 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.

13.3 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.

13.4 This represents goodwill recognized upon acquisition of Defunct KASB Bank Undertakings based on fair values of assets and liabilities. The Holding Company carried out goodwill impairment testing as at December 31, 2019.

Key assumptions used in value in use calculation

The recoverable amount of Goodwill has been determined based on value in use calculation, using cash flow projections based on financial strategy approved by the Board of Directors of the Holding Company covering a five year period. The discount rates applied to cash flows beyond five years are extrapolated using a terminal growth rate. The following rates are used by the Holding Company.

	%
Discount rate	16.53
Terminal growth rate	6.00

The calculation of value in use is most sensitive to following assumptions:

a) Profit margins

Profit margins are based on prevailing industry trends and anticipated market conditions.

b) Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using cost of equity of the Holding Company.

c) Key business assumptions

The assumptions are important as they represent management assessment of how the Holding Company's financial position might change over the projected period. Based on the expansion plans, management expects aggressive growth in financing, investments and deposits during the projected periods and thereafter stabilization in line with industry trends.

Management believes that any significant change in key assumptions, on which Goodwill's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value in use calculation of Goodwill are sensitive to changes in assumptions for profit rate spreads, Non Funded Income (NFI), long term growth rates and discount rates.

d) Sensitivity to changes in assumption

The estimated recoverable amount of Goodwill of the Holding Company exceeds its carrying amount by approximately Rs. 2,099.452 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

Changes required for carrying amount to equal recoverable amount

	%
Discount rate	1.40
Terminal growth rate	(2.00)

13.5 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.

14 DEFERRED TAX ASSETS

		2019			
		At Jan 1 2019	Recognised in P&L & Unappropriated profit	Recognised in OCI	At Dec 31 2019
		----- Rupees in'000-----			
Deductible Temporary Differences on:					
Accumulated tax losses	14.1	3,674,423	(375,381)	-	3,299,042
Tax credit against minimum tax		171,534	98,404	-	269,938
Provision for diminution in the value of investments		201,160	-	-	201,160
Provision against non-performing Islamic financing and related assets and advances		4,061,794	(276,124)	-	3,785,670
Provision for gratuity		21,261	(8)	-	21,253
Impairment of goodwill		-	-	-	-
Ijarah financing and related assets		179,937	38,726	-	218,663
Accelerated tax depreciation		-	16,377	-	16,377
Others		260,978	46,679	3,332	310,989
		8,571,087	(451,327)	3,332	8,123,092
Taxable Temporary Differences on:					
Fair value adjustments relating to net assets acquired upon amalgamation		(272,996)	43,150	-	(229,846)
Accelerated tax depreciation		(76,912)	76,912	-	-
Surplus on revaluation of fixed assets	22	(640,023)	16,638	-	(623,385)
Surplus on revaluation of non-banking assets	22	(22,212)	13,349	(3,309)	(12,172)
Surplus on revaluation of available for sale securities	22	(5,378)	-	(1,603,940)	(1,609,318)
Net investment in finance lease		(81,603)	-	-	(81,603)
		(1,099,124)	150,049	(1,607,249)	(2,556,324)
		7,471,963	(301,278)	(1,603,917)	5,566,768
		----- Rupees in'000-----			
		2018			
		At Jan 1 2018	Recognised in P&L & Unappropriated profit	Recognised in OCI	At Dec 31 2018
Deductible Temporary Differences on:					
Accumulated tax losses		3,576,408	98,015	-	3,674,423
Tax credit against minimum tax		2,143	169,391	-	171,534
Provision for diminution in the value of investments		455,097	(253,937)	-	201,160
Provision against non-performing Islamic financing and related assets and advances		4,040,512	21,282	-	4,061,794
Provision for gratuity		21,253	8	-	21,261
Impairment of goodwill		37,001	(37,001)	-	-
Ijarah financing and related assets		108,229	71,708	-	179,937
Others		275,280	(14,302)	-	260,978
		8,515,923	55,164	-	8,571,087
Taxable Temporary Differences on:					
Fair value adjustments relating to net assets acquired upon amalgamation		(163,641)	(109,355)	-	(272,996)
Accelerated tax depreciation		(120,472)	43,560	-	(76,912)
Surplus on revaluation of fixed assets	24	(386,711)	-	(253,312)	(640,023)
Surplus on revaluation of non-banking assets	24	(5,149)	19,706	(36,769)	(22,212)
Surplus on revaluation of available for sale securities	24	(145,325)	-	139,947	(5,378)
Net investment in finance lease		(81,603)	-	-	(81,603)
		(902,901)	(46,089)	(150,134)	(1,099,124)
		7,613,022	9,075	(150,134)	7,471,963

14.1 The Holding Company has aggregate tax losses of Rs. 9,419.134 million as at December 31, 2019 (2018: Rs. 10,373.525 million) which includes tax losses of amalgamated entity. The management has carried out an assessment for estimating the benefit of these losses. The Holding Company would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognized deferred tax debit balance amounting to Rs. 3,296.697 million (2018: Rs. 3,630.734 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 Holding Company, deposit's composition, kibor 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 realisibility of the deferred tax asset.

15 OTHER ASSETS	Note	2019	2018
		----- (Rupees in '000) -----	-----
Profit / return accrued in local currency		7,483,719	2,615,177
Profit / return accrued in foreign currency		12,132	3,804
Advances, deposits, advance rent and other prepayments		468,630	1,146,991
Advance taxation (payments less provision)		-	-
Non-banking assets acquired in satisfaction of claims		2,075,858	2,462,019
Branch Adjustment Account		46,064	85,453
Defined Benefit Plan assets		-	-
Takaful / insurance claim receivable		23,996	24,280
Car Ijarah repossession		-	-
Receivable against First WAPDA Sukuk	15.2	50,000	50,000
Stationery and stamps in hand		-	5
Trade debts		532	122,520
Acceptances		4,347,956	944,025
Receivable from PSX against sale of shares		-	-
Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts		-	25,489
Unrealized gain on Shariah compliant alternative of future sale contracts		-	21,006
Amount held with financial institution	20.3.3	738,477	738,477
Other receivables		461,129	374,648
		<u>15,708,493</u>	<u>8,613,894</u>
Less: Provision held against other assets	15.3	(1,253,182)	(682,950)
Other Assets (Net of Provision)		<u>14,455,311</u>	<u>7,930,944</u>
Surplus on revaluation of non-banking assets			
acquired in satisfaction of claims		201,186	384,502
Total other assets		<u><u>14,656,497</u></u>	<u><u>8,315,446</u></u>

	Note	2019	2018
		----- (Rupees in '000) -----	
15.1 Market value of non-banking assets acquired in satisfaction of claims			
	15.1.1	1,572,365	2,317,671

The properties of the Holding Company have been revalued by independent professional valuers as at 31 December 2019. The revaluation was carried out by M/s. Harvester Services (Pvt.) Ltd., Gandhara Consultants (Pvt.) Ltd., Akbani & Javed Associates and Sadruddin Associates on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 63.707 million.

Impairment against non-banking assets acquired in satisfaction of claims amounting to Rs. 704.679 million (2018: Rs. 528.850 million) is included in provision held against other assets.

	2019	2018
	-----Rupees in '000-----	
15.1.1 Non-banking assets acquired in satisfaction of claims		
Opening Balance	2,317,671	1,239,568
Additions	-	952,620
Disposals	(500,000)	(126,670)
Revaluation	63,707	258,806
Depreciation	(8,994)	(6,653)
Impairment	(160,019)	-
General provision	(140,000)	-
Closing Balance	1,572,365	2,317,671

15.1.2 Gain / (loss) on disposal of non-banking assets acquired in satisfaction of claims

Disposal Proceeds	561,000	116,100
Less: Carrying Value	(500,000)	(126,670)
Gain / (loss) on disposal	61,000	(10,570)

15.2 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 Holding Company's CDC account. However, the periodic Ijarah Rental dues were not paid to the Holding Company 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 recognized any provision in respect of the above amount as it is fully secured through a lien over a deposit account.

	Note	2019	2018
----- (Rupees in '000) -----			
15.3 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		26,692	26,692
Non banking assets acquired in satisfaction of claims		704,679	528,850
Amount held with financial institution	20.3.3	369,239	-
Others		152,572	127,408
	15.3.1	1,253,182	682,950

15.3.1 Movement in provision held against other assets

Opening balance	682,950	672,888
Charge for the year	699,688	11,327
Reversals for the year	(5,266)	(1,265)
Adjustment for the year	(124,190)	-
Closing balance	1,253,182	682,950

16 ASSETS CLASSIFIED AS HELD FOR SALE

16.1 On April 25, 2019, the Board of Directors announced their decision on Pakistan Stock Exchange to explore and evaluate the strategic options including divestment of shares held by the Bank in one or more associated and subsidiary companies. Subsequently, the Holding company has made some progress in sale of its investment in BankIslami Modaraba Investment Limited and BIPL Securities Limited but none of these transactions had been completed at the balance sheet date. However, the Holding company expects a sale to occur in the upcoming year. Accordingly, these investments have been classified as held for sale. The Board considered these investments to meet the criteria for classification as assets held for sale for the following reasons:

BankIslami Modaraba Investment Limited

- (a) A potential buyer has been identified for the sale and has made final offer.
- (b) The management is in the process of taking necessary steps including arranging regulatory approvals to conclude the transaction.

BIPL Securities Limited

- (a) The management is committed to complete the sale transaction.
- (b) The subsidiary is available for immediate sale and can be sold in present condition.
- (c) The sale is expected to occur within the next twelve months.
- (d) The potential buyers have been identified and they have announced their intention to acquire the subsidiary at Pakistan Stock Exchange and have also initiated the due diligence exercise.

	Note	2019 Rupees in '000
Assets classified as held for sale		
BankIslami Modaraba Investments Limited		20,032
BIPL Securities Limited		1,495,027
	16.2	<u>1,515,059</u>
Liabilities directly associated with assets held for sale		
BankIslami Modaraba Investments Limited		431
BIPL Securities Limited		989,461
	16.2	<u>989,892</u>
Net assets directly associated with disposal groups		<u><u>525,166</u></u>

16.2 STATEMENT OF FINANCIAL POSITION

	2019 (Rs in 000)
ASSETS	
Cash and balances with treasury banks	-
Balances with other banks	15,993
Due from financial institutions - net	-
Investments - net	409,225
Islamic financing, related assets and advances - net	2,063
Fixed assets	52,409
Intangible assets	4,180
Deferred tax assets	5
Other assets - net	1,031,176
Assets held for sale	<u><u>1,515,051</u></u>
LIABILITIES	
Bills payable	-
Due to financial institutions	-
Deposits and other accounts	11,526
Subordinated Sukuks	-
Deferred tax liabilities	-
Other liabilities	978,158
Liabilities directly associated with assets held for sale	<u><u>989,683</u></u>

PROFIT AND LOSS ACCOUNT

	2019
	(Rs in 000)
Profit / return earned	70,924
Profit / return expensed	764
Net Profit / return	<u>70,160</u>
OTHER INCOME	
Fee and commission income	212,861
Dividend income	375
Foreign exchange income	-
Income from shariah compliant forward and future contracts	-
Gain / (loss) on securities	11,433
Other income	1,786
Total other income	<u>226,455</u>
Total Income	296,615
OTHER EXPENSES	
Operating expenses	315,967
Workers Welfare Fund	-
Other charges	-
Total other expenses	<u>315,967</u>
Loss before provisions	<u>(19,352)</u>
Provisions / (Reversal) of provisions and write offs - net	4,320
Extraordinary / unusual items	-
PROFIT BEFORE TAXATION	<u>(23,672)</u>
Taxation	2,967
PROFIT AFTER TAXATION	<u><u>(20,705)</u></u>

	2019	2018
	----- (Rupees in '000) -----	
17 BILLS PAYABLE		
In Pakistan	3,645,324	3,242,180
Outside Pakistan	-	-
	<u>3,645,324</u>	<u>3,242,180</u>

	Note	2019	2018
		--- (Rupees in '000) ---	
18 DUE TO FINANCIAL INSTITUTIONS			
Secured			
Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	18.1	3,816,813	2,496,675
Acceptances from State Bank of Pakistan for financial assistance	18.2	3,086,794	2,822,857
Refinance facility of Islamic mortgage	18.3	1,000,000	-
Others		-	-
Total secured		7,903,607	5,319,532
Unsecured			
Wakalah Acceptance	18.4	4,000,000	-
Musharakah Acceptance	18.5	3,200,000	2,500,000
Total unsecured		7,200,000	2,500,000
		15,103,607	7,819,532

- 18.1** The acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favor of the State Bank of Pakistan (SBP). A limit of Rs. 5,000 million (2018: Rs. 5,000 million) was allocated to the Holding Company by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2019.
- 18.2** This represents amortized 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 Federal Government securities. The 10 year facility was provided on the basis of Mudarabah to be remunerated at profit sharing ratio declared by the Holding Company on its remunerative current accounts on monthly basis. Accordingly, the profit amortization rate applied by the Holding Company in this respect is 0.04% per annum.
- 18.3** The agreements are on a profit and loss sharing basis and are secured against housing finance. The profit rate on these agreements is 12.97% (December 31, 2018: Nil) per annum.
- 18.4** The profit rate on this agreement is 11.5% (2018: Nil) per annum and has maturity in 6 days (2018: Nil).
- 18.5** The profit rates on these agreements are varying between 9% to 12% (2018: 9.10% to 9.60%) per annum and has maturity in 2 to 27 days (2018: 3 to 25 days).

	2019	2018
	--- (Rupees in '000) ---	
18.6 Particulars of due to financial institutions with respect to currencies		
In local currency	15,103,607	7,819,532
In foreign currencies	-	-
	15,103,607	7,819,532

19 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000 -----						
Customers						
Current deposits	64,907,052	2,728,254	67,635,306	57,544,632	1,571,063	59,115,695
Savings deposits	55,379,811	3,120,219	58,500,030	57,397,384	2,932,484	60,329,868
Term deposits	87,652,008	1,303,894	88,955,902	54,272,975	617,886	54,890,861
Others	2,673,856	19,555	2,693,411	438,238	17,697	455,935
	210,612,727	7,171,922	217,784,649	169,653,229	5,139,130	174,792,359
Financial Institutions						
Current deposits	197,102	7,673	204,775	161,741	11,425	173,166
Savings deposits	7,337,933	-	7,337,933	7,218,996	-	7,218,996
Term deposits	3,229,540	-	3,229,540	2,245,000	-	2,245,000
	10,764,575	7,673	10,772,248	9,625,737	11,425	9,637,162
	<u>221,377,302</u>	<u>7,179,595</u>	<u>228,556,897</u>	<u>179,278,966</u>	<u>5,150,555</u>	<u>184,429,521</u>

	2019	2018
----- Rupees in '000 -----		
19.1 Composition of deposits		
Individuals	60,267,699	53,743,188
Government (Federal and Provincial)	5,570,891	7,786,734
Public Sector Entities	9,482,568	10,074,411
Banking Companies	426,545	4,350
Non-Banking Financial Institutions	10,615,481	9,638,911
Private Sector	142,193,713	103,181,927
	<u>228,556,897</u>	<u>184,429,521</u>

19.2 Total Deposits includes eligible deposits under deposit protection mechanism amounting to Rs. 103,293.988 million (2018: Rs. 110,586.391 million).

20 SUBORDINATED SUKUK

The Holding Company is in the process of issuing fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of sukuk under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I (ADT-1) Capital as outlined by State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013. The total size of ADT-1 sukuk is Rs. 2,000 million.

As of 31 December 2019, the Pre-IPO (Initial public offer) phase of ADT-1 sukuk was achieved through which subscription amounting to Rs. 1,700 million was received. Further, the Bank is in process of conducting the IPO of ADT-1 sukuk, subject to regulatory approvals, amounting to Rs. 300 million. Subsequent to the year end, the SBP vide its letter no. BPRD/BA&CP/649/3760/20 dated 24 February 2020 allowed the Bank to complete the Additional Tier-1 (ADT-1) eligible Sukuk process by 31 March 2020.

The State Bank of Pakistan also allowed the Bank to consider the advance subscription money of Rs. 1,700 million received against the issuance of ADT-1 Sukuk (Pre-IPO) for Capital Adequacy Ratio subject to following conditions:

- The advance subscription money will not contribute towards the Minimum Capital Requirement (MCR).
- The advance subscription money received from the investors cannot be returned without prior approval of The SBP.
- The advance subscription money shall be subject to all laws, rules and regulations as applicable on ADT-1 instruments.

21 OTHER LIABILITIES	Note	2019	2018
----- (Rupees in '000) -----			
Profit / return payable in local currency		2,012,348	845,669
Profit / return payable in foreign currencies		16,216	9,837
Accrued expenses		678,551	545,345
Deferred Murabahah Income - Financing and IERS		138,841	173,447
Deferred Murabahah Income - Commodity Murabahah		-	17,561
Payable to defined benefit plan		4,677	4,880
Payable to defined contribution plan		2,656	2,917
Defined Benefit Plan liabilities		110,626	78,223
Security deposits against Ijarah		1,453,252	2,053,274
Ijarah (lease) Liability	3.4.4	3,781,937	-
Provision against off-balance sheet obligations		85,975	129,093
Acceptances		4,347,956	944,025
Receipt appropriation account		195,818	74,056
Current taxation (provisions less payments)		146,616	89,994
Provision against other tax liabilities		55,334	58,683
Sundry creditors		175,312	802,422
Payable to brokers against purchase of shares - net		-	33,444
Unrealized loss on Shariah compliant alternative of forward foreign exchange contracts		33,978	-
Charity payable	21.2	21,605	12,966
Retention money payable		17,499	10,857
Provision for Workers' Welfare Fund	21.3	67,843	31,939
Branch adjustment account		-	-
Rental received in advance		563,555	-
Others		104,391	147,591
		<u>14,014,986</u>	<u>6,066,223</u>

21.1 Provision against off-balance sheet obligations

Opening balance		129,093	129,093
Reversals		(43,118)	-
Closing balance	21.1.1	<u>85,975</u>	<u>129,093</u>

21.1.1 These are overdue non-funded facilities that could not be transferred to funded due to litigation.

21.2 Charity payable	Note	2019	2018
----- Rupees in '000 -----			
Opening balance		12,966	2,679
Additions during the year			
- Received from customers on account of delayed payment		29,248	51,213
- Shariah non-compliant income		4,727	2,773
- Profit on charity saving account		964	101
		34,939	54,087
Distribution of Charity			
- Education		(1,000)	(1,700)
- Health		(18,300)	(37,500)
- Islamic microfinance program		(1,000)	(500)
- Community Development		(6,000)	(4,100)
	21.2.1	<u>(26,300)</u>	<u>(43,800)</u>
Closing balance		<u>21,605</u>	<u>12,966</u>

21.2.1 Charity was paid to the following:

	2019	2018
	---- Rupees in '000 ----	
Akhuwat Foundation	1,000	500
Alamgir Welfare Trust International	2,000	2,600
Autism Care	500	-
Bait us Salam Welfare Trust	2,000	1,000
Caravan Of Life	500	-
Centre for Development of Social Services	-	500
Child Aid Association	-	100
Future Trust	2,000	-
Ghousia Free Dispensary	300	500
Indus Hospital	15,000	35,500
Institute of Behavioral Psychology	-	500
Karewan-e-Hayat	-	300
Kharadar General Hospital	-	500
Koohi Goth Hospital	-	300
Nigahban Welfare Association	-	100
Pakistan Association of The Blind (Sindh)	-	100
Pink Ribbon Pakistan	1,000	-
Shoukat Khanum Memorial	500	300
The Aga Khan Hospital	500	-
The Citizen Foundation	1,000	1,000
	26,300	43,800

21.2.2 Charity was not paid to any staff of the Holding Company or to any individual / organization in which a director or his spouse had any interest at any time during the year.

21.3 In consequence of the 18th amendment made in the Constitution of Pakistan, labor related matters have devolved to the provinces. Consequently, the Sindh Workers' Welfare Fund Act, 2014 ("SWWF Act") was promulgated applicable for financial year commencing on or after 31 December 2013. Only specified service sector entities are liable to Sindh Workers Welfare Fund ("SWWF") which inter-alia includes banking companies. However, the banking companies have challenged such levy before the Honorable Sindh High Court and matter is currently pending adjudication.

Furthermore, in terms of judgment of the Honorable Supreme Court of Pakistan (SCP) dated 28 March 2018 it has been held that the workers of the establishments carrying on business in more than one province (i.e. trans-provincial organization) shall be governed by the Federal legislation.

The definition of the term industrial establishment in the Workers' Welfare Fund (WWF) Ordinance, 1971 (i.e. Federally governed WWF) was extended vide the amendment through the Finance Act 2008 in term of which banking companies were also liable to pay WWF. This amendments were challenged at various level and matter has finally been decided by the SCP vide its order dated November 10, 2016. Through the above order, it was held that the amendments made in the WWF Ordinance, as stated above, were not lawful. The Federal Board of Revenue has filed review petitions against the above judgment which are currently pending with SCP.

Based on the legal advice obtained by the Pakistan Banks' Association, it has been observed that consequent to filing of these review petitions, a risk has arisen, and the judgment is not conclusive until the review petitions are decided. Accordingly, the Holding company has not reversed the WWF provided earlier in the audited accounts.

22 SHARE CAPITAL - NET

	2019	2018	Note	2019	2018
	----- Number of Shares -----			----- Rupees in '000 -----	
22.1 Authorised capital					
	<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>
22.2 Issued, subscribed and paid up capital					
			Ordinary shares of Rs 10 each		
	1,007,912,090	1,007,912,090	Fully paid in cash	10,079,121	10,079,121
	100,791,209	-	Issued during the year - right issue	1,007,912	-
	-	-	Less: Discount on issue of shares	<u>(79,042)</u>	<u>(79,042)</u>
	<u>1,108,703,299</u>	<u>1,007,912,090</u>		<u>11,007,991</u>	<u>10,000,079</u>

23 RESERVES

Statutory Reserves	23.1	937,624	718,799
Reserve for bad debts and contingencies		<u>250,000</u>	<u>250,000</u>
		<u>1,187,624</u>	<u>968,799</u>
23.1			
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.			

24 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	Note	2019	2018
		---- Rupees in '000 ----	
Surplus on revaluation of:			
Available for sale securities	10.1	4,598,052	40,214
Fixed Assets		2,072,001	2,119,539
Non-banking assets acquired in satisfaction of claims		201,186	383,356
		<u>6,871,239</u>	<u>2,543,109</u>
Deferred tax liability on surplus on revaluation of:	14		
Available for sale securities		(1,604,750)	(5,378)
Fixed Assets		(623,385)	(640,023)
Non-banking assets acquired in satisfaction of claims		(12,172)	(22,213)
		<u>(2,240,307)</u>	<u>(667,614)</u>
Total surplus on revaluation of assets- net of tax		4,630,932	1,875,495
Less; Share of non-controlling interest		(4,159)	-
Group's share		<u>4,626,773</u>	<u>1,875,495</u>

	2019	2018
	----- Rupees in '000 -----	
24.1 Surplus on revaluation of fixed assets		
Freehold / Leasehold Land		
Surplus on revaluation of fixed assets at January 1	290,901	112,087
Surplus recognised during the year	-	178,814
Surplus transferred to non-banking assets during the year	-	-
	<u>290,901</u>	<u>290,901</u>
Building on leasehold land		
Surplus on revaluation of fixed assets at January 1	1,828,638	1,104,890
Surplus recognised during the year	-	739,745
Surplus on revaluation of fixed assets sold during the year	(16,619)	-
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(14,281)	(10,398)
Related deferred tax liability on surplus realized on disposal	(8,948)	-
Related deferred tax liability in respect of incremental depreciation charged during the year	(7,690)	(5,599)
	<u>(30,919)</u>	<u>(15,997)</u>
	1,781,100	1,828,638
Related deferred tax liability on surplus as at January 1	(640,023)	(386,711)
Related deferred tax liability on surplus arising during the year	-	(258,911)
Related deferred tax on surplus on revaluation of fixed assets sold during the year	8,948	-
Related deferred tax liability in respect of incremental depreciation charged during the year	7,690	5,599
	<u>(623,385)</u>	<u>(640,023)</u>
	<u>1,157,715</u>	<u>1,188,615</u>
	<u>1,448,616</u>	<u>1,479,516</u>
24.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Freehold / Leasehold Land		
Surplus on revaluation of Non Banking Assets at January 1	263,592	166,619
Surplus recognised during the year	42,662	153,276
Surplus transferred from fixed assets during the year	(196,141)	(56,303)
	<u>110,113</u>	<u>263,592</u>
Building on leasehold land		
Surplus on revaluation of Non Banking Assets at January 1	119,764	14,708
Surplus recognised during the year	21,045	105,530
Surplus transferred from fixed assets during the year	-	-
Surplus transferred to unappropriated profit	(31,353)	-
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(976)	(308)
Related deferred tax liability on surplus realized on disposal	(16,882)	-
Related deferred tax liability in respect of incremental depreciation charged during the year	(525)	(166)
	<u>(18,383)</u>	<u>(474)</u>
	91,073	119,764
Related deferred tax liability on surplus as at January 1	(22,213)	(5,149)
Related deferred tax liability on surplus arising during the year	(7,366)	(36,936)
Related deferred tax liability on surplus on revaluation transferred to unappropriated profit	16,882	19,706
Related deferred tax liability in respect of incremental depreciation charged during the year	525	166
	<u>(12,172)</u>	<u>(22,213)</u>
	<u>78,901</u>	<u>97,551</u>
	<u>189,014</u>	<u>361,143</u>

	Note	2019	2018
		----- Rupees in '000 -----	
25 CONTINGENCIES AND COMMITMENTS			
- Guarantees	25.1	10,629,042	6,709,789
- Commitments	25.2	13,618,551	13,971,812
- Other contingent liabilities	25.3	2,404,485	2,459,366
		<u>26,652,078</u>	<u>23,140,967</u>
25.1 Guarantees:			
Financial guarantees		80,182	123,320
Performance guarantees		8,290,906	4,701,791
Other guarantees		2,257,954	1,884,678
		<u>10,629,042</u>	<u>6,709,789</u>
25.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		10,938,636	3,706,280
Commitments in respect of:			
- Shariah compliant alternative of forward foreign Exchange contracts	25.2.1	(1,162,379)	2,870,624
- Shariah compliant alternative of future sale of shares	25.2.2	-	(165,634)
- operating leases	25.2.3	-	4,913,424
Commitments for acquisition of:			
- operating fixed assets		219,931	198,145
- intangible assets		38,037	114,207
Other commitments	25.2.4	3,584,326	2,334,766
		<u>13,618,551</u>	<u>13,971,812</u>
25.2.1 Commitments in respect of Shariah compliant alternative of forward foreign exchange contracts			
Purchase		12,252,861	9,694,236
Sale		(13,415,240)	(6,823,612)
		(1,162,379)	2,870,624
25.2.2 Shariah compliant alternative of future sale of shares			
Purchase		-	170
Sale		-	(165,804)
		-	(165,634)

	2019	2018
	----- Rupees in '000 -----	
25.2.3 Commitments in respect of operating leases		
Not later than one year	-	160,769
Later than one year and not later than five years	-	1,524,244
Later than five years	-	3,228,411
	-	4,913,424

25.2.4 Other commitments

Bills for collection	3,584,326	2,334,766
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25.2.4.1 The Holding Company 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.

	Note	2019	2018
		----- Rupees in '000 -----	
25.3 Other contingent liabilities			
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	25.3.1	11,200	161,200
Tax Contingencies	25.3.4	2,393,285	2,298,166
		2,404,485	2,459,366

25.3.1 Suit filed by customers / borrowers for recovery of alleged losses suffered, pending in High Court, which the bank has not acknowledged as debt.

25.3.1.1 These are court cases, which represent counter claims filed by the borrowers, for restricting the Holding Company for disposal of the financed assets, (such as mortgaged / leased / pledged assets, kept as security), as well as, the cases where the Holding Company is pleaded as proforma defendant for defending its interest.

25.3.1.2 Consequent to the amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited (the Holding Company) as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation, at Honorable Sindh High Court, Honorable Lahore High Court and Islamabad High Court, in which the Holding Company has been made a party. The double bench of Honorable Sindh High Court has disposed-off the prayers in three Constitutional Petitions, without any negative inference to the Holding Company, and issued certain directions to SBP which were then complied with. Subsequently, an appeal was filed against the decision of the Honorable Sindh High Court which has also been dismissed by the Honorable Supreme Court. Thereafter, Civil Review Petitions were filed in Honorable Supreme Court against dismissal order of the appeal, which have also been dismissed by the Honorable Supreme Court of Pakistan. The cases at Honorable Lahore High Court are also disposed off in the light of Honorable Supreme Court and Honorable Sindh High Court order. The cases at Honorable Islamabad High Court are pending. The management based on the opinion of its legal counsel is confident that these cases will also be dismissed by the Honorable Court.

25.3.1.3 There are two cases filed against the Holding Company by KASB Corporation Ltd. One case is filed at Honorable Sindh High Court and the other is filed at Honorable Islamabad High Court. The Corporation claims of having placed Rs. 981.410 million with Ex-KASB Bank, as Advance against Issue of Right Shares. The amount was reported by the Ex-KASB Bank as part of the shareholders equity in the financial statements with the permission of SBP. Subsequent to the merger, KASB Corporation Limited and Mr. Nasir Ali Shah Bokhari filed a suit against the Holding Company in the Honorable High Court of Sindh; and also filed Miscellaneous Applications, praying thereby to restrain the Holding Company from using or transferring the amount of advance; and for directing the Holding Company to deposit the aforementioned amount with the Nazir of the Court; and to invest the same in interest / mark-up bearing certificates. On April 18, 2018, these Miscellaneous Applications were dismissed by the Honorable High Court of Sindh, however, the main Suit is still pending adjudication. In addition, the Corporation has filed a Writ Petition at Honorable Islamabad High Court, which is yet pending for hearing. The management based on the opinion of its legal counsel is confident that the main Suit will be dismissed by the Honorable Courts.

25.3.2 The Holding Company has filed suit no. 2038 of 2018 in Hounorable High Court of Sindh against the international payment scheme and others along with an application for interim order restraining international payment scheme from deducting amounts aggregating to USD 6.1 million, relating to potential financial impact that may arise from a cybercrime incident. Following this incident, the local settlement bank deducted the above mentioned amount from the Holding Company's respective clearing account (refer note 14). The Honorable Court issued the stay order restraining the international payment scheme from taking any steps to debit the aforementioned amount. The management strongly believes that it substantially complied with actions required to be taken during the cybercrime incident involving an ATM Cash out. During the year, the international payment scheme filed an application for return of plaint on grounds of jurisdiction, which after arguments, has been dismissed by the Honorable Court. Further, the Holding Company on the advice of the international payment scheme has also conducted an independent review of the incident by engaging PCI Forensic Investigator (PFI) which could not forensically identify any malicious software / activity directly related to the cybercrime incident.

The management based on the advice of its legal counsel believes that it has a good arguable case and it is not liable to settle the amount of the fraudulent transactions since the Holding Company had immediately complied with all the necessary requirements.

25.3.3 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 consolidated financial statements in respect of the above.

25.3.4 Tax Contingencies

25.3.4.1 The income tax returns of the Holding Company have been filed upto tax year 2019 whereas the tax assessments have been made by the tax authorities up to tax year 2017. The returns filed for the tax year 2014 to tax year 2019 are treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.

- 25.3.4.2** During the year 2014 (relating to 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 Holding Company filed an appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year 2016, 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 Holding Company has filed an appeal before the Honorable Appellate Tribunal Inland Revenue (ATIR). However, the department has filed an 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. During the year Appellate Tribunal Inland Revenue (ATIR) passed an order vacating the CIRA Order and setting aside the order passed by the assessing officer.
- 25.3.4.3** During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the CIRA (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 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 which are pending finalization.
- 25.3.4.4** 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 year.
- 25.3.4.5** 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 Holding Company has preferred an appeal before the Honorable High Court of Sindh against the said decision of tax authorities. No development has taken place during the current year.
- 25.3.4.6** For tax years 2003 and 2004 (relating to defunct KASB Bank Limited), the CIRA 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 an 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 year.

25.3.4.7 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 Honorable Azad Kashmir High Court against such additions for the above mentioned assessment / tax years up to 2004. For the tax year 2005, the CIRA - AJK has passed order in favour of the defunct KASB Bank Limited. However, the tax department has preferred appeal before the 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 was subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax years 2006 and 2008 reduced to Rs. 13.304 million. Subsequently the learned CIRA - AJK has passed orders under section 129 of the Ordinance for the tax years 2006 and 2008 whereby he has confirmed all additions. Therefore, the defunct KASB Bank Limited has preferred an appeal before the ATIR - AJK . An appeal against the order of CIRA for the tax years 2006 and 2008 has been filed by the Holding Company before the Appellate Tribunal Inland Revenue (ATIR) - AJK.

25.3.4.8 In respect of tax year 2015, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Holding Company by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Holding Company by Rs. 32.893 million and levied super tax. As a result, a tax demand of Rs. 124.134 million was created.

The Holding Company filed an appeal against the said decision before CIRA as a result of which an appellate order has been passed. In the appellate order, the CIRA confirmed the restriction of minimum tax and other disallowances to the extent of Rs. 9.857 million. Against the treatment meted out by the CIRA, an appeal has been filed before the ATIR.

25.3.4.9 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, the subsidiary company has filed an appeal before the Honorable High Court of Karachi dated September 29, 2017. 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.

For one of the Group company, for tax year 2013, an amended assessment order has been passed under section 122(5A) of the Income Tax Ordinance, 2001 by the Additional Commissioner Inland Revenue, raising a demand of Rs 17.39 million dated June 28, 2019. In pursuance of such order, company has filed an appeal before Commissioner Appeals which is pending for hearing.

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.

	Note	2019	2018
26 PROFIT / RETURN EARNED	----- Rupees in '000 -----		
Profit earned on:			
Financing		13,716,204	8,377,339
Investments		6,273,086	2,685,833
Placements		3,529,489	1,041,192
Others		105,765	100,303
		23,624,544	12,204,667

	Note	2019	2018
----- Rupees in '000 -----			
27	PROFIT / RETURN EXPENSED		
Deposits and other accounts		11,658,353	5,354,877
Due to financial institutions		671,444	789,873
Cost of foreign currency swaps against foreign currency deposits		37,738	793
Finance cost on ijarah (lease) liabilities	3.1.2	443,605	-
Additional Tier-1 sukuk		21,719	-
		<u>12,832,859</u>	<u>6,145,543</u>
28	FEE AND COMMISSION INCOME		
Branch banking customer fees		43,742	92,812
Commission on bancatakaful		83,328	53,684
Card related fees		137,509	272,409
Commission on arrangement with financial institutions		36,906	21,401
Consumer finance related fees		29,470	26,532
Commission on guarantees		46,412	54,737
Investment banking fees		63,893	150,047
Commission on cash management		3,620	8,495
Commission on remittances including home remittances		46,907	61,844
Commission on trade		118,683	92,478
Others		7,462	6,224
		<u>617,932</u>	<u>842,235</u>
29	GAIN ON SECURITIES		
Realised gain	29.1	660,253	66,504
Unrealised loss - held for trading	10.1	-	(19,686)
		<u>660,253</u>	<u>46,818</u>
29.1	Realised gain on:		
Federal Government Securities		(4,148)	(5,581)
Non-Government Shariah compliant Securities		658,674	58,416
Shares		5,727	-
Mutual fund units		-	13,669
		<u>660,253</u>	<u>66,504</u>
30	OTHER INCOME		
Rent on property		8,417	11,126
Gain on termination of financing		69,124	59,402
Gain on sale of property and equipment		10,244	11,542
Gain / (loss) on sale of non-banking assets		61,000	(10,570)
Recoveries against previously expensed items		9,544	9,657
Others		849	1,089
		<u>159,178</u>	<u>82,246</u>

31 OPERATING EXPENSES	Note	2019	2018
----- Rupees in '000 -----			
Total compensation expense		3,094,560	2,769,794
Property expense			
Rent & taxes		89,012	968,708
Takaful / insurance		1,897	7,782
Utilities cost		344,953	327,767
Security (including guards)		323,447	325,536
Repair & maintenance (including janitorial charges)		147,902	109,669
Depreciation	12.2	329,345	278,082
Depreciation on right-of-use assets	12.2	786,150	-
Others		1,582	588
		2,024,288	2,018,132
Information technology expenses			
Software maintenance		155,114	95,577
Hardware maintenance		139,799	63,528
Depreciation	12.2	195,582	175,263
Amortisation	13	70,082	66,031
Network charges		145,090	158,873
		705,667	559,272
Other operating expenses			
Directors' fees and allowances		8,025	7,475
Fees and allowances to Shariah Board		12,982	12,282
Legal & professional charges		181,482	78,837
Travelling & conveyance		47,540	31,113
NIFT clearing charges		20,403	20,310
Depreciation	12.2	185,159	196,177
Depreciation on non banking assets	15.1.1	8,994	6,653
Entertainment expense		75,466	62,570
Training & development		10,581	-
Postage & courier charges		38,255	46,729
Communication		49,998	45,974
Marketing, advertisement & publicity		151,669	125,959
Repairs and maintenance		88,037	78,740
Takaful, tracker and other charges on car Ijarah		145,016	158,998
Stationery & printing		150,599	105,353
Takaful / insurance		286,678	141,055
Fee and subscription		143,161	115,503
Vehicle running and maintenance		131,433	102,003
Auditors Remuneration	31.2	18,739	13,494
Amortization	13	2,278	2,283
CDC and share registrar services		11,983	13,177
Brokerage and commission		20,350	10,554
Stamp duty & registration charges		43,353	15,319
Others		64,195	72,464
		1,896,376	1,463,022
		7,720,891	6,810,220

	Note	2019	2018
---- Rupees in '000 -----			
31.1 Total compensation expense			
Managerial remuneration			
(i) Fixed		1,270,493	1,250,793
(ii) Variable - Cash bonus / awards		24,207	7,984
Provision for bonus to employees		100,000	-
Charge for defined benefit plan	39.8.1	110,919	89,186
Contribution to defined contribution Plan	40	92,035	87,831
Rent & house maintenance allowance		557,758	498,706
Utilities allowance		123,911	110,783
Medical allowance		147,316	149,928
Car maintenance allowance		171,031	169,795
Conveyance allowance		6,830	4,221
Fuel allowance		11,026	9,694
Sports & welfare		2,131	1,817
Staff life takaful		33,083	8,323
Overtime allowance		2,524	2,127
Training		-	18,801
Increment		50,576	-
Special allowance		74,922	41,285
Phone banking allowance		813	557
Relocation allowance		409	587
Janitorial		-	-
Sales commission		111,008	129,047
Contract staff cost		202,060	178,312
Others		1,508	17
Sub-total		3,094,560	2,759,794
Sign-on bonus (Paid to 1 person as per contract)		-	10,000
Grand Total		3,094,560	2,769,794
31.2 Auditors' remuneration			
Audit fee		7,640	7,000
Fee for the review of half yearly financial statements		1,906	1,733
Fee for other statutory certifications		2,175	2,017
Special certifications and sundry advisory services		6,033	531
Tax services		377	1,400
Out-of-pocket expenses		608	813
		18,739	13,494
32 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		36,511	54,359

	Note	2019	2018
		----- Rupees in '000 -----	
33 PROVISIONS / (REVERSAL OF PROVISIONS) AND WRITE OFFS - NET			
Provision for diminution in value of investments and due from financial institutions		10,474	21,383
Provision / (Reversal) against Islamic financing and related assets and advances - net	11.16.2	2,058,139	(35,875)
Other provisions - net		704,703	11,327
		<u>2,773,316</u>	<u>(3,165)</u>
34 FINANCIAL RESULTS OF BIPL SECURITIES LIMITED			
Total income for the year		-	255,686
Total expenses for the year		-	317,003
Loss before taxation		-	(61,316)
Taxation			
- Current		-	17,165
- Prior years		-	(1,172)
- Deferred		-	(30,555)
		-	(14,562)
Profit / (loss) after taxation		<u>-</u>	<u>(46,755)</u>
35 TAXATION			
Current year		442,722	168,580
Prior years		-	33,591
Deferred		301,278	(12,087)
		<u>744,000</u>	<u>190,084</u>
35.1	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 Holding Company has filed the return of income for the tax years 2006 to 2019 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.		
36 BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation for the year (Attributable to equity shareholders of the Bank)		<u>1,107,791</u>	<u>334,266</u>
		----- Number of shares -----	
Weighted average number of ordinary shares in issue		<u>1,025,766,071</u>	<u>1,013,207,752</u>
		----- Rupees -----	
Earnings per share - basic / diluted	36.1	<u>1.0800</u>	<u>0.3299</u>
36.1	There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2019 and December 31, 2018.		

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

The Holding Company maintained the following pools for profit declaration and distribution during the year ended December 31, 2019:

- (i) General Deposit Mudarabah Pools (PKR, USD, EUR & GBP);
- (ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
- (iii) Special Mudarabah Deposit Pools
- (iv) Treasury 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 backed Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channeled 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 the Holding Company 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 Holding Company 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 (Holding Company 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 Holding Company 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 Holding Company's IERS Musharakah pool. IERS pool consists of blue chip companies to whom the Holding Company 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 and Wakalah, wherein the Holding Company 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 Holding Company has prepared detailed product manuals in order to identify and properly mitigate such risk. The Holding Company 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 48.1 to the 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 Holding Company and the depositors as per agreed profit sharing ratio after deduction of commingled Holding Company'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 Holding Company 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 Holding Company 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 Holding Company as Mudarib.

2019

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Deposit or 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	9.98%	50.00%	50.00%	2,593,581	4.33%	8.70%	225,607
USD Pool	Monthly	1.48%	50.00%	50.00%	20,634	0.78%	17.16%	3,540
GBP Pool	Monthly	0.65%	50.00%	50.00%	829	0.38%	15.71%	130
EURO Pool	Monthly	0.12%	50.00%	50.00%	93	0.07%	23.31%	22

Specific Musharakah Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Client Share %	Holding Company Share %	Holding Company Share	Profit rate return distributed	Percentage of Hiba to Client	Amount of Hiba to Client
					(Rupees in '000)			
Islamic Export Refiance (IERS) Pool	Monthly	5.88%	49.03%	50.97%	3,001,847	2.00%	0.00%	-
Pakistan Mortgage Refinance Company (PMRC)	Monthly	12.82%	99.00%	1.00%	877	12.97%	0.00%	-

Specific Mudarabaha Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Deposit or Share %	Mudarib Share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudaib share transferred through Hiba to special remunerative deposits
					(Rupees in '000)			

- | | | | | | | | | |
|------------------------------|---------|--------|--------|--------|-----------|--------|--------|---------|
| (i) Special Pool PKR | Monthly | 13.62% | 80.25% | 19.75% | 1,328,145 | 11.88% | 37.65% | 500,086 |
| (ii) 1-3 Years Term Deposits | Monthly | 11.68% | 88.23% | 11.77% | 214,103 | 10.49% | 14.84% | 31,783 |
| (iii) Special Pool USD | Monthly | 3.68% | 70.07% | 29.93% | 3,913 | 2.52% | 22.06% | 863 |
| (iv) Special Pool Euro | Monthly | 2.61% | 57.33% | 42.67% | 1,720 | 1.08% | 16.09% | 277 |
- (v) In addition to the above, 224 short term Treasury Pools were created to meet liquidity requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
38 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	8	14,640,163	14,292,752
Balances with other banks	9	1,880,592	1,164,553
		<u>16,520,755</u>	<u>15,457,305</u>
39 STAFF STRENGTH		Number of employees	
Permanent		2,672	2,400
Contractual basis		920	800
Total staff strength		<u>3,592</u>	<u>3,200</u>

40 DEFINED BENEFIT PLAN

40.1 General description

The Group operates a gratuity fund 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.

40.2 Number of Employees under the scheme

The number of employees covered under the defined scheme are 2,530 (2018: 2,258). The latest actuarial valuation of the holding company's gratuity scheme was carried out as at December 31, 2019 and BankIslami Modaraba Investments Limited as at June 30, 2019. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

40.3 Principal actuarial assumptions

Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2019	2018
- Valuation Discount rate	11.75%	9.50%
- Salary Increase Rate	11.75%	9.50%
- Expected Return on Plan Assets	11.75%	13.75%

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, rated down by one year.

	Note	2019	2018
----- Rupees in '000 -----			
40.4 Reconciliation of (receivable from) / payable to defined benefit plans			
The amount recognized in the statement of financial position (in respect of the gratuity scheme) is determined as follows:			
Present value of defined benefit obligations		368,209	381,928
Fair value of plan assets		<u>(256,256)</u>	<u>(303,705)</u>
		<u>111,953</u>	<u>78,223</u>
40.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		381,928	329,540
Current service cost		104,721	87,214
Return expense		42,120	29,222
Benefits paid by the Bank		(81,882)	(45,406)
Re-measurement gain		<u>(78,678)</u>	<u>(18,643)</u>
Obligations at the end of the year		<u>368,209</u>	<u>381,928</u>
40.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		302,155	283,798
Return earned on plan assets		35,922	27,251
Contribution by the Bank - net		(81,882)	5,063
Re-measurements: Net return on plan assets over return expense	40.8.2	<u>61</u>	<u>(12,407)</u>
Fair value at the end of the year		<u>256,256</u>	<u>303,705</u>
40.7 Movement in payable under defined benefit schemes			
Opening balance		78,223	45,742
Charge for the year		110,919	89,186
Contribution by the Bank - net		-	(5,063)
Re-measurement gain recognized in OCI during the year	40.8.2	<u>(78,739)</u>	<u>(6,236)</u>
Benefits paid by the Bank		-	(45,406)
Closing balance		<u>110,403</u>	<u>78,223</u>
40.8 Charge for defined benefit plans			
40.8.1 Cost recognized in profit and loss			
Current service cost		<u>104,721</u>	<u>87,214</u>
Net financial charges		<u>6,198</u>	<u>1,972</u>
		<u>110,919</u>	<u>89,186</u>
40.8.2 Re-measurements recognized in OCI during the year			
Gain on obligation			
- Demographic assumptions		-	-
- Financial assumptions		(3,266)	24,874
- Experience adjustment		(75,412)	(43,415)
Return on plan assets over profit earned		<u>(61)</u>	<u>12,277</u>
Total re-measurements		<u>(78,739)</u>	<u>(6,264)</u>
Deferred tax impact		<u>27,559</u>	<u>2,192</u>
Total re-measurements recognized in OCI		<u>(51,180)</u>	<u>(4,072)</u>

	2019	2018
	----- Rupees in '000 -----	
40.9 Components of plan assets		
Bank balance	199,470	250,563
Units of mutual funds	56,786	51,592
Debt instrument	-	1,131
cash and cash equivalents	-	486
Others	-	(67)
	<u>256,256</u>	<u>303,705</u>

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

40.10 Sensitivity analysis

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

	2019	2018
	----- Rupees in '000 -----	
1% increase in discount rate	326,514	343,694
1% decrease in discount rate	413,949	424,301
1 Year increase in Life expectancy / Withdrawal rate	366,500	380,589
1 Year decrease in Life expectancy / Withdrawal rate	366,501	380,613

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 recognized within the Statement of Financial Position.

40.11 Expected contributions to be paid to the funds in the next financial year	<u>96,765</u>
40.12 Expected charge for the next financial year	<u>116,127</u>

40.13 Maturity profile

The weighted average duration of the defined benefit obligation is 11.63 years.

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

At December 31, 2019	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
Gratuity	18,027	17,389	64,208	2,263,290	2,362,914

40.14 Funding Policy

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. 116.127 million as per the actuarial valuation report of the Bank as of December 31, 2019.

40.15 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.

41 DEFINED CONTRIBUTION PLAN

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. 92.035 million (2018: Rs. 87.831 million) each.

42 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL OF HOLDING COMPANY

42.1 Total Compensation Expense

Items	2019			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
Fees and Allowances etc.	2,100	-	5,550	1,125	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	6,384	25,455	62,823	27,144
Rent & house maintenance	-	-	-	-	-	26,019	12,215
Utilities	-	-	-	-	-	5,782	2,714
Medical	-	-	-	-	-	5,782	2,714
Conveyance	-	-	-	1,248	-	14,867	6,567
Shariah Board allowance	-	-	-	4,150	-	-	-
Others	-	-	-	75	16,545	5,222	2,675
Total	2,100	-	5,550	12,982	42,000	120,495	54,029
Number of Persons	1	-	6	3	1	16	12

Items	2018			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
Fees and Allowances etc.	2,100	-	5,550	1,350	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	5,447	16,242	46,342	15,034
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	683	-	1,715	233
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-	-
Rent & house maintenance	-	-	-	675	-	19,465	6,765
Utilities	-	-	-	150	-	4,326	1,503
Medical	-	-	-	150	-	4,326	1,503
Conveyance	-	-	-	1,211	-	13,351	4,982
Shariah Board allowance	-	-	-	2,565	-	-	-
Others	-	-	-	51	20,847	7,270	5,322
Total	2,100	-	5,550	12,282	37,089	96,795	35,342
Number of Persons	1	-	6	3	1	16	10

42.1.1 The President / CEO of the Holding Company has been provided with bank maintained cars.

42.1.2 The President / CEO and certain key management personnel of the Holding Company have been provided with club memberships.

42.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2019							
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board Remuneration Committee	
----- Rupees '000 -----							
1	Mr. Ali Hussain	2,100	-	-	-	-	2,100
2	Mr. Fawad Anwar	1,050	-	-	-	-	1,050
3	Dr. Amjad Waheed	1,400	-	-	-	-	1,400
4	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	1,400	-	-	-	-	1,400
5	Mr. Noman Yakoob	700	-	-	-	-	700
6	Mr. Siraj Ahmed Dadabhoy	600	-	-	-	-	600
7	Mr. Muhammad Nadeem Farooq	400	-	-	-	-	400
	Total Amount Paid	7,650	-	-	-	-	7,650

2018							
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board Remuneration Committee	
----- Rupees '000 -----							
1	Mr. Ali Hussain	1,800	-	-	-	-	1,800
2	Mr. Fawad Anwar	900	-	-	-	-	900
3	Dr. Amjad Waheed	1,200	-	-	-	-	1,200
4	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	1,200	-	-	-	-	1,200
5	Mr. Noman Yakoob	600	-	-	-	-	600
6	Mr. Siraj Ahmed Dadabhoy	600	-	-	-	-	600
7	Mr. Muhammad Nadeem Farooq	600	-	-	-	-	600
	Total Amount Paid	6,900	-	-	-	-	6,900

42.3 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
----- Rupees in '000 -----						
a. Meeting Fees and Allowances	-	-	1,125	-	-	1,350
b. Managerial remuneration & allowances	8,975	2,883	-	8,568	2,364	-
Total Amount	8,975	2,883	1,125	8,568	2,364	1,350
Total Number of Persons	1	1	1	1	1	1

43 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost less impairment losses. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted Shariah compliant securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

43.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

2019			
Level 1	Level 2	Level 3	Total

----- Rupees in '000 -----

On balance sheet financial instruments

Financial assets - measured at fair value

Investments				
Federal Government Securities	-	-	-	-
Provincial Government Securities	-	-	-	-
Shares	856,017	-	-	856,017
Non-Government Shariah compliant Securities	35,099,983	7,233,845	-	42,333,828
Units of open ended mutual funds	63	-	-	63
Non-current assets classified as Held for Sale	-	-	-	-

Non-Financial Assets - measured at fair value

Fixed assets - Land and building	-	-	7,214,418	7,214,418
Non-banking assets	-	-	1,572,365	1,572,365

Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	-	12,350,287	-	12,350,287
Shariah compliant alternative of forward sale of foreign exchange	-	13,486,552	-	13,486,552
Shariah compliant alternative of future purchase of shares	-	-	-	-

2018			
Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			

On balance sheet financial instruments

Financial assets - measured at fair value

Investments

Federal Government Securities	-	26,513,606	-	26,513,606
Provincial Government Securities	-	-	-	-
Shares	476,679	-	-	476,679
Non-Government Shariah compliant Securities	-	10,045,048	-	10,045,048
Foreign Securities	-	-	-	-
Units of open ended mutual funds	3,743	-	-	3,743
Modaraba Certificates	8,198	-	-	8,198

Non-Financial Assets - measured at fair value

Fixed assets - Land and building	-	-	4,977,178	4,977,178
Non-banking assets	-	-	2,317,671	2,317,671

Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	-	9,846,491	-	9,846,491
Shariah compliant alternative of forward sale of foreign exchange	-	6,950,378	-	6,950,378
Shariah compliant alternative of future purchase of shares	161	-	-	161
Shariah compliant alternative of future sale of shares	144,789	-	-	144,789

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
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.
Shariah compliant alternative of 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.

43.2 The Group's policy is to recognize 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 from last year.

44 SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

	2019				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- Rupees in '000 -----				
Profit & Loss					
Net profit / return	7,864,273	(7,621,988)	10,449,873	99,527	10,791,685
Inter segment revenue - net	(7,453,983)	18,485,589	(10,835,569)	(196,037)	-
Total other income	911,654	399,749	239,644	71,695	1,622,742
Total Income	1,321,944	11,263,350	(146,052)	(24,815)	12,414,427
Segment direct expenses	77,243	5,057,297	239,940	2,418,826	7,793,306
Inter segment expense allocation	142,831	1,691,577	628,925	(2,463,333)	-
Total expenses	220,073	6,748,875	868,864	(44,507)	7,793,306
Provisions	35,680	88,915	1,960,790	687,931	2,773,316
Profit / loss before tax	1,066,190	4,425,560	(2,975,706)	(668,240)	1,847,805

	2019				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- Rupees in '000 -----				
Balance Sheet					
Assets					
Cash & Bank balances	7,296,147	9,224,608	-	-	16,520,755
Investments	55,806,907	-	-	-	55,806,907
Net inter segment placements	-	187,682,667	-	2,420,266	190,102,933
Due from financial institutions	42,911,620	-	-	-	42,911,620
Islamic financing and related assets - performing	-	25,517,712	101,226,832	2,707,029	129,451,573
- non-performing	-	1,328,137	731,769	108,246	2,168,152
Others	9,263,877	4,383,533	4,512,287	19,445,309	37,605,006
Total Assets	115,278,551	228,136,657	106,470,888	24,680,850	474,566,946
Liabilities					
Due to financial institutions	10,286,794	4,816,813	-	-	15,103,607
Subordinated sukuk	-	-	-	1,700,000	1,700,000
Deposits & other accounts	7,231,368	221,325,529	-	-	228,556,897
Net inter segment acceptances	93,412,434	-	96,690,499	-	190,102,933
Others	4,347,955	1,994,315	9,780,389	2,527,334	18,649,993
Total liabilities	115,278,551	228,136,657	106,470,888	4,227,334	454,113,430
Equity	-	-	-	20,453,516	20,453,516
Total Equity & liabilities	115,278,551	228,136,657	106,470,888	24,680,850	474,566,946
Contingencies & Commitments	(1,162,379)	-	21,567,678	6,246,779	26,652,078

	2018				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- Rupees in '000 -----				
Profit & Loss					
Profit / return earned	2,990,238	(2,904,158)	5,847,579	125,465	6,059,124
Inter segment revenue - net	(3,033,441)	9,071,018	(6,037,577)	-	-
Other income	580,793	290,726	323,234	129,505	1,324,258
Total Income	537,590	6,457,586	133,236	254,970	7,383,382
Segment direct expenses	318,069	4,005,136	314,569	2,235,051	6,872,825
Inter segment expense allocation	109,280	1,492,155	497,355	(2,098,790)	-
Total expenses	427,349	5,497,291	811,924	136,261	6,872,825
Provisions	76,051	6,992	(59,248)	(26,960)	(3,165)
Profit before tax	34,190	953,303	(619,440)	145,669	513,722

Balance Sheet	2018				Total
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	
----- Rupees in '000 -----					
Assets					
Cash & Bank balances	8,592,182	6,815,483	-	49,640	15,457,305
Investments	39,224,886	-	-	11,876	39,236,762
Net inter segment placements	-	157,982,889	-	-	157,982,889
Due from financial institutions	18,173,504	-	-	-	18,173,504
Islamic financing and related assets - performing	-	22,167,627	89,165,423	2,510,425	113,843,475
- non-performing	-	746,700	3,649,429	81,207	4,477,336
Others	2,307,249	3,134,863	4,427,538	15,775,236	25,644,886
Total Assets	68,297,821	190,847,562	97,242,390	18,428,384	374,816,157
Liabilities					
Borrowings	5,331,216	2,488,316	-	-	7,819,532
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	184,417,786	-	11,735	184,429,521
Net inter segment acceptances	62,310,365	-	95,672,524	-	157,982,889
Others	656,240	3,941,460	1,569,866	3,140,837	9,308,403
Total liabilities	68,297,821	190,847,562	97,242,390	3,152,572	359,540,345
Equity	-	-	-	15,275,812	15,275,812
Total Equity & liabilities	68,297,821	190,847,562	97,242,390	18,428,384	374,816,157
Contingencies & Commitments	2,704,990	-	10,416,069	10,013,710	23,134,769

45 TRUST ACTIVITIES

The Holding Company 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 assets are not assets of the Holding Company and, therefore, are not included in its balance sheet. Following is the list of assets held under trust:

Category	Type	No. of IPS account		Face Value	
		2019	2018	2019	2018
-----Rupees in '000-----					
Insurance Companies	Sukuks	3	2	529,500	479,500
Asset Management Companies	Sukuks	30	38	2,624,530	3,407,030
Employee Funds / NGO's	Sukuks	7	7	51,000	40,500
Individuals	Sukuks	2	7	144,470	154,470
Others	Sukuks	14	13	2,583,500	2,951,500
		56	67	5,933,000	7,033,000

Category	Type	No. of IPS account		Face Value	
		2019	2018	2019	2018
-----Rupees in '000-----					
Insurance Companies	Sukuk / Commercial Paper	4	-	235,000	-
Asset Management Companies	Sukuk / Commercial Paper	33	-	10,211,700	-
Employee Funds / NGO's	Sukuk / Commercial Paper	8	-	320,000	-
Individuals	Sukuk / Commercial Paper	4	-	49,300	-
Others	Sukuk / Commercial Paper	4	-	1,075,000	-
		53	-	11,891,000	-

46 RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, employee benefit plans and its directors and Key Management Personnel.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Rupees in '000								
Investments								
Opening balance	-	-	1,660,111	-	-	-	1,660,111	-
Investment made during the year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	1,660,111	-	-	-	1,660,111	-
Provision for diminution in value of investments	-	-	(1,032,169)	-	-	-	(1,032,169)	-
Islamic financing and related assets								
Opening balance	25,280	284,740	392,853	461,667	27,464	184,202	582,084	1,880,378
Addition during the year	-	67,350	887,767	2,871,793	-	258,618	675,000	3,196,861
Repaid during the year	(2,742)	(51,589)	(755,441)	(2,299,598)	(2,184)	(82,809)	(864,231)	(4,180,572)
Transfer in / (out) - net	-	(105,794)	-	160,000	-	4,494	-	(435,000)
Closing balance	22,538	194,707	525,179	1,193,862	25,280	364,505	392,853	461,667
Provision held against Islamic financing and related assets	-	-	-	-	-	-	-	-
Other Assets								
Profit receivable on financings	116	68	7,392	33,659	135	118	8,225	15,470
Subordinated debt								
Opening balance	-	-	-	-	-	-	-	-
Issued / Purchased during the year	-	10,000	-	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-	-	-	-
Closing balance	-	10,000	-	-	-	-	-	-
Deposits and other accounts								
Opening balance	3,696	46,092	80,269	1,232,106	2,458	32,016	25,849	902,081
Received during the year	224,391	271,707	3,265,405	8,151,896	34,119	579,006	2,738,230	8,232,318
Withdrawn during the year	(224,553)	(270,748)	(3,263,588)	(8,321,740)	(34,528)	(563,296)	(2,684,170)	(7,850,192)
Transfer in / (out) - net	-	(40,791)	-	-	1,647	(1,634)	360	(52,101)
Closing balance	3,534	6,260	82,086	1,062,262	3,696	46,092	80,269	1,232,106
Other Liabilities								
Profit / return payable	1	138	18	10,786	2	178	148	7,513
Contingencies and Commitments								
Other contingencies	-	-	49,406	50,957	-	-	19,760	91,572
Rupees in '000								
Income								
Profit / return earned	2,283	4,663	53,241	106,363	2,096	12,267	51,832	78,085
Advisory Fee	-	-	-	-	-	-	7,910	-
Other income	-	1,068	-	-	-	17	96	-
Expense								
Profit / return expensed	30	250	1,229	108,734	39	1,848	2,921	61,748
Other administrative expenses	6,936	4,577	92	1,679	3,079	3,232	239	-
Meeting Fee / Remuneration	8,025	162,495	-	-	6,900	213,757	-	-
Contribution to employees provident fund	-	-	-	92,035	-	-	-	87,831
Contribution to employees gratuity fund	-	-	-	110,919	-	-	-	88,717

47 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The State Bank of Pakistan vide its letter no BPRD/BA&CP/649/3634/2019 dated February 15, 2019 has advised the Holding Company to apply regulatory deductions with respect to the balance sheet amount of "Goodwill" and "Deferred Tax Assets" pertaining to Defunct KASB Bank in the year ending 31 December 2019, 31 December 2020, 31 December 2021 at the cumulative rate of 25%, 60% and 100% respectively. Accordingly, the amounts of goodwill and deferred tax asset pertaining to defunct KASB Bank Limited have been deducted at the rate of 25% from CET 1 capital as at 31 December 2019.

Further, SBP vide its letter no. BPRD/BA&CP/649/3760/20 dated February 24, 2020 has allowed the bank to consider funds received against Pre-IPO of ADT-1 sukuk as ADT-1 sukuk for the purpose of calculation of capital adequacy ratio. (Subject to conditions as disclosed in note 20 to these consolidated financial statements)

	2019	2018
	----- Rupees in '000 -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,007,991	10,000,079
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	14,090,734	12,564,839
Eligible Additional Tier 1 (ADT 1) Capital	1,706,990	5,735
Total Eligible Tier 1 Capital	15,797,724	12,570,574
Eligible Tier 2 Capital	4,453,551	4,342,930
Total Eligible Capital (Tier 1 + Tier 2)	20,251,275	16,913,504
Risk Weighted Assets (RWAs):		
Credit Risk	119,531,402	99,235,282
Market Risk	935,200	2,236,103
Operational Risk	15,621,900	11,255,363
Total	136,088,502	112,726,748
Common Equity Tier 1 Capital Adequacy ratio	10.35%	11.15%
Tier 1 Capital Adequacy Ratio	11.61%	11.15%
Total Capital Adequacy Ratio	14.88%	15.00%
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)	2.50%	1.90%
Total Capital plus CCB	12.50%	11.90%

The capital to risk weighted assets ratio is 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.

	2019	2018
	----- Rupees in '000 -----	
Leverage Ratio (LR)		
Eligible Tier-1 Capital	15,797,724	12,570,574
Total Exposures	313,347,566	231,884,144
Leverage Ratio	5.04%	5.42%
Liquidity Coverage Ratio (LCR)*		
Total High Quality Liquid Assets	52,694,993	42,125,500
Total Net Cash Outflow	33,979,271	21,949,912
Liquidity Coverage Ratio	162.60%	191.92%
Net Stable Funding Ratio (NSFR)*		
Total Available Stable Funding	230,215,305	187,439,582
Total Required Stable Funding	115,685,066	97,963,189
Net Stable Funding Ratio	199.00%	191.34%

* Holding Company's LCR and NSFR ratios have been presented.

- 47.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time has been placed on The Holding Company's website. The link to the full disclosures is available at www.bankislami.com.pk/investor-relations

48 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 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 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 Group'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 Group'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 Group's business and is not limited to one business line or the other. At Holding Company, 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.

48.1 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.

Particulars of Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

48.1.1 Placements with financial institutions

Credit risk by public / private sector

	Gross Due from Financial Institution		Non-performing Due from Financial Institution		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Public/ Government	-	-	-	-	-	-
Private	42,942,400	18,205,904	30,780	32,400	30,780	32,400
	<u>42,942,400</u>	<u>18,205,904</u>	<u>30,780</u>	<u>32,400</u>	<u>30,780</u>	<u>32,400</u>

48.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Chemical and Pharmaceuticals	499,423	499,423	499,423	499,423	499,423	499,423
Electronics and electrical appliances	55,000	55,000	55,000	55,000	-	-
Construction	32,800	36,738	32,800	36,738	32,800	36,738
Power (electricity), Gas, Water, Sanitary	37,870,925	9,078,277	-	-	-	-
Financial	717,571	717,571	25,571	25,571	25,571	25,571
Services	67,898	70,273	67,898	70,273	67,897	70,273
Others	10,527,086	26,778,332	221,250	266,619	-	45,369
	<u>49,770,703</u>	<u>37,235,614</u>	<u>901,942</u>	<u>953,624</u>	<u>625,691</u>	<u>677,374</u>

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Public/ Government	48,074,226	35,589,990	-	-	-	-
Private	1,696,476	1,645,624	901,941	953,624	625,691	677,374
	<u>49,770,702</u>	<u>37,235,614</u>	<u>901,941</u>	<u>953,624</u>	<u>625,691</u>	<u>677,374</u>

48.1.3 Islamic financing, related assets and advances - net

Credit risk by industry sector

	Gross Financing, related assets and advances		Non-performing Financing, related assets and advances		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Agriculture, Forestry, Hunting and Fishing	1,611,671	855,863	117,394	132,612	32,254	35,323
Mining and Quarrying	-	983	-	-	-	-
Textile	12,470,145	11,871,345	3,555,353	3,602,362	3,481,634	3,477,708
Chemical and Pharmaceuticals	1,531,234	2,855,252	787,386	788,132	786,979	713,175
Cement	2,799,427	1,328,298	665,170	540,000	457,585	540,000
Sugar	4,870,079	5,041,129	847,195	847,195	665,195	665,195
Footwear and Leather garments	1,142,161	5,078	2,459	2,459	2,459	2,459
Automobile and transportation equipment	966,193	332,005	101,872	100,359	100,737	100,359
Education	251,427	95,796	-	-	-	-
Electronics and electrical appliances	2,440,998	2,668,437	1,397,568	494	946,784	494
Construction	2,773,959	2,962,636	823,378	925,256	822,256	924,770
Power (electricity), Gas, Water, Sanitary	16,080,338	15,436,217	3,029	21,833	2,431	21,235
Wholesale and Retail Trade	4,373,493	4,510,763	1,883,832	518,615	1,725,941	518,615
Exports / Imports	263,704	244,458	39,586	47,644	25,205	8,059
Transport, Storage and Communication	399,248	728,768	141,828	345,110	141,828	345,110
Financial	465,140	1,539,874	240,400	254,323	240,189	240,189
Insurance	-	-	-	-	-	-
Services	20,590,508	19,451,355	96,744	155,420	89,245	71,016
Individuals	29,935,293	30,280,069	2,948,294	1,572,728	1,604,440	552,219
Food and beverages	24,057,779	15,201,404	430,442	2,744,956	305,370	183,001
Private Trust & NGO	-	3,789	-	-	-	-
Packing and Paper products	545,079	664,326	13,000	13,000	13,000	13,000
Others	16,997,782	13,250,099	1,292,794	2,790,936	1,283,448	2,521,024
	<u>144,565,658</u>	<u>129,327,944</u>	<u>15,387,724</u>	<u>15,403,434</u>	<u>12,726,980</u>	<u>10,932,951</u>

Credit risk by public / private sector

	Gross Financing, related assets and advances		Non-performing Financing, related assets and advances		Provision held	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
Public/ Government	44,274,327	32,756,879	-	-	-	-
Private	100,291,331	96,571,065	15,387,724	15,403,434	12,726,980	10,932,951
	<u>144,565,658</u>	<u>129,327,944</u>	<u>15,387,724</u>	<u>15,403,434</u>	<u>12,726,980</u>	<u>10,932,951</u>

48.1.4	Contingencies and Commitments	2019	2018
		----- Rupees in '000 -----	
Credit risk by industry sector			
	Agriculture, Forestry, Hunting and Fishing	71,395	52,555
	Mining and Quarrying	-	14,441
	Textile	3,364,681	361,084
	Chemical and Pharmaceuticals	134,464	58,545
	Cement	363,362	212,417
	Sugar	48,865	48,865
	Footwear and Leather garments	-	-
	Automobile and transportation equipment	2,101,069	1,123,364
	Education	56,319	54,621
	Electronics and electrical appliances	41,680	183,050
	Production and transmission of energy	1,034,583	1,384
	Construction	1,605,416	1,321,998
	Power (electricity), Gas, Water, Sanitary	1,170,114	388,138
	Wholesale and Retail Trade	6,769,630	2,045,169
	Exports / Imports	140,688	60,508
	Transport, Storage and Communication	337,043	384,611
	Financial	129,098	2,660,572
	Services	1,081,363	3,033,200
	Individuals	178,945	107,416
	Food and beverages	730,726	159,055
	Manufacturing	1,019,086	625,564
	Packing and Paper products	58,537	56,954
	Others	6,215,014	10,187,456
		<u>26,652,078</u>	<u>23,140,967</u>
Credit risk by public / private sector			
	Public/ Government	1,981,189	682,170
	Private	24,670,889	22,458,797
		<u>26,652,078</u>	<u>23,140,967</u>

48.1.5 Concentration of Financing

The Group's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 65,016.591 million (2018: Rs. 38,485.639 million) are as following:

	2019	2018
----- Rupees in '000 -----		
Funded	55,977,491	33,727,023
Non Funded	9,039,100	4,758,616
Total Exposure	<u>65,016,591</u>	<u>38,485,639</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 69,764 million (2018: Rs. 65,909 million)

48.1.5.1 Total funded classified therein

	2019		2018	
	Amount	Provision held	Amount	Provision held
----- Rupees in '000 -----				
OAEM	525,244	-	267,237	220
Substandard	695,454	76,698	3,079,994	87,997
Doubtful	1,904,229	821,090	523,501	112,035
Loss	12,262,797	11,829,192	11,532,702	10,732,699
Total	15,387,724	12,726,980	15,403,434	10,932,951

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

48.1.6 Financing - Province/Region-wise Disbursement & Utilization

Province/Region	Disbursements	2019					
		Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- Rupees in '000 -----							
Punjab	67,361,571	67,361,571	-	-	-	-	-
Sindh	108,854,204	-	108,854,204	-	-	-	-
KPK including FATA	277,833	-	-	277,833	-	-	-
Balochistan	165,764	-	-	-	165,764	-	-
Islamabad	6,044,526	-	-	-	-	6,044,526	-
AJK including Gilgit-Baltistan	14,808	-	-	-	-	-	14,808
Total	182,718,706	67,361,571	108,854,204	277,833	165,764	6,044,526	14,808

Province/Region	Disbursements	2018					
		Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- Rupees in '000 -----							
Punjab	58,795,634	58,795,634	-	-	-	-	-
Sindh	70,975,610	-	70,975,610	-	-	-	-
KPK including FATA	379,151	-	-	379,151	-	-	-
Balochistan	518,866	-	-	-	518,866	-	-
Islamabad	5,206,806	-	-	-	-	5,206,806	-
AJK including Gilgit-Baltistan	2,501	-	-	-	-	-	2,501
Total	135,878,568	58,795,634	70,975,610	379,151	518,866	5,206,806	2,501

48.2 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, VaR. 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.

48.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- Rupees in '000 -----						
Cash and balances with treasury banks	14,640,163	-	14,640,163	14,292,752	-	14,292,752
Balances with other banks	1,880,592	-	1,880,592	1,164,553	-	1,164,553
Due from financial institutions	42,911,620	-	42,911,620	18,173,504	-	18,173,504
Investments	55,806,907	-	55,806,907	39,236,762	144,537	39,381,299
Islamic financings, related assets & advances	131,619,725	-	131,619,725	118,320,811	-	118,320,811
Fixed assets	12,717,885	-	12,717,885	6,683,785	-	6,683,785
Intangible assets	3,148,805	-	3,148,805	3,173,692	-	3,173,692
Deferred tax assets	5,566,768	-	5,566,768	7,471,963	-	7,471,963
Other assets	14,656,497	-	14,656,497	8,315,446	-	8,315,446
Assets classified as held for sale	1,515,051	-	1,515,051	-	-	-
Total	284,464,013	-	284,464,013	216,833,268	144,537	216,977,805

48.2.2 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.

	2019				2018			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000							
Pakistan Rupee	277,226,117	256,807,187	1,162,379	21,581,309	214,497,449	196,389,283	(2,870,624)	15,237,542
United States Dollar	6,249,108	6,180,314	(1,192,765)	(1,123,971)	1,428,762	4,174,304	2,840,238	94,696
Great Britain Pound	386,007	411,042	-	(25,035)	481,183	473,797	-	7,386
Japanese Yen	7,347	44	-	7,303	16,135	10,603	-	5,532
Euro	512,759	594,308	30,386	(51,163)	326,163	489,947	30,386	(133,398)
UAE Dirham	8,894	7,548	-	1,346	17,928	11,059	-	6,869
Asian Currency Unit	34,107	-	-	34,107	36,255	-	-	36,255
Swiss Franc	1,217	-	-	1,217	3,682	-	-	3,682
Chinese Yuan	1,854	-	-	1,854	16,517	-	-	16,517
Australian Dollar	2,868	1,755	-	1,113	1,472	1,586	-	(114)
Saudi Riyal	33,329	3,848	-	29,481	4,325	19	-	4,306
Canadian Dollar	285	4,451	-	(4,166)	3,275	6,858	-	(3,583)
Turkish Lira	121	-	-	121	122	-	-	122
	284,464,013	264,010,497	-	20,453,516	216,833,268	201,557,456	-	15,275,812

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	11,278	-	383	-
- Other comprehensive income	-	-	-	-

48.2.3 Equity Position Risk

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.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	7,227
- Other comprehensive income	13,920	-	11,459	-

48.2.4 Yield / Profit Rate Risk

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.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
- Profit and loss account	107,917	-	60,591	-
- Other comprehensive income	-	-	-	-

48.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

On-balance sheet financial instruments	Effective Yield / Profit rate	2019										Non-interest bearing financial instruments	
		Total	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		
Rupees in '000													
Assets													
Cash and balances with treasury banks		14,640,163	-	-	-	-	-	-	-	-	-	-	14,640,163
Balances with other banks	6.24%	1,880,592	3,444	-	-	-	-	-	-	-	-	-	1,877,148
Due from financial institutions	12.10%	42,911,620	9,150,860	14,870,606	10,718,594	-	-	-	-	-	-	-	-
Investments	12.39%	55,806,907	1,328,081	35,368,095	7,288,267	-	10,305,836	-	-	-	-	-	1,516,628
Islamic financing and related assets and advances	11.59%	131,619,275	29,032,560	25,891,264	30,736,877	-	1,451,842	-	1,318,331	-	8,548,205	-	2,877,342
Other assets		14,411,803	-	-	-	-	-	-	-	-	-	-	14,411,803
		261,000,810	39,514,945	69,430,919	41,455,471	1,451,842	12,142,940	1,318,331	8,548,205	17,658,810	-	-	35,053,084
Liabilities													
Bills payable		3,645,324	-	-	-	-	-	-	-	-	-	-	3,645,324
Due to financial institutions	7.47%	15,103,607	7,259,813	1,195,000	1,000,000	-	-	-	-	-	3,086,794	-	-
Deposits and other accounts	5.42%	228,556,897	158,023,405	-	-	-	-	-	-	-	-	-	70,533,492
Subordinated sukuk	16.39%	1,700,000	1,700,000	-	-	-	-	-	-	-	-	-	-
Other liabilities		13,426,430	-	-	-	-	-	-	-	-	-	-	13,426,430
		262,432,258	165,283,218	1,195,000	1,000,000	-	-	-	-	-	3,086,794	-	87,052,246
		(1,451,448)	(125,766,273)	65,168,919	33,231,263	40,455,471	1,451,842	12,142,940	1,318,331	5,461,411	17,658,810	-	(52,552,162)
On-balance sheet gap													
		21,567,678	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments													
Documentary credits and short-term trade-related transactions													
Commitments in respect of:													
- forward foreign exchange contracts		(1,162,379)	(666,574)	1,460,560	-	-	-	-	-	-	-	-	-
Other commitments		3,842,294	-	-	-	-	-	-	-	-	-	-	-
		2,679,915	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap													
		(101,024,875)	65,212,554	34,691,823	40,455,471	1,451,842	12,142,940	1,318,331	5,461,411	17,658,810	-	-	(52,552,162)
Total Yield/Interest Risk Sensitivity Gap													
		(101,024,875)	(37,812,321)	(3,120,498)	37,334,973	38,786,815	50,929,755	52,248,086	57,709,497	75,368,307	22,816,145	-	-
2018													
Assets													
Cash and balances with Treasury Banks		14,292,752	-	-	-	-	-	-	-	-	-	-	14,292,752
Balances with other banks	2.17%	1,164,533	331,258	-	-	-	-	-	-	-	-	-	833,236
Due from financial institutions	5.74%	18,173,504	17,639,465	534,039	-	-	-	-	-	-	-	-	-
Investments	6.04%	39,236,762	1,082,273	26,513,617	9,126,799	-	-	-	-	-	-	-	2,514,073
Islamic financing and related assets and advances	6.70%	118,320,811	9,756,840	41,687,185	19,386,855	-	1,342,027	2,856,085	130,830	1,949,792	-	-	14,431,263
Other assets		7,036,507	-	-	-	-	-	-	-	-	-	-	7,036,507
		198,224,889	28,809,836	52,863,936	19,386,855	963,654	1,342,027	2,856,085	130,830	1,949,792	-	-	39,107,890
Liabilities													
Bills payable		3,242,180	-	-	-	-	-	-	-	-	-	-	3,242,180
Due to financial institutions	5.70%	7,819,532	2,568,000	1,788,675	-	-	-	-	-	2,822,857	-	-	-
Deposits and other accounts	2.88%	184,429,521	124,684,725	-	-	-	-	-	-	-	-	-	59,744,796
Other liabilities		5,408,547	-	-	-	-	-	-	-	-	-	-	5,408,547
		200,899,580	127,252,725	1,788,675	-	-	-	-	-	2,822,857	-	-	68,395,523
		(2,674,691)	(98,442,889)	52,223,936	49,025,309	19,386,855	1,342,027	2,856,085	(2,692,027)	1,949,792	-	-	(29,287,433)
On-balance sheet gap													
		10,416,069	10,416,069	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments													
Documentary credits and short-term trade-related transactions													
Commitments in respect of:													
- forward foreign exchange contracts		2,870,623	376,321	2,359,265	135,037	-	-	-	-	-	-	-	-
Other commitments		7,394,908	-	-	-	-	-	-	-	-	-	-	-
		20,681,600	18,187,298	2,359,265	135,037	-	-	-	-	-	-	-	-
		(80,255,591)	54,583,201	49,025,309	19,521,892	963,654	1,342,027	2,856,085	(2,692,027)	1,949,792	-	-	(29,287,433)
Total Yield/Interest Risk Sensitivity Gap													
		(80,255,591)	(25,672,390)	23,352,919	42,874,811	43,838,465	45,180,492	46,036,577	45,344,550	47,294,342	18,006,909	-	-

48.3 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.

48.3.1 Operational Risk-Disclosures Basel II Specific

The Group uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average annual gross income of the Group over the past three years with 15% as per guidelines issued by State Bank of Pakistan.

To reduce losses arising from operational risk, the Group has strengthened its risk management framework by developing strategies, policies, guidelines and manuals. It also includes risk and control self-assessment, key risk indicator, loss data management, improving efficiency and effectiveness of operations and improving quality of human resource through training and mitigation of operational risk.

48.4 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.

BankIslami Pakistan Limited'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 Group's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Group's activities and in the management of its assets. The Group maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customer's 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.

The Holding Company 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 the Holding Company 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, 2019, Holding Company's LCR stood at 165.66% against the SBP's minimum requirement of 100%.

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.

Governance of Liquidity risk management

Liquidity and related risks are managed through standardized processes established in the Holding Company. Board and senior management are apprised about liquidity profile of the Holding Company on periodic basis so as to ensure proactive liquidity management and to avoid abrupt shocks. The management of liquidity risk within the Holding Company 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 Holding Company's liquidity profile and associated activities. The Holding Company's treasury function has the primary responsibility for assessing, monitoring and managing the Holding Company'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 Holding Company 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.

Funding Strategy

The Holding Company's prime source of liquidity is the customer's deposit base. Within deposits, The Holding Company 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, The Holding Company 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 Holding Company follows centralized funding strategy so as to ensure achievement of its strategic and business objectives.

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, The Holding Company also prepares the maturity profile of assets and liabilities of the Group 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 Holding Company 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 placement 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 the Holding Company.

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 the Holding Company, 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 backed 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, the Holding Company relies on funds provided by depositors. However the Holding Company has been continuously improving upon its ratio of core deposits. Current and Saving accounts consist of 59.71% of total deposits, term deposits are 40.29% and borrowing from SBP and financial institutions is 6.60% of total deposits. Moreover the Holding Company does not rely on top few depositors to meet its funding requirements. This clearly shows that the funding sources for the Holding Company are well diversified.

Currency Mismatch in the LCR

Currency mismatch is minimal as FCY deposits are 3.14% of the Holding Company 's total deposits.

48.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2019										
Rupees in '000										
Total	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	Above 10 Years	
Assets										
Cash and balances with treasury banks	14,640,163	-	-	-	-	-	-	-	-	-
Balances with other banks	1,880,592	-	-	-	-	-	-	-	-	-
Due from financial institutions	42,911,620	8,171,560	14,870,605	10,718,595	-	-	-	-	-	-
Investments	55,806,907	1,131,457	-	-	102,535	10,353,948	220,000	42,757,714	1,241,253	
Islamic financing and related assets and advances	131,619,725	24,249,243	34,464,037	6,194,418	2,595,655	4,070,195	3,832,904	32,212,004	11,474,935	
Fixed assets	12,717,885	4,495	12,526,334	1,015,468	288,252	427,720	1,998,599	2,099,979	6,860,130	
Intangible assets	3,148,805	1,582	30,000	9,006	16,406	14,196	133,328	-	2,944,287	
Deferred tax assets	5,566,768	-	-	313,803	1,070,909	418,260	1,133,500	2,630,296	-	
Other assets	14,656,497	2,650,780	4,606,155	969,042	-	-	50,000	-	2,277,044	
Assets classified as held for sale	1,515,051	-	-	-	-	-	-	-	1,515,051	
Total	284,464,013	46,749,647	32,047,344	19,220,332	4,073,757	15,284,319	7,368,331	79,699,993	26,312,700	
Liabilities										
Bills payable	3,645,324	-	-	-	-	-	-	-	-	-
Due to financial institutions	15,103,607	7,259,813	1,195,000	1,000,000	-	-	-	-	-	-
Deposits and other accounts	228,556,897	160,882,294	10,800,952	20,577,737	11,581,652	4,163,810	1,041,213	3,086,794	-	-
Subordinated sukuk	1,700,000	-	-	-	-	-	-	56,847	1,700,000	
Liabilities classified as held for sale	989,683	-	-	-	-	-	-	-	989,683	
Other liabilities	14,014,986	2,793,103	4,433,931	676,837	3,751,674	206,861	1,453,081	-	-	
Total	264,010,497	174,580,534	16,429,883	22,254,574	15,333,326	4,370,671	2,494,294	3,143,641	2,689,683	
Net assets	20,453,516	(120,872,944)	24,035,756	(3,034,242)	(11,259,569)	10,913,648	4,874,037	-76,556,352	23,623,017	
Share capital- net	11,007,991	-	-	-	-	-	-	-	-	
Reserves	1,187,624	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets	3,436,341	-	-	-	-	-	-	-	-	
Unappropriated profit	4,626,773	-	-	-	-	-	-	-	-	
Non controlling interest	194,787	-	-	-	-	-	-	-	-	
Total	20,453,516	-	-	-	-	-	-	-	-	
2018										
Rupees in '000										
Total	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	Above 10 Years	
Assets										
Cash and balances with treasury banks	14,292,752	-	-	-	-	-	-	-	-	-
Balances with other banks	1,164,553	-	-	-	-	-	-	-	-	-
Due from financial institutions	18,173,504	534,039	-	-	-	-	-	-	-	-
Investments	39,236,762	26,513,617	-	-	-	74,340	-	9,818,442	1,255,627	
Islamic financing and related assets and advances	118,320,811	18,308,272	13,062,925	20,080,633	3,321,592	4,340,251	26,787,041	8,423,837	11,708,420	
Fixed assets	6,683,785	40,524	18,963	45,775	103,961	114,112	418,354	1,802,901	3,684,239	
Intangible assets	3,173,692	51,840	48	16,327	26,630	26,980	73,463	-	2,944,296	
Deferred tax assets	7,471,963	34,108	-	361,726	1,506,787	559,788	1,517,046	3,526,616	-	
Other assets	8,315,446	1,573,523	1,248,752	692,633	-	-	50,000	-	2,867,671	
Total	216,833,268	48,625,233	14,330,688	21,197,094	4,958,970	5,115,471	28,845,904	23,571,796	22,460,253	
Liabilities										
Bills payable	3,242,180	-	-	-	-	-	-	-	-	-
Due to financial institutions	7,819,532	2,568,000	1,788,675	-	-	-	-	2,822,857	-	-
Deposits and other accounts	184,429,521	140,593,274	9,324,277	15,569,946	21,25,461	2,377,820	2,543,421	274,962	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,066,223	2,097,819	1,073,118	81,363	85,063	216,665	2,053,039	3,097,819	-	-
Total	201,557,456	148,501,273	12,186,070	15,651,309	2,210,524	2,594,485	4,596,460	20,473,977	22,460,253	
Net assets	15,275,812	(99,876,040)	21,144,618	5,545,785	2,748,446	2,520,986	24,249,444	2,097,819	-	
Share capital- net	10,000,079	-	-	-	-	-	-	-	-	
Reserves	968,799	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets	1,875,495	-	-	-	-	-	-	-	-	
Unappropriated profit	2,236,825	-	-	-	-	-	-	-	-	
Non controlling interest	194,614	-	-	-	-	-	-	-	-	
Total	15,275,812	-	-	-	-	-	-	-	-	

48.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

		2019								
		Rupees in '000								
	Total	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	Above 10 Years
Assets										
Cash and balances with treasury banks	14,640,163	14,640,163	-	-	-	-	-	-	-	-
Balances with other banks	1,880,592	1,880,592	-	-	-	-	-	-	-	-
Due from financial institutions	42,911,620	9,150,860	8,171,560	14,870,605	10,718,595	-	-	-	-	-
Investments	55,806,907	1,131,457	-	-	-	102,535	10,353,948	220,000	42,757,714	1,241,253
Islamic financing and related assets and advances	131,619,725	24,249,243	34,464,037	12,526,334	6,194,418	2,595,655	4,070,195	3,832,904	32,212,004	11,474,935
Fixed assets	12,717,885	4,495	8,992	14,250	1,015,468	288,252	427,720	1,998,599	2,099,979	6,860,130
Intangible assets	3,148,805	-	1,582	30,000	9,006	16,406	14,196	133,328	-	2,944,287
Deferred tax assets	5,566,768	-	-	-	313,803	1,070,909	418,260	1,133,500	2,630,296	-
Other assets	14,656,497	2,650,780	4,103,476	4,606,155	969,042	-	-	50,000	-	2,277,044
Assets classified as held for sale	1,515,051	-	-	-	-	-	-	-	-	1,515,051
	284,464,013	53,707,590	46,749,647	32,047,344	19,220,332	4,073,757	15,284,319	7,368,331	79,699,993	26,312,700
Liabilities										
Bills payable	3,645,324	3,645,324	-	-	-	-	-	-	-	-
Due to financial institutions	15,103,607	7,259,813	2,562,000	1,195,000	1,000,000	-	-	-	3,086,794	-
Deposits and other accounts	228,556,897	31,578,354	26,029,783	15,878,335	24,523,162	19,607,382	16,134,962	20,768,320	39,511,057	34,525,542
Subordinated sukuk	1,700,000	-	-	-	-	-	-	-	-	1,700,000
Liabilities classified as held for sale	989,683	-	-	-	-	-	-	-	-	989,683
Other liabilities	14,014,986	2,793,103	699,499	4,433,931	676,837	3,751,674	206,861	1,453,081	-	-
	264,010,497	45,276,594	29,291,282	21,507,266	26,199,999	23,359,056	16,341,823	22,221,401	42,597,851	37,215,225
Net assets	20,453,516	8,430,996	17,458,365	10,540,078	(6,979,667)	(19,285,299)	(1,057,504)	(14,853,070)	37,102,142	(10,902,525)
Share capital- net	11,007,991									
Reserves	1,187,624									
Surplus on revaluation of assets	4,626,773									
Unappropriated profit	3,436,341									
Non controlling interest	194,787									
	20,453,516									

2018

Total	Rupees in '000									
	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	Above 10 Years	
Assets										
Cash and balances with treasury banks	14,292,752	-	-	-	-	-	-	-	-	-
Balances with other banks	1,164,553	-	-	-	-	-	-	-	-	-
Due from financial institutions	17,639,465	534,039	-	-	-	-	-	-	-	-
Investments	39,236,762	26,513,617	-	-	-	74,340	-	9,818,442	1,255,627	-
Islamic financing and related assets and advances	118,320,811	12,287,840	13,062,925	20,080,633	3,321,592	4,340,251	26,787,041	8,423,837	11,708,420	-
Fixed assets	6,683,785	40,524	18,963	45,775	103,961	114,112	418,354	1,802,901	3,684,239	-
Intangible assets	3,173,692	51,840	48	16,327	26,630	26,980	73,463	-	2,944,296	-
Deferred tax assets	7,471,963	-	-	361,726	1,506,787	559,788	1,517,046	3,526,616	-	-
Other assets	8,315,446	1,573,523	1,248,752	692,633	-	-	50,000	-	2,867,671	-
	216,833,268	48,625,233	14,330,688	21,197,094	4,958,970	5,115,471	28,845,904	23,571,796	22,460,253	-
Liabilities										
Bills payable	3,242,180	-	-	-	-	-	-	-	-	-
Due to financial institutions	7,819,532	640,000	1,788,675	-	-	-	-	2,822,857	-	-
Deposits and other accounts	184,429,521	18,006,817	14,236,761	19,384,796	9,748,380	13,815,589	21,604,109	38,402,439	32,802,513	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,066,223	2,097,819	1,073,118	81,363	85,063	216,665	2,053,039	-	-	-
	201,557,456	24,336,116	17,098,554	19,466,159	9,833,443	14,032,254	23,657,148	41,225,296	32,802,513	-
Net assets	15,275,812	24,289,117	(2,767,866)	1,730,935	(4,874,473)	(8,916,783)	5,188,756	(17,653,500)	(10,342,260)	-
Share capital- net	10,000,079									
Reserves	968,799									
Surplus on revaluation of assets	2,236,825									
Unappropriated profit	1,875,495									
Non controlling interest	194,614									
	15,275,812									

48.5 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 Holding Company follows a deliberate low-risk strategy. Within the general constraints of its niche market the Holding Company is aware of the need of reducing risk. The Holding Company has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

48.6 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 Holding Company 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.

48.7 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 Holding Company. 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.

48.8 Shariah compliant forward and future contracts

Shariah compliant forward and future contracts are recognized at fair value. In case of equity futures, the fair value is calculated with reference to quoted market price. Shariah compliant forward and future contracts with positive market values (i.e. unrealized gains) are included in other receivables and derivatives with negative market values (i.e. unrealized 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.

49 GENERAL

49.1 Captions, as prescribed by BPRD Circular No. 02 of 2018, dated: January 25, 2018 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.

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





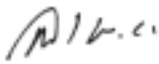
49.3 Corresponding figures

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:

Transfer from	Transfer to	Cost / Amortized cost	Provision for diminution	Carrying Value
(Rupees in '000)				
Statement of Financial Position:				
Investments - net	Investments - net			
Conventional	Islamic			
Available for sale securities	Available for sale securities			
Shares	Shares	141,867	(87,094)	54,773
Associates	Associates	1,240,378	-	1,240,378
Profit and Loss Account:				
Income from shariah compliant forward and future contracts	Foreign exchange income			47,393
Income from shariah compliant forward and future contracts	Gain on securities			91,280

50 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial information were authorised for issue on February 27, 2020 by the Board of Directors of the Holding Company.

				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2019

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year			Rupees in '000-			Profit written-off / waived	Other financial relief	Total (9+10+11)
				Principal	Profit	Others	Principal	Profit	Others			
1	2	3	4	5	6	7	8	9	10	11	12	
	Pakistan Telephone Cables, 18th Mile RCD Highway, 27/3/2, Mouza Bairruti Tehsil Hub, District Lasbella, Baluchistan	Raza Abdul Aziz AIRaee 682586-386801-1 Ajiaz Abdul Aziz AIRaee 682586-762443-1 Riyadh Abdul Aziz AIRaee 682586-864624-1 Rabia Barkat Ali 682586-558747-2 Asma Hafeez AIRaee 682586-364505-2 Sumiah Saeed-ur-Rehman 682586-471235-2 Muhammad Kashif 42201-6870144-1	Haji Abdul Aziz AIRaee Haji Abdul Aziz AIRaee Haji Abdul Aziz AIRaee Raza Abdul Aziz AIRaee Ajiaz Abdul Aziz AIRaee Riyadh Abdul Aziz AIRaee Barkat Ali	75,998	13,227	-	89,225	-	13,227	-	13,227	
	Agro Oil Extraction Industries 2/Plot No. 308, Main National Highway Peperi, Bin Qasim, Karachi	Raza Abdul Aziz AIRaee 682586-386801-1 Ajiaz Abdul Aziz AIRaee 682586-762443-1 Riyadh Abdul Aziz AIRaee 682586-864624-1 Abdullah Raza AIRaee 682586-005705-3 Rabia Barkat Ali 682586-558747-2 Asma Hafeez AIRaee 682586-364505-2 Sumiah Saeed-ur-Rehman 682586-471235-2	Haji Abdul Aziz AIRaee Haji Abdul Aziz AIRaee Haji Abdul Aziz AIRaee Raza Abdul Aziz AIRaee Ajiaz Abdul Aziz AIRaee Riyadh Abdul Aziz AIRaee	203,471	108,705	-	312,176	119,339	108,705	-	228,044	
	Pervaiz Iqbal 3/Chak No. 93/12-L, Tehsil Cheecha Watni, Districts Sahiwal	Pervaiz Iqbal 36501-7188530-9	Muhammad Siddique	1,340	770	-	2,109	-	770	-	770	
	Still Vision Film Movie Maker 4/83/3, 9 Commercial Street, Phase-IV, DHA, Karachi	Faisal Rasheed 42201-0572004-1	Abdul Rasheed	36	3	-	39	-	3	-	3	
	Dandot Cement 3-A/3, Gulberg III, Lahore	Muhammad Rasheed 36302-0479679-5 Mansoor Rasheed 36302-3805509-9 Saud Rasheed 36302-0319483-5 Mrs. Tanveer Rasheed 36302-9179515-6, Rizwana Rasheed 36302-6826545-6, Aminna Saud 35201-7476246-6	Mir M Amin Muhammad Rasheed Muhammad Rasheed W/o. Muhammad Rasheed Muhammad Rasheed W/o. Saud Rasheed	290,000	45,904	-	335,904	-	45,904	-	45,904	
	Mansoor Rasheed 6/50-Sher Shah Block, New Garden Town, Lahore	Mansoor Rasheed 36302-3805509-9	Muhammad Rasheed	148,616	27,925	-	176,541	-	27,925	-	27,925	
	Ibrahim Enterprises 1063/J.D. Street No. 5, Qadeerabad, Multan	Malik Ilyas Ahmad 36302-0348562-7	Ibrahim Ahmad Khalil	1,176	191	-	1,367	-	191	-	191	
	Eagle Motor Pump 8 Nagri Ahmed Shah, P.O. Aroop, 5-KM, Siakhor Road, Gujranwala	Kashif Hussain 34603-5837475-5	Hussain Akbar	494	540	-	1,034	-	540	-	540	
	Eagle PVC Pipe 9 Nagri Ahmed Shah, Post Office Aroop, Daaka Road, Gujranwala	Iftekhar Ahmed 34603-2346768-9	Muhammad Ramzan	3,703	1,648	-	5,351	-	1,648	-	1,648	
	Shoab Silk Factory 10/First Floor, Iftekhar Chambers, Alaf Hussain Road, New Challi, Karachi	Tahir Shafiq 42301-5028980-9	Muhammad Shafiq	9,780	783	-	10,563	-	783	-	783	
	Al-Ashar Melamine 11 Noushera Road, Near Awan Chowk, Gujranwala	Muhammad Imran 34101-2629301-3	Muhammad Shafi	1,994	856	-	2,850	-	856	-	856	
	M.A. Enterprises 12 Shop No. 04, Iqra Terrace, J/11/1/16/2, Near Khatri Masjid, Mithadar, Karachi	Muhammad Alif 42301-0892687-5	Muhammad Hashim	516	277	-	793	-	266	-	266	
	Hi-Tech Trade Link (1), Shop No. A/9, Al-Yousuf Manzil, Aram 13 Bagh, Karachi	Danish Karim 42301-0888129-9	Abdul Karim	13,365	3,986	-	17,352	-	3,986	-	3,986	
	G.F. Business Office No. 204, Al-Asar Centre, Block-13-B, Gulshan-e-Iqbal, Main University Road, Karachi	Syed Farrukh Hussain 42101-1608051-7	Syed Mazhar Hussain	936	247	-	1,183	-	247	-	247	
	SUN MAN International 60-E, E-Market, Block-6, FECHS, Karachi	Farooq Ali Khan 514-90-139088	Asif Ali Khan	44	13	-	57	-	13	-	13	

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year						Principal written-off	Profit written-off / waived	Other financial relief	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)	8	9				
1	2	3	4	5	6	7	8	9	10	11	12		
34	Sher Afzal Hussain House # 232, Street-5, Mustafa Colony, Gopal Nagar, Gulberg-III, Lahore.	Sher Afzal Hussain 35202-2863119-3	Miraj Din (Late)	28	4	-	32	-	4	-	4		
35	Muhammad Sufyan House # 24-A, Street # 7, Khadija Street Mohallah Clifton Colony, Wahdat Road, Lahore.	Muhammad Sufyan 35202-8619745-9	Faizan Ahmed	177	435	-	612	-	435	-	435	435	
36	Mian Khurshid Ahmed Shahid House # 2/12, Street-23-A, Bashir-Street, Band Road, Lahore.	Mian Khurshid Ahmed Shahid 35200-1419523-5	Mian Ghulam Muhammad	11	626	-	637	-	626	-	626	626	
37	Muhammad Iftikhar Village Bhatay, Post Office, Batapur, Cantt., Lahore.	Muhammad Iftikhar 35201-3496677-1	Muhammad Rafique	31	50	-	81	-	50	-	50	50	
38	Syed Muhammad Irfan Ullah House # A-30, Pehlwan Goth, Block-9, Gulistan-e-Johar, Karachi.	Syed Muhammad Irfan Ullah 42201-0613603-3	Syed Khalid Khan	59	9	-	68	-	9	-	9	9	
39	Syed Tanveer Ali Shah House # 297/A, Mohallah Peoples Colony # 1, Faisalabad.	Syed Tanveer Ali Shah 33100-2357632-9	Syed Hamid Ali Shah	21	11	-	32	-	11	-	11	11	
40	Ghulam Muqtedir House # 178, EMECHS, Mullan Road, Lahore.	Ghulam Muqtedir 35202-5532133-5	Syed Iqtidar Ali Shah	37560	39,906	-	77,466	-	39,906	-	39,906	39,906	
41	Muhammad Bilal House # 72-B, Street # 134, Mohallah Shah Deen Scheme, Achara, Lahore.	Muhammad Bilal 35202-6484057-3	Sheikh Khalid Amin	499	1,226	-	1,725	-	1,226	-	1,226	1,226	
42	Muhammad Saleem House # 492-A, Block Taipura scheme, Lahore.	Muhammad Saleem 35201-5001454-7	Muhammad Sharif	25	17	-	42	-	17	-	17	17	
43	Rahim Nuroze Ali Lakhani Flat# 203, 2nd Floor, Ali Tower, Block # 7, F.B. Area, Karachi.	Rahim Nuroze Ali Lakhani 42101-1783922-1	Nuroze Ali Lakhani	69	9	-	78	-	9	-	9	9	
44	Ibraz Waheed House # 44, Block-G, Yakk Gate, Lahore.	Ibraz Waheed 35202-6336398-5	Abdul Waheed	46	55	-	101	-	55	-	55	55	
45	Muhammad Nadeem House # 426, Mohallah Block-15, Sector B-1, Township, Lahore.	Muhammad Nadeem 35202-2458970-9	Bashir Uddin	2	18	-	20	-	18	-	18	18	
46	Basit Karim House # 23/12-N, Alpine Street, Mohallah Extension, Cavalry Ground, Lahore.	Basit Karim 35201-4815755-5	Shahjahan Karim	31	96	-	127	-	96	-	96	96	
47	Mohsin Raza Khan Plot No. 82/1, 2nd Street, Phase-VI, DHA, Karachi.	Mohsin Raza Khan 42301-1093002-5	Hasan Raza Khan	-	32	-	32	-	32	-	32	32	
TOTAL:				793,611	253,198	-	1,046,809	119,339	252,837	-	372,176		

* Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.

Annexure - II

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 -----						
Vehicle	5,178	5,178	-	4,300	4,300	Tender	Yaseen Motors
Building	56,916	5,387	51,529	88,606	37,077	Tender	Danish Elahi
Computer Hardware	950	950	-	3	3	Tender	Kashif Scrap
Computer Hardware	107	107	-	5	5	Bank Policy	Syed Mubashir Hasan (Staff)
Computer Hardware	107	107	-	5	5	Bank Policy	Syed Arbab Wadood (Staff)
Computer Hardware	125	125	-	5	5	Bank Policy	Haroon Khan (Staff)
Computer Hardware	119	111	8	19	12	Bank Policy	Bilal Bin (Staff)
Computer Hardware	119	40	79	5	(74)	Bank Policy	Mehmood Rashid (Staff)
Computer Hardware	109	109	-	5	5	Bank Policy	Waqas Shamsi (Staff)
Computer Hardware	124	123	-	5	5	Bank Policy	Saad Madani (Staff)
Total	63,854	12,237	51,616	92,958	41,343		

Pattern of Shareholdings

No. of Shareholders	Shareholdings' Slab		Total Shares Held
	From	To	
640	1	100	14,084
14529	101	500	6,911,042
3116	501	1000	2,345,215
1693	1001	5000	3,279,723
202	5001	10000	1,563,464
71	10001	15000	914,407
55	15001	20000	1,025,037
45	20001	25000	1,061,477
20	25001	30000	572,282
22	30001	35000	723,968
16	35001	40000	618,247
12	40001	45000	514,844
24	45001	50000	1,191,900
9	50001	55000	470,373
4	55001	60000	238,500
4	60001	65000	250,139
5	65001	70000	342,981
7	70001	75000	522,000
4	75001	80000	312,500
6	80001	85000	491,650
5	85001	90000	436,550
3	90001	95000	279,400
18	95001	100000	1,796,614
1	100001	105000	101,983
5	105001	110000	536,202
5	110001	115000	566,500
3	115001	120000	358,286
2	120001	125000	248,000
1	125001	130000	129,000
1	130001	135000	130,829
2	140001	145000	283,000
2	145001	150000	300,000
2	150001	155000	303,298
1	155001	160000	159,392
3	160001	165000	491,000
1	170001	175000	170,001
1	185001	190000	185,937
1	190001	195000	192,500
7	195001	200000	1,395,050
1	200001	205000	203,000
2	220001	225000	446,500

No. of Shareholders	Shareholdings' Slab		Total Shares Held
	From	To	
2	225001	230000	459,053
1	230001	235000	232,500
2	235001	240000	480,000
1	255001	260000	259,900
1	260001	265000	262,000
2	265001	270000	536,000
5	295001	300000	1,500,000
3	305001	310000	930,000
3	325001	330000	984,500
1	370001	375000	372,000
1	395001	400000	400,000
1	400001	405000	404,000
1	440001	445000	445,000
2	445001	450000	898,000
1	465001	470000	466,650
3	475001	480000	1,433,775
1	485001	490000	486,500
6	495001	500000	3,000,000
2	530001	535000	1,067,400
1	540001	545000	543,169
1	595001	600000	600,000
1	605001	610000	607,000
2	615001	620000	1,240,000
1	630001	635000	630,001
1	660001	665000	662,500
1	695001	700000	700,000
1	700001	705000	700,500
1	790001	795000	794,100
1	875001	880000	875,962
2	920001	925000	1,849,500
1	930001	935000	930,177
2	950001	955000	1,901,088
1	970001	975000	973,000
1	985001	990000	990,000
1	1000001	1005000	1,003,350
2	1095001	1100000	2,200,000
1	1110001	1115000	1,114,500
1	1175001	1180000	1,176,000
1	1195001	1200000	1,200,000
1	1430001	1435000	1,433,000
1	1475001	1480000	1,479,000
1	1495001	1500000	1,500,000
1	1540001	1545000	1,543,000
1	1765001	1770000	1,768,300
1	1900001	1905000	1,901,088

No. of Shareholders	Shareholdings' Slab		Total Shares Held
	From	To	
1	2300001	2305000	2,302,500
1	2495001	2500000	2,500,000
1	3220001	3225000	3,221,600
1	3240001	3245000	3,243,281
1	3340001	3345000	3,342,500
1	3855001	3860000	3,859,500
1	5565001	5570000	5,566,100
1	5700001	5705000	5,702,050
1	6195001	6200000	6,196,850
1	6600001	6605000	6,603,975
1	7045001	7050000	7,045,200
1	7695001	7700000	7,700,000
1	7915001	7920000	7,915,500
1	8065001	8070000	8,066,173
1	8360001	8365000	8,364,250
1	9565001	9570000	9,568,500
1	12250001	12255000	12,250,976
1	14940001	14945000	14,943,205
1	15700001	15705000	15,703,637
1	18380001	18385000	18,380,127
1	18785001	18790000	18,786,781
1	19800001	19805000	19,804,726
1	32505001	32510000	32,508,000
1	50290001	50295000	50,293,194
2	99020001	99025000	198,047,276
1	144200001	144205000	144,200,144
1	179890001	179895000	179,893,560
1	235680001	235685000	235,684,306
20649			1,108,703,299

Category Wise List of Shareholders

AS AT DECEMBER 31, 2019

Categories of Shareholders	Share holders	Shares Held	Percentage
Associated Companies, undertakings and related parties			
JAHANGIR SIDDIQUI & CO.LTD.	1	235,684,306	21.26
Dubai Bank PJSC	1	144,200,144	13.01
Shabir Ahmed Randeree	1	99,023,638	8.93
Ahmed G. M. Randeree	1	99,023,638	8.93
SAJ CAPITAL MANAGEMENT LTD	1	50,293,194	4.54
AMNA INDUSTRIES (PVT.) LIMITED	1	9,568,500	0.86
ALPHA BETA FINANCE LIMITED	1	19,804,726	1.79
SUB TOTAL:		657,598,146	59.31
Mutual Funds			
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	8,364,250	0.75
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	8,066,173	0.73
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	7,915,500	0.71
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	3,859,500	0.35
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	3,221,600	0.29
MCBFSL - TRUSTEE AKD ISLAMIC STOCK FUND	1	1,768,300	0.16
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	1,003,350	0.09
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	924,500	0.08
CDC - TRUSTEE MEEZAN BALANCED FUND	1	875,962	0.08
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	1	794,100	0.07
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	500,000	0.05
CDC - TRUSTEE APF-EQUITY SUB FUND	1	479,600	0.04
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	300,000	0.03
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	1	35,000	0.00
SUB TOTAL:		38,107,835	3.44
Directors and their spouse(s) and minor children			
ALI HUSSAIN	1	179,893,560	16.23
NOMAN YAKOOB	1	18,380,127	1.66
SIRAJ AHMED DADABHOY	1	5,500	0.00
FAWAD ANWAR	1	1,925	0.00
ALI MOHAMAD HUSSAIN ALI MOHAMAD ALSHAMALI	1	550	0.00
AMJAD WAHEED	1	550	0.00
SUB TOTAL:		198,282,212	17.88

Categories of Shareholders	Share holders	Shares Held	Percentage
Executives Assim Salim	1	92,400	0.01
Public Sector Companies and Corporations	1	190	0.00
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	12	10,129,339	0.91
General Public			
a. Local	20,523	176,546,844	15.92
b. Foreign	11	2,627,775	0.24
Foreign Companies	3	5,721,177	0.52
Others	71	19,597,381	1.77
TOTAL:	20,649	1,108,703,299	100

Share holders holding 5% or more	Shares Held	Percentage
JAHANGIR SIDDIQUI & CO.LTD.	235,684,306	21.26
ALI HUSSAIN	179,893,560	16.23
Dubai Bank PJSC	144,200,144	13.01
Shabir Ahmed Randeree	99,023,638	8.93
Ahmed G. M. Randeree	99,023,638	8.93

Notice Of Annual General Meeting

Notice is hereby given that the 16th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Wednesday, March, 25, 2020 at 10:30 am at Zaver Hall, Pearl Continental Karachi, Club Road, Karachi, to transact the following business:

ORDINARY BUSINESS

- 1- To confirm minutes of the 15th Annual General Meeting of the Bank held on March 27, 2019 and Extraordinary General Meeting of the Bank held on October 24, 2019.
- 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, 2019 together with the Auditors' and Directors' Reports and Chairman's Review thereon.
- 3- To appoint Auditors of the Bank for the year ending December 31, 2020 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 Policy for the Board of Directors & Members of the Board Committees as required under BPRD Circular No. 03 of 2019 dated August 17, 2019.

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 along with the Notice.

ANY OTHER BUSINESS

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

By order of the Board



Company Secretary

Dated: March 04, 2020

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

This statement set out the material facts concerning the resolution contained in the Notice pertains to the special business to be transacted at the Annual General Meeting of the Bank to be held on March 25, 2020.

Agenda Item No. 4:

To approve Remuneration Policy for the Board of Directors' & Members of the Board Committees as required by SBP in BPRD Circular No. 03 of 2019 dated August 17, 2019.

The Board of Directors in their meeting held on February 27, 2020 reviewed State Bank of Pakistan requirements with respect to payment of remuneration to the board members of the Bank and has approved revised Policy on remuneration to the Chairman, Independent Directors and Non-Executive Directors for attending meetings of the board of directors and meetings of the committees of the Board. The Board has approved attached Remuneration Policy for the Board of Directors' & Members of the Board Committees:

"RESOLVED that Remuneration Policy for the Board of Directors' & Members of the Board Committees as required by SBP be and is hereby approved without change as recommended by Board Remuneration Committee and approved by the Board."

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

Notes:

- 1 The Members' Register will remain closed from March 19, 2020 to March 25, 2020 (both days inclusive).
- 2 A member eligible to attend and vote at this meeting may appoint proxy to attend and vote in the meeting.
3. Proxies in order to be effective must be received at the registered office of the Bank not less than 48 hours before the time of the meeting.
4. Central Depository Company of Pakistan ("CDC") Account holders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

For Attending the Meeting:

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

For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/ her original CNIC or passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.
5. Members are requested to promptly notify CDC Share Registrar Services Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 of any change in their address.
 6. The Bank as 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, 2019 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 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. 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

7- فزیکل شیئر ہولڈنگ کے حامل شیئر ہولڈرز اپنے فزیکل شیئرز کو اسٹریپ لیس شکل میں رکھنے کے لئے CDC کے ساتھ براہ راست کسی بروکرز یا انویسٹرز اکاؤنٹس کے ساتھ CDC ذیلی اکاؤنٹ سے کھول سکتا ہے، یہ نہیں بشمول، جس وقت وہ چاہیں، شیئر کی فروخت کی محفوظ تحویل میں کئی طریقوں سے سہولت دے گا، جیسا کہ اسٹاک ایکسچینج کے موجودہ قواعد کے مطابق فزیکل شیئرز کی تجارت کی اجازت نہیں ہے۔ مزید کمپینز ایکٹ 2017 کا سیکشن 72 بیان کرتا ہے کہ ایکٹ کے آغاز کے بعد، SECP کی جانب سے ایک نوٹیفائنڈ تاریخ پر، شیئر کمپیوٹل کی حامل ایک کمپنی، صرف بک انٹری فارم میں شیئر رکھے گی۔ ہر موجودہ کمپنی سے اسکے فزیکل شیئرز، صراحت کردہ ترتیب کے مطابق اور SECP کی جانب سے نوٹیفائنڈ تاریخ میں ایکٹ کے آغاز سے اندرون چار سال کی میعاد سے قبل بک انٹری فارم میں تبدیل کرنا درکار ہوگا۔

8- کمپینز ایکٹ 2017 کا سیکشن 242 مطالبہ کرتا ہے کہ، سٹاک کمپنیز، نقد منافع منقسمہ شیئر ہولڈرز کی جانب سے متعین کردہ بینک اکاؤنٹ میں صرف بذریعہ الیکٹرانک موڈ براہ راست ادا کریں گی۔ SECP اسکے نوٹیفیکیشن 2017(1)SRO1145 کے تحت کمپنیز (منافع منقسمہ کی تقسیم) قواعد 2017، جاری کر چکا ہے، جس کے تحت ہر شیئر ہولڈر، کسی واجب الادا منافع منقسمہ کی نقد میں تقسیم، اہل شیئر ہولڈرز کی جانب سے متعین کردہ بینک اکاؤنٹ میں بذریعہ الیکٹرانک موڈ براہ راست ادا کرنے کے لئے اپنے متعین کردہ بینک اکاؤنٹ کی متعلقہ معلومات فراہم کرے گا۔ اس ضمن میں، نقد منافع منقسمہ کی الیکٹرونک وصولی کے لئے شیئر ہولڈرز کی جانب سے متعین کردہ انٹرنیشنل بینک اکاؤنٹس نمبر (IBAN) کی فراہمی کی درخواست کرتی ہوئی اخباری اشاعتوں کی ہمراہ انفرادی طور پر شیئر ہولڈرز کے نام اپنے خطوط کے ذریعے پہلے ہی گفت و شنید کر چکا ہے۔ لہذا، شیئر ہولڈرز سے بینک کی ویب سائٹ www.bankislami.com.pk پر دستیاب بینک کے خط کے درکار شعبوں کو پر کرنے اور انہیں شیئر رجسٹرار اور بینک کے ٹرانسفر ایجنٹ کو بھیجنے کی درخواست ہے۔ شیئرز کے بک انٹری سیکورٹیز کے حامل ہونے کی صورت میں، مذکورہ اطلاع کا، سنٹرل ڈیپازٹری سسٹم (CDS) کو بذریعہ CDS شریکاء فراہم کرنا درکار ہوگا۔ (برائے مہربانی اگر مذکورہ معلومات پہلے ہی فراہم کی جا چکی ہیں تو نظر انداز کر دیں)

9- ویڈیو کانفرنس سہولت پر رضامندی

سالانہ اجلاس عام کے لئے، درج ذیل شرائط کے تحت، ممبران لاہور اور اسلام آباد میں ویڈیو کانفرنس کی سہولت کا فائدہ اٹھا سکتے ہیں۔ اگر بینک کو، اجلاس کی تاریخ سے کم از کم دس ایام قبل بذریعہ ویڈیو کانفرنس اجلاس میں شرکت کے لئے، جغرافیائی محل و وقوع میں رہائش پذیر مجموعی طور پر 10% یا اس سے زائد شیئر ہولڈنگ کے حامل ممبران کی رضامندی موصول ہوتی ہے، بینک اس شہر میں ایسی سہولت کی دستیابی سے مشروط ویڈیو کانفرنس سہولت کا انتظام کرے گا۔

کمپنی، انہیں ایسی سہولت تک رسائی کے قابل بنانے کی ضروری مکمل معلومات کے ساتھ اجلاس عام کی تاریخ سے کم از کم 5 ایام قبل ویڈیو کانفرنس سہولت کے مقام کے ضمن میں ممبران کو مطلع کرے گی۔

اس ضمن میں، لاہور اور اسلام آباد میں ویڈیو کانفرنس سہولت کے ذریعے شرکت کرنے کے خواہشمند ممبران کو، باقاعدہ دستخط شدہ درخواست، درج ذیل فارمیٹ کے مطابق بینک کے رجسٹرڈ پتے پر اجلاس عام کی تاریخ سے کم از کم 10 ایام قبل بھیجنا ہوگی۔

میں/ہم ----- بابت ----- بینک اسلامی پاکستان لمیٹڈ کا ممبر ہونے کے ناطے، رجسٹرڈ فولیو نمبر ----- کے مطابق -----
آرڈری شیئرز کا حامل، بذریعہ ہذا ----- ویڈیو کانفرنس سہولت کا انتخاب کرتا ہوں۔

ارکان کے دستخط

نوٹس:

- 1- ممبران کا رجسٹر 19 مارچ 2020 تا 25 مارچ 2020 (بشمول دونوں ایام) بند رہے گا۔
- 2- اجلاس ہذا میں شرکت کرنے اور ووٹ دینے کے لئے اہل ایک ممبر، اجلاس میں شرکت کرنے اور ووٹ دینے کے لئے پراکسی کا تقرر کر سکتا ہے۔
- 3- موثر ثابت ہونے کے لئے پراکسیز اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل بینک کے رجسٹرڈ پتہ پر موصول ہونا ضروری ہے۔
- 4- سنٹرل ڈیپازٹری کمیٹی آف پاکستان ("CDC") کا وٹنس کے حاملین کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ سرکلر نمبر 01 مورخہ 26 جنوری، 2000 کی مقرر کردہ مندرجہ ذیل ہدایات پر عمل کرنا ہوگا۔

اجلاس میں شرکت کے لئے:

- (i) ایسافر، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر/یا ایسے کسی شخص کو جس کی سیکورٹیز گروپ اکاؤنٹ کی شکل میں ہوں اور ان کی رجسٹریشن کی تفصیلات سی ڈی سی کے ضوابط کے مطابق جمع کروائی گئی ہوں، اجلاس میں شرکت کے موقع پر اپنی شناخت کی تصدیق کے لئے اصل موثر کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ دکھانا ہوگا۔
- (ii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی (اگر پہلے سے فراہم نہ کئے گئے ہوں تو) جس کے ساتھ نامزد کردہ کے دستخط کے نمونے بھی منسلک ہوں، فراہم کرنا ہوں گے۔

پراکسیز کی تقرری کے لئے:

- (i) ایسافر، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر/یا ایسے کسی شخص کو جس کی سیکورٹیز گروپ اکاؤنٹ کی شکل میں ہوں اور ان کی رجسٹریشن کی تفصیلات، سی ڈی سی کے ضوابط کے مطابق جمع کروائی گئی ہوں، اجلاس میں شرکت کے لئے درج بالا تقاضوں کے مطابق پراکسی فارم جمع کروانا ہوگا۔
- (ii) پراکسی فارم پر کم از کم دو گواہوں کے دستخط بمعنا م، پتہ اور موثر کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ثبت ہونا چاہئے۔
- (iii) پراکسی فارم کے ساتھ اصل قرارداد اور پراکسی کے موثر کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول کو بھی منسلک ہونا چاہئے۔
- (iv) اجلاس کے وقت پراکسی کو اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (v) کارپوریٹ ادارے کی صورت میں، کمپنی کے پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ (اگر پہلے سے فراہم نہ کئے گئے ہوں تو) کے نمونے بھی منسلک ہونا چاہئے۔

5- ممبران سے درخواست ہے کہ وہ اپنے رجسٹرڈ پتہ میں تبدیلی کی صورت میں بینک کے شیئر رجسٹرار CDC، شیئر رجسٹرار سرورسز لمیٹڈ، CDC ہاؤس، 99-B بلاک S.M.C.H.S.B، مین شاہراہ فیصل، کراچی-74400 کو فوری طور پر مطلع کریں۔

6- جیسا کہ SECP نوٹیفیکیشن نمبر 1/2016 (1) SRO 470 مورخہ 31 مئی 2016 کی جانب سے اجازت یافتہ ہے، بینک، مذکورہ سالانہ اکاؤنٹس کی ہارڈ کاپیز میں ترسیل کی بجائے شیئر ہولڈرز کو انکے درج شدہ پتوں پر بذریعہ الیکٹرانک میڈیم یعنی DVD/CD 31 دسمبر، 2019 کو ختم ہونے والے سال کے لئے سالانہ آڈٹ شدہ فنانشل اسٹیٹمنٹس بھیج چکا ہے۔ لہذا ایک شیئر ہولڈر بینک کے رجسٹرڈ دفتر واقع بمقام گیارھویں منزل، ایگزیکٹو ٹاورز، ڈولمن سٹی میں، کمپنی سیکریٹری سے DVD/CD کی بجائے سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپیز کی فراہمی کے لئے درخواست کر سکتا ہے اور یہ مطالبے کے ایک ہفتے کے اندر، انکے رجسٹرڈ پتوں پر مفت فراہمی کی جائیگی۔ اس ضمن میں شیئر ہولڈرز کے لئے DVD/CD کی بجائے سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپیز کی ترسیل کے لئے ایک "اسٹیٹمنٹ درخواست فارم" ویب سائٹ پر رکھا گیا ہے۔ ایک شیئر ہولڈر مستقبل کے تمام آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپیز کی وصولی کو بھی ترجیح دے سکتا ہے۔

کمپنیز ایکٹ 2017 کے سیکشن (3) 134 کے تحت بیان

یہ بیان، بینک کے 25 مارچ 2020 کو منعقد ہونے والے سالانہ اجلاس عام میں انجام دئے جانے والے خصوصی کاروبار سے متعلق نوٹس میں موجود قرارداد کے متعلق مادی حقائق کو طے کرتا ہے۔

ایجنڈا آئٹم نمبر 4: جیسا کہ BPRD سرکلر نمبر 03 بابت 2019 منور نمبر 17 اگست 2019 کے مطابق، بورڈ آف ڈائریکٹرز اور بورڈ کمیٹی کے ممبران کے لئے معاوضہ پالیسی کی منظوری دینا۔

بورڈ آف ڈائریکٹرز نے 27 فروری 2020 کو اپنے اجلاس میں بینک کے بورڈ ممبرز کے معاوضیہ ادا کیگی کے لحاظ سے اسٹیٹ بینک آف پاکستان کی شرائط پر غور کیا اور بورڈ آف ڈائریکٹرز نے اپنے اجلاس میں بورڈ اور بورڈ کمیٹیوں کے اجلاس میں شرکت کے لئے چیئر مین، آزاد ڈائریکٹرز اور نان ایگزیکٹو ڈائریکٹرز کے معاوضوں پر مبنی نظر شدہ پالیسی پر غور کیا اور منسلک معاوضہ پالیسی کی منظوری دی۔

"طے کیا گیا کہ SBP کی ہدایات کے مطابق، بورڈ آف ڈائریکٹرز اور ممبران بورڈ کمیٹیوں کے لئے معاوضہ کی پالیسی منظور کی جاتی ہے بغیر کسی تبدیلی کے جیسا کہ بورڈ ریونیویشن کمیٹی اور بورڈ آف ڈائریکٹرز نے منظور کیا۔"

چیئر مین، آزاد ڈائریکٹرز اور نان ایگزیکٹو ڈائریکٹرز، پالیسی میں تعین کردہ معاوضے میں دلچسپی رکھتے ہیں جو کہ خصوصی کاروبار میں دی گئی حد تک ہیں۔ اس کے علاوہ ڈائریکٹرز خصوصی کاروبار میں کوئی دلچسپی نہیں رکھتے۔

Correspondent Banking Network

COUNTRY	NAME OF BANK
AFGHANISTAN	Bank Alfalah Limited
AUSTRALIA	JPMorgan Chase Bank N.A.
AUSTRIA	Raiffeisenlandesbank Oberoesterreich Aktiengesellschaft
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 Standard Bank Limited
BELARUS	Belarusbank
BELGIUM	Dexia Bank S.A. Habib Bank Limited KBC Bank NV
CANADA	Habib Canadian Bank
CHINA	Agricultural Bank of China, The Bank of China Bank of Dalian Bank of Deyang Bank of Jiangsu Bank of Ruifeng Changshu Rural Commercial Bank China Everbright Bank Export-Import Bank of China Harbin Bank Hua Xia Bank Industrial and Commercial Bank of China JPMorgan Chase Bank (China) Company Limited Rural Commercial Bank of Zhangjiagang Shengjing Bank Company Limited Taicang Rural Commercial Bank Yinzhou Bank Zhejiang Chouzhou Commercial Bank Company Limited Zhejiang Xiaoshan Rural Cooperative Bank

COUNTRY	NAME OF BANK
CZECH REPUBLIC	Ceska Sporitelna A.S. Unicredit Bank Czech Republic A.S.
DENMARK	Danske Bank A/S
DJIBOUTI	Banque Pour Le Commerce et L'industrie Mer Rouge
EGYPT	Mashreq Bank PSC
FINLAND	Danske Bank A/S Sampo Bank
FRANCE	Habib Bank Limited National Bank of Pakistan Union De Banques Arabes et Francaises (UBAF)
GERMANY	Danske Bank A/S JPMorgan Chase Bank N.A. Landesbank Hessen-Thueringen Girozentrale National Bank of Pakistan Unicredit Bank AG
HONG KONG	Bank of America, N.A. Habib Finance International Limited HBZ Finance Limited JPMorgan Chase Bank N.A. Mashreqbank PSC National Bank of Pakistan
INDIA	Mashreqbank PSC Punjab National Bank Tamilnad Mercantile Bank Limited Union Bank of India
INDONESIA	PT Bank Bukopin JPMorgan Chase Bank N.A. PT Bank Mandiri (Persero) PT Bank Mayora PT Bank Mayapada International PT Bank Syariah Muamalat Indonesia
IRELAND	National Irish Bank
ITALY	Banca Popolare Dell'emilia Romagna Banca UBAE S.p.a Banca Valsabbina S.C.P.A Banco Popolare Societa Cooperative

COUNTRY	NAME OF BANK
JAPAN	JPMorgan Chase Bank N.A. Korea Exchange Bank National Bank of Pakistan Union De Banques Arabes et Francaises (UBAF)
KENYA	Gulf African Bank Limited Habib Bank AG Zurich Habib Bank Limited Kenya Commercial Bank Limited
KOREA, REPUBLIC OF	Busan Bank JPMorgan Chase Bank N.A. Kookmin Bank Korea Exchange Bank National Bank of Pakistan Woori Bank
KUWAIT	Commercial Bank of Kuwait, The
LEBANON	Bank of Beirut S.A.L Habib Bank Limited
LUXEMBOURG	Danske Bank A/S
MALAYSIA	Bank Muamalat Malaysia Berhad JPMorgan Chase Bank Berhad
MAURITIUS	Habib Bank Limited
NEPAL	Himalayan Bank Limited
NIGERIA	Bank PHB Plc
NORWAY	Danske Bank A/S
OMAN	Habib Bank Oman
PAKISTAN	Albaraka Bank (Pakistan) Limited Allied Bank Limited Askari Bank Limited Bank Al Habib Limited Bank Alfalah Limited Bank of China Limited Bank of Khyber, The Bank of Punjab, The Deutsche Bank AG Dubai Islamic Bank Pakistan Limited Faysal Bank Limited First Women Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited Industrial and Commercial Bank of China

COUNTRY	NAME OF BANK
	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
POLAND	Bank Zachodni Wbk Sa Danske Bank A/S
QATAR	Commercial Bank of Qatar Limited Doha Bank Mashreqbank PSC Masraf Al Rayan United Bank Limited
ROMANIA	Romanian International Bank SA
RUSSIAN FEDERATION	Open Joint Stock Company 'RBS'
SAUDI ARABIA	Bank Al-Jazira Emirates NBD P.J.S.C JPMorgan Chase Bank N.A. National Bank of Pakistan National Commercial Bank, The Saudi Hollandi Bank
SINGAPORE	Habib Bank Limited JPMorgan Chase Bank N.A. Union De Banques Arabes et Francaises (UBAF) Wells Fargo Bank N.A. 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 Plc
SWEDEN	Danske Bank A/S Svenska Handelsbanken

COUNTRY	NAME OF BANK
SWITZERLAND	Arab Bank (Switzerland) Limited Habib Bank AG Zurich Habibsons Bank Limited Luzerner Kantonalbank UBL Switzerland AG
TAIWAN	JPMorgan Chase Bank N.A.
THAILAND	Export-Import Bank of Thailand Islamic Bank of Thailand JPMorgan Chase Bank N.A.
TURKEY	Akbank T.A.S. Aktif Yatirim Bankasi A.S. Albaraka Turk Participation Bank Asya Katilim Bankasi A.S. Denizbank A.S. Habib Bank Limited Kuveyt Turk Katilim Bankasi A.S. Tekstil Bankasi A.S. Turkiye Cumhuriyeti Ziraat Bankasi A.S. Turkiye Finans Katilim Bankasi A.S. Turkiye Vakiflar Bankasi T.A.O. Vakif Katilim Bankasi A.S.
UKRAINE	Credit Dnepr Bank Demark Bank JS
UNITED ARABEMIRATES	Abu Dhabi Commercial Bank Abu Dhabi Islamic Bank Emirates NBD P.J.S.C Habib Bank AG Zurich Habib Bank Limited Mashreqbank PSC MCB Bank Limited United Bank Limited
UNITED KINGDOM	Danske Bank A/S Emirates NBD P.J.S.C Habib Bank AG Zurich Habib-Uk Plc JPMorgan Chase Bank N.A. Mashreqbank PSC Northern Bank United Bank UK Woori Bank

COUNTRY	NAME OF BANK
UNITED STATES	<p>BOKF, NA</p> <p>Deutsche Bank AG</p> <p>Deutsche Bank Trust Company Americas</p> <p>Habib American Bank</p> <p>JPMorgan Chase Bank N.A.</p> <p>Mashreqbank PSC</p> <p>National Bank of Pakistan</p> <p>New York Commercial Bank</p> <p>Saehan Bank</p> <p>Wells Fargo Bank N.A.</p>
VIETNAM	<p>Asia Commercial Bank</p> <p>Joint Stock Commercial Bank For Foreign Trade of Vietnam</p> <p>Vietnam Asia Commercial Joint-Stock Bank</p> <p>Vinasiam Bank Hochiminh City</p> <p>Western Commercial Joint Stock Bank</p>
YEMEN	<p>Saba Islamic Bank</p> <p>United Bank Limited</p>

Branch Network

Serial No.	Location	No of Branches
1	Abbottabad	1
2	Arifwala	1
3	Attock	2
4	Badin	2
5	Bahawalpur	2
6	Balakot	1
7	Batagram	1
8	Batkhela	1
9	Beesham	1
10	Booni	1
11	Buner	1
12	Burewala	1
13	Chakwal	1
14	Chaman	1
15	Chichawatni	1
16	Chilas	1
17	Chiniot	1
18	Chitral	1
19	D. G. Khan	1
20	D. I. Khan	1
21	D.G. Khan	1
22	Dadu	1
23	Dargai	1
24	Daulatpur Safan	1
25	Dinga	1
26	Dukki	1
27	Faisalabad	3
28	Fateh Jang	1
29	Gharo	1
30	Ghotki	1
31	Gilgit	1
32	Gojra	1
33	Gujjar Khan	1
34	Gujranwala	3
35	Gujrat	2
36	Haripur Hazara	1
37	Harnai	1
38	Haroonabad	1
39	Hasan Abdal	1
40	Hazro	1

Serial No.	Location	No of Branches
41	Humak	1
42	Hunza	1
43	Hyderabad	6
44	Islamabad	16
45	Islamgarh	1
46	Jhelum	2
47	Jhuddo	1
48	Jhung	1
49	Kaller Syden	1
50	Kamoki	1
51	Kandhkot	1
52	Karachi	101
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	Layya	1
65	Loralai	1
66	Mandi Bahauddin	1
67	Mansehra	1
68	Mardan	1
69	Matiari	1
70	Mehar	1
71	Mian Channu	1
72	Mianwali	1
73	Mirpur	1
74	Mirpur Khas	2
75	Mirpur, AJK	1
76	Multan	6
77	Muree	1
78	Muslim Bagh	1
79	Naran	1
80	Nawabshah	2
81	Nowshera	1
82	Okara	2
83	Pakpattan	1

Serial No.	Location	No of Branches
84	Peshawar	5
85	Pir Mahal	1
86	Pishin	1
87	Qila Saifullah	1
88	Quetta	11
89	Rahim Yar Khan	2
90	Rawalpindi	13
91	Sadiqabad	2
92	Sahiwal	2
93	Sambriyal	1
94	Sanghar	1
95	Sargodha	2
96	Sawat	1
97	Sharig	1
98	Sheikhupura	1
99	Shujabad	1
100	Sialkot	3
101	Sibbi	1
102	Sukkur	2
103	Talagang	1
104	Tando Adam	1
105	Tando Allah Yar	1
106	Tatral Kahun	1
107	Taxila	1
108	Thana Bola Khan	1
109	Timargara	1
110	Toba Tek Singh	1
111	Upper Dir	1
112	Vehari	1
113	Wah Cantt.	1
114	Wazirabad	1
115	Zahir Pir	1
116	Zhob	1
	Grand Total	334

Proxy Form

16th 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 (s) 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 16th Annual General Meeting of Bank to be held on Wednesday, March 25, 2020 at 10:30 a.m. at Zaver Hall, Pearl Continental Karachi, Club Road, 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,
Dunman City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan

Please affix
Correct
Postage

The Company Secretary

BankIslami Pakistan Limited
11th Floor, Executive Tower,
Dunman City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan



On behalf of BankIslami Pakistan Limited

**Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)**

Head Office: CDC House
99-B, Phase 8, D-8/2, H-2,
Islamabad Capital
Terrace - 74400
Tel: 032 999 2121
Fax: 032 999 2122
CDC, www.cdc.gov.pk
Email: info@cdc.gov.pk

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	
Email Address	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	<p>IBAN (24 digits)</p> <p>(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 payments.)</p>
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, CDC Share Registrar Services Limited, CDC House, 99-B, Block B, Main Shahrz-e-Faisal, Karachi, 74400, Pakistan.

Regards,

CDC Share Registrar Services Limited
Share Registrar: BANKISLAMI PAKISTAN LIMITED

Note: This letter is being computer generated and does not require any signature.



On behalf of BankIslami Pakistan Limited

**Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)**

Head Office (CDC House),
Plot No. 49/1 & 2, D-6/2, F-7/1,
Islamabad Capital
Territory - 10000
Tel: 001-1111 1111
Fax: 001-111 1111
E-Mail: services@cdc.com.pk
www.cdc.com.pk

Dear CDS/IAS Accountholder,

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&T/16 dated August 31st, 2017 issued by Central Depository Company of Pakistan Limited in this regard available on website www.cdc.com.pk

Regards,

M/s. CDC Share Registrar Services Limited
Share Registrar: BANKISLAMI PAKISTAN LIMITED

Note: This letter is being computer generated and does not require any signature.



BankIslami

**REMUNERATION POLICY FOR THE BOARD OF
DIRECTORS & MEMBERS OF THE BOARD COMMITTEES**

Revised on February 03, 2020

1. Purpose

- 1.1 The State Bank of Pakistan, as annexure to BPRD Circular No. 1 of 2017 issued “Revised Guidelines on Remuneration Practices” (the “**Guidelines**”) and BPRD Circular No. 3 of 2019 (the “**Circular**”) making amendment in Prudential Regulations G-1. The Guidelines require that the Board of Directors should constitute a Board Remuneration Committee (the “**BRC**”) consisting of non-executive directors preferably independent directors in majority and the Circular requires that the BRC shall formulate a comprehensive and transparent remuneration policy for the Chairman and other Directors.

After due deliberations the BRC has formulated the Remuneration Policy for the Board Of Directors (“**Board Remuneration Policy**” or the “**Policy**”) in accordance with the requirement of Listed Companies (Code of Corporate Governance) Regulations, 2019, the Guidelines and the Circular.

- 1.2 As per SBP’s requirements, the Policy is formulated by the BRC and approved by the Board of Directors. The Policy will be approved by the shareholders of the Bank on pre or post facto basis in the general meeting of the Bank.
- 1.3 The remuneration amounts set out in this Policy shall apply to the meetings of the Board and its Committees held after the date on which this Policy is approved by the shareholders of the Bank.
- 1.4 The Policy will supersede the previous Policy for Fixing Remuneration of Directors for attending Board of Directors Meeting approved in the 88th meeting of the Board held on February 28, 2019.
- 1.5 The Policy is devised to ensure transparency and fairness as per the Guidelines. The purpose of the Policy is to set out the guidelines for determination of remuneration of the Board of Directors of BankIslami Pakistan Limited (hereinafter referred to as ‘**Bank**’), for attending Board and its Committees Meetings as per Companies Act 2017, Article of Association of the Bank, State Bank of Pakistan (SBP)’s Prudential Regulations (For Corporate and Commercial Banking) and SBP’s Instructions / Circulars issued from time to time.

2. SCOPE

- 2.1 The Policy applies to all members of the Board, who are entitled to remuneration for attending Board and its Committee’s meeting. The Policy sets out the remuneration of the Board of Directors, including the Chairman, excluding Chief Executive Officer, for attending meetings of the Board and its Committee and any extra services performed by a Director including holding the office of the Chairman of the Board or any of its Committee.

3 RESPONSIBILITIES, DUTIES AND POWERS OF THE BOARD OF DIRECTORS

- 3.1 The Board shall discharge its responsibilities and exercise its powers as prescribed in the Prudential Regulations of State Bank of Pakistan, Listed Companies (Code of Corporate Governance) Regulations, 2019, the Companies Act, 2017 and in any other regulations, instructions, circular, notifications, directives issued by SBP, Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange from time to time.
- 3.2 The Board shall ensure that the Bank undertake its commercial business activities within the approved scope given in: (i) Memorandum of Association; (ii) Banking License granted by State Bank of Pakistan; (iii) related regulatory instructions issued from time to time through Code of Corporation Governance (CCG), Prudential Regulations, Act, Ordinance and any other laws; and (iv) ensure compliance as per regulatory instructions issued by the regulators in their circulars, notifications, directives concerning with the operations of the Bank.
- 3.3 The Board is responsible for the governance of risk and for determining the company’s level of risk tolerance by establishing risk management policies and other necessary policies. The Board shall review overall business risks to ensure that the management maintains a sound system of

risk identification, risk management and related systemic internal controls to safeguard assets, resources, reputation and interest of the company and shareholders.

3.4 The Board shall review performance of the Bank while approving financial statements of the Bank as required under the law i.e. quarterly / half yearly / annually. Further the Board shall also oversee and approve annual Budget of the Bank, review and approve strategic plan of the Bank and decide future strategy to conduct business of the Bank.

3.5 The Board shall also formulate Committees of the Board as per regulatory requirements for deliberation on key matters and to review their recommendations and grant approval on various matters concerning with the operations of the Bank as required by law.

3.6. The BRC shall review the Policy in its entirety from time to time, at least once every three (03) years or as and when any regulatory requirement is issued contrary to this Policy.

4 PERFORMANCE OF THE DIRECTORS AND THEIR EVALUATION

4.1 In compliance to SBP requirement, the Bank has put in place mechanism of the Evaluation of the Overall Board, individual Board members, Independent Directors, Chairman, CEO and Committees of the Board in accordance with the Performance Evaluation Mechanism as per the Guidelines on Performance Evaluation of Board of Directors, annexure to BPRD Circular 11 of 2016.

4.2 The Board shall ensure that as per SBP requirement evaluation of the overall Board, individual Board members, Chairman and Committees of the Board to be carried out annually and once in every three years the said evaluation process to be carried out by an external evaluator. This process will serve the purpose of evaluation of the Directors for their conduct according to the scope of their responsibilities and scale of remuneration.

4.3 After evaluation on the basis of evaluation rating received, the Chairman of Board shall brief results of the evaluation in the Board meeting and will identify weakness and improvement areas, if any determined, to the Directors. The underperforming Director(s), if any, determined through evaluation process shall be guided by the Chairman for his/her future performance. Further, the remuneration to such under-performing Directors will be prospectively paid at a reduced rate specified in this Policy.

5 REMUNERATION FOR ATTENDING BOARD MEETING AND MEETING OF THE COMMITTEES OF THE BOARD

5.1 The remuneration for the Board of Directors for attending meeting of the Board or its Committee will be fixed in Pak Rupees only.

5.2 Remuneration to a foreign national Director can be paid in foreign currency equivalent to his/her remuneration in Pak Rupees.

5.3 No remuneration shall be paid for attending general meeting(s) or any other business meeting(s) of Bank.

5.4 The Board may fix remuneration of category of Directors including Chairman of the Board as per their level of responsibilities. The administrative expenses pertaining to the office, staff and security allocated to the Chairman of the Board should be determined rationally.

5.5 The Board may fix additional remuneration of a Director for performing extra services including holding of the office of Chairman up to 20% of the remuneration set for him/her with proper justification.

5.6 The Bank shall pay / reimburse all reasonable actual expenses related to travelling, boarding and lodging of Directors incurred for the purpose of attending the Board, Committees and general meetings. The entitlement of Chief Executive Officer as per Bank's Policy shall be

considered as benchmark parameter for determining reasonableness of these expenses. Any additional costs shall be bore by concerned director.

- 5.7 The Directors will not be entitled for any additional payments or perquisites except mentioned in this Policy.
- 5.8 No remuneration under this Policy shall be paid to the Executive Director(s) of the Bank except usual TA/DA as per the Bank standard rules and regulations.
- 5.9 Remuneration fixed by the Board under this Policy will be set out in Annexure "A" from time to time and will be approved by the shareholders in the general meeting of the Bank on pre or post facto basis.
- 5.10 A Director may at his/her discretion waive the remuneration for attending all or any meeting(s). Such Director may also request the Bank to pay an amount equivalent to his/her waived remuneration to a charitable organization of his/her choice.

5.11. SBP vide BPRD Circular 3 of 2019 has fixed the maximum limits of Remuneration for Board / Committee meeting as under:

Banks which have above Rs.500 billion Assets size or above Rs. 1 billion after tax profit (as per last audited annual accounts) up to Rs.800,000 and for other banks up to Rs.500,000.

The SBP has authorized the banks to determine their own maximum remuneration limits for their board members including Chairman, taking into consideration the level of responsibility and expertise of the concerned directors. Our Bank proposes fee as per Annexure "A" hereto, which is within the maximum limit fixed by SBP. The additional payment for extra services by directors / Chairman shall be 20% of the limit fixed by the Bank.

CONSULTANCY WORK

- 6
- 6.1 No consultancy or allied work shall be awarded to a Director or to the firm(s), institution(s) or company(ies) etc. in which he individually and /or in concert with other Directors of the Bank, holds substantial interest.

7 DISCLOSURES REQUIREMENTS

- 7.1 Bank will disclose in its annual financial statements the remuneration and other benefits / facilities provided to the Board of Directors.
- 7.2 Additional Disclosure on Governance and Remuneration, as per tables forming part of the Guidelines, shall be provided with annual financial statements including information relating to Membership on Boards/Shariah Boards

Annexure A














REMUNERATION OF BOARD MEMBERS / MEMBERS OF THE COMMITTEE OF THE BOARD	
Category	Remuneration for attending a Meeting
Chairman of the Board	<p>Additional amount equivalent to 20% of his/her entitled fee as director.</p> <p><u>Justification:</u> This additional fee is payable as the Chairman of the Board is responsible for setting the agenda & managing proceedings of the meeting of the Board and other allied functions.</p>
Independent Director	<p>Rs. 200,000 for attending each Board meeting.</p> <p>Rs. _____ - _____ for attending each Committee meeting.</p>
Non-Executive Director	<p>Rs. 100,000 for attending each Board meeting.</p> <p>Rs. _____ - _____ for attending each Committee meeting.</p>
Underperforming Directors	<p>Amount as determined by the Board on the basis of result of annual evaluation process.</p>



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