

BankIslami



Growing with you

Annual Report 2020

Growing with you

There is only one vision that solely drives us – Serving you the Right Way. In our quest of giving you the best banking solutions, we envision to grow with you as we grow for you. Our passion and commitment to bring about technological advancements fulfilling your every need, we are destined to move forward, growing better, together.



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Vision

To be recognized as the premier Authentic Islamic Bank.

Mission

To create value for our stakeholders by offering Authentic, Shariah Compliant and technologically advanced products and services. We differentiate ourselves through:

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

As a growing institution, the foundation for our performance lies on our human capital and BankIslam remains committed to becoming an employer of choice, attracting, nurturing and developing talent in a transparent and performance driven culture.

Core Values

BankIslam is strongly committed towards its core values of:

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

A Simple And Authentic Name That Leaves
No Confusion About What We Do – Only

Islamic Banking!

BankIslami



BankIslami

Script and Calligrapher:

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



The Crescent:

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

Official Digital

Media Channels

- 1 www.facebook.com/bipl.official
- 2 www.linkedin.com/company/bankislami-pakistan-limited
- 3 www.twitter.com/BIPLOfficial
- 4 www.instagram.com/biplofficial
- 5 Youtube:Bankislami Pakistan Limited
- 6 www.bankislami.com.pk

2020 Review



No. of Accounts

2020	2019	Growth%
1,029,927	874,822	17.73%



No. of Customers

2020	2019	Growth%
914,690	801,109	14.18%



Profits (Rs. in Mn)

2020	2019	Growth%
282,016	228,827	23.24%



Total Income Financing - Gross (Rs. in Mn)

2020	2019	Growth%
137,930	137,018	0.67%



Branch Network

2020	2019	Growth%
343	334	2.69%



Trade Business (Rs. in Mn)

2020	2019	Growth%
172,171	156,013	10.35%



Trade Income (Rs. in Mn)

2020	2019	Growth%
190	165	15.15%



Auto Insurance (Rs. in Mn)

2020	2019	Growth%
7,702	5,483	40.47%



Remittance (USD in Mn)

2020	2019	Growth%
65	35	85.71%



No. of Remittances

2020	2019	Growth%
110,083	73,015	50.77%



No. of ATMs

2020	2019	Growth%
334	319	4.70%



Utility Bills Payments

2020	2019	Growth%
394,178	236,127	66.95%



No. of Cash Withdrawals (in 000)

2020	2019	Growth%
7,601	7,544	0.75%



No. of Mobile Users

2020	2019	Growth%
167,123	113,897	1.22%



No. of Credit Cards

2020	2019	Growth%
354,386	260,528	120.15%



No. of Mobile App Downloads

2020	2019	Growth%
107,270	44,280	142.25%



International Banking Users

2020	2019	Growth%
167,123	113,897	46.73%



ATC Income (in. in. Min)

2020	2019	Growth%
276	138	101%

Corporate Information

Board of Directors

Mr. Ali Hussain	Chairman (Non-Executive Director)
Mr. Syed Amir Ali	President & Chief Executive Officer
Dr. Amjad Waheed	Independent Director
Mr. Haider Ali Hilaly	Independent Director
Dr. Lalarukh Ejaz	Independent Director
Mr. Siraj Ahmed Dadabhoy	Non-Executive Director
Mr. Sulaiman Sadruddin Mehdi	Independent Director
Mr. Syed Ali Hasham	Non-Executive Director

Shariah Supervisory Board

Mufti Irshad Ahmad Aijaz	Chairperson
Mufti Javed Ahmad	Member
Mufti Muhammad Husain	Member

Audit Committee

Mr. Haider Ali Hilaly	Chairperson
Dr. Lalarukh Ejaz	Member
Mr. Sulaiman Sadruddin Mehdi	Member
Mr. Syed Ali Hasham	Member

Risk Management Committee

Dr. Amjad Waheed	Chairperson
Mr. Siraj Ahmed Dadabhoy	Member
Mr. Sulaiman Sadruddin Mehdi	Member
Mr. Syed Ali Hasham	Member
Mr. Syed Amir Ali	Member

Human Resource Management Committee

Mr. Sulaiman Sadruddin Mehdi	Chairperson
Dr. Amjad Waheed	Member
Dr. Lalarukh Ejaz	Member
Mr. Siraj Ahmed Dadabhoy	Member
Mr. Syed Ali Hasham	Member
Mr. Syed Amir Ali	Member

Board Remuneration Committee

Mr. Sulaiman Sadruddin Mehdi	Chairperson
Mr. Ali Hussain	Member
Dr. Amjad Waheed	Member
Dr. Lalarukh Ejaz	Member
Mr. Siraj Ahmed Dadabhoy	Member
Mr. Syed Ali Hasham	Member

Information Technology (IT) Committee

Dr. Lalarukh Ejaz	Chairperson
Mr. Haider Ali Hilaly	Member
Mr. Syed Amir Ali	Member

Note 1: Election of Directors of the Bank were held on May 7, 2020. Mr. Ali Mohamad Hussain Ali Mohamad Alshamali, Mr. Fawad Anwar, Mr. Noman Yakoob, and Mr. Muhammad Nadeem Farooq were retired and in their place Mr. Haider Ali Hilaly, Dr. Lalarukh Ejaz, Mr. Sulaiman Sadruddin Mehdi and Mr. Syed Ali Hasham appointed as Directors of the Bank.

Note 2: The Audit Committee, Risk Management Committee, Human Resource Management Committee, Board Remuneration Committee and Information Technology (IT) Committee were reconstituted by the Board in its meeting held on August 17, 2020.

Note 3: Dr. Amjad Waheed resigned as member of Audit Committee and in his place the Board in its meeting held on October 29, 2020 appointed Dr Lalarukh Ejaz as member of Audit Committee effective from October 29, 2020. The Board in its meeting held on October 29, 2020 appointed Mr Siraj Ahmed Dadabhoy as member of Risk Management Committee, Human Resource Management Committee and Board Remuneration Committee effective from October 29, 2020.

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 Muhammad Aamir Shamim
Tariq Ali Khan
Zaheer Elahi Babar
Muhammad Adnan Siddiqui

General Manager Central
Group 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
Group Head, Distribution
Group Head, Internal Audit
Chief Financial Officer
Group Head, Risk Management
President & CEO
Head, Operations
Group Head, Treasury & Financial Institutions
General Manager North
Group Head, Corporate Banking
Head, Information Technology

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 Shakra-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 6:30 pm
Friday : 9:00 am to 12:30 pm and 2:30 pm to 6:30 pm

Website:

www.bankislami.com.pk

* Resigned in Januray 2020

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 2020, 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 year 2020, the Board achieved the gender diversity by appointing a female independent director on its Board. Further, the representation of independent directors on the Board has also been enhanced. During the year 2021, the Board aims to conduct 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 was held in the year 2020.

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. 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. His portfolio of past acquisitions has created significant value through growth and M&A.

Currently, Mr. Hussain manages a portfolio of banking, e commerce, 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. He has also founded Sajjad Foundation, a private charitable foundation primarily devoted to education and health care projects in Singapore, Pakistan and other countries. Mr. Hussain holds a Master's degree in Electrical engineering from Stanford University.

Date of Joining the Board: April 29, 2011

Other Directorships / Offices held:

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

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

He is the Chief Executive Officer of NBP Fund Management Limited (NBP Funds), formerly: NBP Fullerton Asset Management Limited) (NAFA). 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. He 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).

Date of Joining the Board: April 11, 2017

Other Directorships / Offices held:

Chief Executive Officer, NBP Fund Management Limited
Director, Gul Ahmed Textile Mills Limited
Director, Mehran Sugar Mills Limited
Director, Institute of Financial Markets of Pakistan (IFMP)
Director, International Steels Limited
Director, Mutual Funds Association of Pakistan

■ **Mr. Haider Ali Hilaly, Independent Director**

Mr. Haider Ali has been a principal investor in equities for 20 years. He currently serves as the Managing Director of Ithaca Capital (Private) Limited, a privately held investment holding company with a 20 year track record of deploying growth capital in various businesses across multiple sectors in Pakistan including transportation, leasing, power generation, outsourcing, armed security, cinemas, vehicle rental, technology, publishing and FMCG. Prior to joining Ithaca, he has worked in early stage private equity and merchant banking. For the past 12 years he worked at a special situations hedge fund. His core expertise includes investment selection, portfolio construction, capital allocation and management, risk management, valuation, financial control, corporate governance and investor relations.

He graduated cum laude and Pi Sigma Alpha from Hamilton College in the United States and he holds an MBA degree from the London Business School. He also has a certification from the Pakistan Institute of Corporate Governance's Director's Training Program.

Date of Joining the Board: May 7, 2020

Other Directorships / Offices held:

Chief Executive Officer / Director, Ithaca Capital (Private) Limited
Director, Ithaca Capital, Limited
Director, Ithaca Capital, Limited
Chief Executive Officer, Bottleco (Private) Limited
Chief Executive Officer / Director, Optimus Technology (Private) Limited
Chief Executive Officer / Director, Ravi Spherocast (Private) Limited
Director, Capital Asset Leasing Corporation
Director, Bykea Technologies (Private) Limited
Chief Executive Officer / Director, Retail Holdings (Private) Limited
Director, Partners Resource Linked (Private) Limited
Director, Optimus Limited
Director, Athena Brands (Private) Limited
Director, Bykea Technologies Limited
Director, Kidco Holdings Limited
Director, Mobility Digital Holdings Limited
Director, Partners Retail Holdings Limited
Chief Executive Officer / Director, Monsoon Principal Partners (Private) Limited

■ **Dr. Lalarukh Ejaz, Independent Director**

An academic by profession and an economist by training, Dr. Ejaz is an Assistant Professor at the Institute of Business Administration, Karachi, since 2003. She has taught and engaged with learners enrolled in different degree programs such as EMBA, MBA, MS and BBA. She is also actively involved in research projects and independent researches in the field of her study. Dr. Ejaz has mentored and advised hundreds of students in the process of her teaching and they have gone on to fill jobs at leading firms in Pakistan and around the world.

Dr. Ejaz is a certified teaching fellow from the prestigious Babson College's Teaching Fellows Program, Massachusetts, USA. As a part of the first teaching fellows team, comprising of three people, she was instrumental in designing, developing, and launching the BBA in Entrepreneurship Program, the first ever in Pakistan, at the Center for Entrepreneurial Development (CED) at the IBA. She has also designed and conducted multiple internal and external trainings and workshops for a variety of audience. Dr. Ejaz holds a doctorate degree from the Business School at the University of Southampton, UK and a Master's in Economics from York University, Canada. She also has a Master's and a Bachelor's (Hons) in Economics from Karachi University, Pakistan.

Date of Joining the Board: May 7, 2020

Other Directorships / Offices held:

Assistant Professor, Institute of Business Administration

▪ **Mr. Siraj Ahmed Dadabhoy, Non-Executive Director**

Mr. Siraj Ahmed Dadabhoy has more than 25 years of experience in the real estate and financial industries in a range of leadership roles. Mr. Dadabhoy is a founding partner and Executive Chairman of AION Partners, a New York based real estate operating and investment management company. Mr. Dadabhoy is also the founder and Managing Director of AION Global; an owner, operator and developer of real estate in the U.K. Additionally, Mr. Dadabhoy serves as a member of the board of directors of Pakistan Oxygen Limited and TPL Properties Limited in Pakistan. 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.

Date of Joining the Board: June 7, 2016

Other Directorships / Offices held:

Director, Adira Capital Holdings (Private) Limited
 Chairman, Aion Holdings Inc & Subsidiaries
 Director, 1508 London Limited, London
 Director, Alpha Beta Capital Markets (Pvt) Limited
 Director, TPL Properties Limited
 Director, Pakistan Oxygen Limited
 Managing Director/ Director, AION Global Partners Limited
 Director, Crimson Holdings Inc. & Subsidiaries
 Shareholder, Paradigm Factors Private Limited.
 Shareholder, Paradigm RE Private Limited
 Shareholder, Paradigm Services Private Limited
 Shareholder, Alpha Beta Finance Limited

▪ **Mr. Sulaiman Sadruddin Mehdi, Independent Director**

Mr. Sulaiman is the CEO of Cyan Ltd., formerly Central Insurance Company Limited (CICL). In 2011, Mr. Sulaiman orchestrated the business restructuring of CICL (insurance) to Cyan (investments), a landmark transaction, and the first of its kind in Pakistan. Before Cyan, he has served PICIC DFI, PICIC Asset Management Company Ltd., Allied Bank (ABL) and ABL Asset Management Company Limited. He has had the privilege of establishing two leading AMC's of this country. As a senior executive he has been working on strategy, organization, mergers and acquisitions. He is a proven business leader with a track record of delivering sustainable change and superior results in Pakistan. Mr. Sulaiman's experience spans over 18 years in multiple areas of financial services including investments, operations, marketing, legal and corporate affairs.

Amongst his prominent achievements have been the acquisition of HUBCO from National Power in June 2012. The acquisition value was PKR 6bn and was sold in March 2018 for PKR 22bn resulting in gains of approx. PKR 23bn (incl dividends) in less than 6 years. He also had the privilege of leading the election process of HUBCO for DH Group twice in 2012 and 2015 and managed 8 out of 11 seats with just 17.5% shareholding while managing the rest through proxies. He is the youngest Chairman of the Pakistan Stock Exchange Limited. He is also Chairman Pebbles Ltd. - the real estate arm of Dawood Hercules (DH) Group and is spearheading all real estate initiatives of the Group. He serves on the Board of Governors of The Institute of Business Management (IOBM). He is the Founding member of the Presidential Initiative for Artificial Intelligence and Computing (PIAIC) and a Member of the Committee on Emerging Technologies of MOIT. He represents Sindh as an Independent Member on Private Power and Infrastructure Board (PPIB).

He has also served on the Board of Dawood Lawrencepur Limited, FOCUS Pakistan (an Aga Khan Foundation backed NGO), Inbox Business Technologies (Pvt.) Ltd., Inbox Consulting (Pvt.) Ltd., Inbox Corporation (Pvt.) Ltd. and Sach International (Pvt.) Ltd. He holds a master's degree and is also a fellow member of The Institute of Corporate Secretaries of Pakistan (FCIS). He is also a Certified Director from the Pakistan Institute of Corporate Governance (PICG)

Date of Joining the Board: May 7, 2020

Other Directorships / Offices held:

Director / CEO, Cyan Limited
Chairman, Pakistan Stock Exchange Limited
Chairman, Pebbles (Pvt.) Limited
Member of Board of Governors, Institute of Business & Management
Member, Private Power and Infrastructure Board

▪ **Mr. Syed Ali Hasham, Non-Executive Director**

Mr. Hasham is an associate member of the Institute of Chartered Accountants of Pakistan (ICAP) and holds a Bachelor's degree in Commerce from the University of Karachi.

He has more than six years of experience in the fields of finance, taxation, auditing, internal control evaluation, and corporate affairs. He is currently the Company Secretary of Jahangir Siddiqui & Co. Ltd. Previously he was associated with Deloitte Yousuf Adil, a member firm of Deloitte and had experience working in Pakistan and Qatar. During his association with the firm, he was involved in various statutory audits and special assignments relating to DFI & commercial banks, Non-Banking Finance Companies, mutual funds, retail, and aviation sectors.

Date of Joining the Board: May 7, 2020

Other Directorships / Offices held:

Company Secretary, Jahangir Siddiqui & Co. Limited
 Director, Mahvash and Jahangir Siddiqui Foundation
 Director, JS Fuel (Private) Limited
 Director, JS Engineering Investments1 (Private) Limited
 Director and CFO & Company Secretary, JS infocom Limited
 CFO & Company Secretary, Energy Infrastructure Holding (Private) Limited
 CFO & Company Secretary, Quality Energy Solutions (Private) Limited
 CFO & Company Secretary, Khairpur Solar Power (Private) Limited

▪ **Mr. Syed Amir Ali, President & Chief Executive Officer**

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. His diverse credentials as 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.

Date of Joining the Board: October 1, 2018

Other Directorships / Offices held:

Director, Shakarganj Food Products Limited

Board of Directors attendance during the year

Sr. No.	Name of Directors	Category	No. of Meetings held in tenure	No. of Meetings attended
1-	Mr. Ali Hussain, Chairman	Non-Executive Director	8	8
2-	Dr. Amjad Waheed	Independent Director	8	7
3-	Mr. Haider Ali Hilaly *	Independent Director	5	5
4-	Dr. Lalarukh Ejaz *	Independent Director	5	5
5-	Mr. Siraj Ahmed Dadabhoy	Non-Executive Director	8	7
6-	Mr. Sulaiman Sadruddin Mehdi *	Independent Director	5	5
7-	Mr. Syed Ali Hasham *	Non-Executive Director	5	5
8-	Mr. Syed Amir Ali, President & CEO	Executive Director	8	8
9-	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali **	Independent Director	3	3
10-	Mr. Fawad Anwar, Vice Chairman **	Non-Executive Director	3	3
11-	Mr. Noman Yakoob **	Non-Executive Director	3	3
12-	Mr. Muhammad Nadeem Farooq **	Non-Executive Director	3	3

* Directors elected during the year.

** Directors retired during the year.

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

Mr. Haider Ali Hilaly (Chairperson)
Dr. Lalarukh Ejaz
Mr. Sulaiman Sadruddin Mehdi
Mr. Syed Ali Hasham

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.

S. No	Name of Directors	Number of Eligible Meetings Held During 2020 **	Attendance
1	Dr. Amjad Waheed	3	3
2	Mr. Noman Yaqoob	2	2
3	Mr. Ali Mohd. Hussain Ali Al Shamali	2	2
4	Mr. Nadeem Farooq *	2	-
5	Mr. Haider Ali Hilaly	2	2
6	Mr. Sulaiman Sadruddin Mehdi	2	2
7	Mr. Syed Ali Hasham	2	2
8	Dr. Lalarukh Ejaz ***	-	-

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

** Total 4 Committee meetings were held during the year 2020.

*** Appointed as member of the committee in Nov 2020.

▪ **Risk Management Committee**

Dr. Amjad Waheed (Chairperson)
 Mr. Siraj Ahmed Dadabhoy
 Mr. Sulaiman Sadruddin Mehdi
 Mr. Syed Ali Hasham
 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.

S. No	Name of Directors	Number of Meetings Held During 2020	Attendance
1	Dr. Amjad Waheed	1	1
2	Mr. Siraj Ahmed Dadabhoy	1	1
3	Mr. Sulaiman Sadruddin Mehdi	1	1
4	Mr. Syed Ali Hasham	1	1
5	Mr. Syed Amir Ali	1	1

▪ Human Resource Management Committee

Mr. Sulaiman Sadruddin Mehdi (Chairperson)
 Dr. Amjad Waheed
 Dr. Lalarukh Ejaz
 Mr. Siraj Ahmed Dadabhoy
 Mr. Syed Ali Hasham
 Mr. Syed Amir Ali

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.

S. No	Name of Directors	Number of Eligible Meetings Held During 2020 **	Attendance
1	Mr. Ali Muhammad Hussain Ali Al Shamali	1	1
2	Mr. Fawad Anwar	1	1
3	Mr. Nadeem Farooq	1	1
4	Mr. Siraj Ahmed Dadabhoy *	2	1
5	Mr. Syed Amir Ali	2	2
6	Mr. Sulaiman Sadruddin Mehdi	1	1
7	Dr. Amjad Waheed	1	1
8	Dr. Lalarukh Ejaz	1	1
9	Mr. Syed Ali Hasham	1	1

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

** Total 2 Committee meetings were held during the year 2020.

▪ **Board Remuneration Committee**

Mr. Sulaiman Sadruddin Mehdi (Chairperson)
 Mr. Ali Hussain
 Dr. Amjad Waheed
 Dr. Lalarukh Ejaz
 Mr. Siraj Ahmed Dadabhoy
 Mr. Syed Ali Hasham

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.

S. No	Name of Directors	Number of Eligible Meetings Held During 2020 **	Attendance
1	Mr. Ali Muhammad Hussain Ali Al Shamali	1	1
2	Mr. Fawad Anwar	1	1
3	Mr. Nadeem Farooq	1	1
4	Mr. Siraj Ahmed Dadabhoy *	2	1
5	Mr. Sulaiman Sadruddin Mehdi	1	1
6	Mr. Ali Husain	1	1
7	Dr. Amjad Waheed	1	1
8	Mr. Syed Ali Hasham	1	1
9	Dr. Lalarukh Ejaz	1	1

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

** Total 2 Committee meetings were held during the year 2020.

▪ Information Technology (IT) Committee

Dr. Lalarukh Ejaz (Chairperson)
 Mr. Haider Ali Hilaly
 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 it 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. BITC also reviews update on Bank’s Disaster Recovery Site and Business Continuity Plan on periodic basis.

S. No	Name of Directors	Number of Meetings Held During 2020	Attendance
1	Dr. Lalarukh Ejaz	1	1
2	Mr. Haider Ali Hilaly	1	1
3	Mr. Syed Amir Ali	1	1

Profile of Shariah Supervisory Board

i. Mufti Irshad Ahmad Aijaz (Chairman - Shariah Supervisory Board)

Mufti Irshad Ahmad Aijaz is the Chairman of the Shariah Supervisory Board of BankIslami. He graduated from Jamiat-ul-Uloom Islamiyyah, Binnori Town, Karachi and obtained his Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) from there. He then completed his Takhassus fi al-Iftaa (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Dar-ul-Uloom, Karachi. He has passed country's first Islamic Finance course "Contemporary Business and Banking and its critical evaluation in the light of Shariah" offered by the Centre for Islamic Economics, Jamia Dar-ul-Uloom, Karachi, Pakistan, in 1994. He has also completed his MBA program from a leading private university in Karachi, Pakistan.

He currently holds advisory position in following Institutions:

- Chairman, Shariah Advisory Committee of State Bank of Pakistan
- Chairman, Shariah Advisory Committee, SECP
- Member, AAOIFI Shariah Standard Committee – Karachi
- Chairman, Shariah Supervisory Board- Summit Bank Limited
- Shariah Advisor of Allied Rental Modaraba
- Member, Shariah Board- Standard Chartered Bank (Pakistan) Limited
- Shariah Advisor of Al Hilal Shariah Advisors
- Member, Shariah Committee of Barakah Group – Australia
- Consultant, Shariah Review Bureau – Bahrain
- Honorary Chairman, Shariah Supervisory Board of Wasil Foundation

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) and Center of Islamic Economics (a division of Jamia Dar-ul-Uloom, Karachi).

ii. Mufti Muhammad Hussain (Member)

Mufti Muhammad Hussain is a prominent scholar in the field of Islamic jurisprudence. He has been teaching Islamic studies including Fiqh and Fatwa for years.

Mufti Muhammad Hussain has undertaken research work in various topics including economic thoughts in Islam, financial markets, modern economic and financial issues and Islamic banking and finance. He is also a member of Shariah Supervisory Board of Halal Foundation, the first Shariah certification and Research body in Pakistan.

His research work includes Ushr obligation, Takaful on the basis of Waqf, Shariah rules of wealth earned through impermissible sources and rulings on status of juristic person in Islam. He has authored several articles and issued verdicts (Fatwas) on various issues. He is associated with Jamiat-ur-Rasheed, Karachi as a senior Mufti in Darul Iftaa and lecturer in department of Fiqhul Muaamlaat.

iii. Mufti Javed Ahmad (Resident Shariah Board Member)

Mufti Javed Ahmad has been serving as BankIslami's Resident Shariah Board Member (RSBM) since 2015. He 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 Shariah Board Member of Alfalah GHP Investments (Islamic Funds). 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. Prior to joining BankIslami, he was associated with Ernst & Young Ford Rhodes Sidat Hyder as 'Senior Shariah Consultant' where he was engaged in Shariah Advisory, Shariah Review, Shariah Audit and 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).

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.

S. No	Name of Members	Number of Meetings Held During 2020	Attendance
1	Mufti Irshad Ahmad Aijaz	4	4
2	Mufti Javed Ahmad	4	4
3	Mufti Muhammad Husain	4	4

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 than Rs. 250 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

	2020	2019	2018	2017	2016	2015
	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	22,034	14,640	14,292	11,783	8,922	9,086
Balances with other banks	12,308	1,878	833	802	1,140	1,781
Due from financial institutions	41,640	42,912	18,174	21,372	27,219	39,824
Investments	95,240	55,194	38,832	42,092	46,317	35,886
Islamic financing, related assets and advances	130,162	131,775	118,571	119,155	77,817	68,709
Operating fixed assets	14,850	15,819	9,785	9,072	9,348	8,829
Deferred tax assets	5,825	5,622	7,530	7,702	5,918	6,591
Other assets	14,239	15,257	7,726	5,813	5,293	3,575
	336,298	283,097	215,743	217,791	182,474	174,231
	19%	31%	-1%	19%	5%	71%
Liabilities						
Bills payable	4,949	3,645	3,242	3,928	2,938	1,524
Due to financial institutions	16,128	15,104	7,820	15,570	6,066	3,198
Deposits and other accounts	282,016	228,827	184,693	178,310	153,736	153,058
Subordinated sukuk	2,000	1,700	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other Liabilities	11,309	14,125	5,473	6,307	7,289	5,265
	316,402	263,401	201,228	204,115	170,029	163,045
	20%	31%	-1%	20%	4%	71%
Net Assets	19,896	19,696	14,515	13,676	12,445	11,186
	1%	36%	6%	10%	11%	63%
Represented by						
Share Capital - net	11,008	11,008	10,000	10,000	10,000	10,000
Reserves	1,527	1,186	969	926	614	523
Surplus on revaluation of assets - net of tax	3,031	4,626	1,851	1,276	1,618	834
Unappropriated profit / (loss)	4,330	2,876	1,695	1,474	213	(171)
	19,896	19,696	14,515	13,676	12,445	11,186
	1%	36%	6%	10%	11%	63%
Profit & Loss Account						
Profit / return earned	25,744	23,651	12,205	10,353	10,127	8,834
Profit / return expensed	(13,255)	(12,860)	(6,170)	(5,250)	(5,291)	(5,119)
Net Spread earned	12,489	10,791	6,035	5,103	4,836	3,715
Other income	1,635	1,633	1,264	965	638	570
Other expenses	(8,764)	(7,794)	(6,859)	(6,303)	(6,160)	(5,039)
Profit / (loss) before provisions	5,360	4,630	440	(235)	(1,186)	(754)
Provisions and write offs - net	(2,601)	(2,799)	(37)	392	2,030	482
Profit / (loss) before taxation	2,759	1,831	403	157	844	(272)
Taxation	(1,056)	(744)	(190)	1,406	(392)	76
Profit / (loss) after taxation	1,703	1,087	213	1,563	452	(196)
	57%	410%	-86%	246%	331%	-162%

Six Years' Vertical Analysis

	2020	2019	2018	2017	2016	2015
	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	22,034	14,640	14,292	11,783	8,922	9,036
Balances with other banks	12,308	1,878	833	802	1,140	1,781
Due from financial institutions	41,640	42,912	18,174	21,372	27,219	39,824
Investments	95,240	55,194	38,832	42,092	46,317	35,886
Islamic financing, related assets and advances	130,162	131,775	118,571	119,155	77,817	68,709
Operating fixed assets	14,850	15,819	9,785	9,072	9,348	8,829
Deferred tax assets	5,825	5,622	7,530	7,702	5,918	6,591
Other assets	14,239	15,257	7,726	5,813	5,793	3,575
	336,298	283,097	215,743	217,791	182,474	174,231
	100%	100%	100%	100%	100%	100%
Liabilities						
Bills payable	4,949	3,645	3,242	3,928	2,938	1,524
Due to financial institutions	16,128	15,104	7,820	15,570	6,066	3,198
Deposits and other accounts	282,016	228,827	184,693	178,310	153,736	153,058
Subordinated sukuk	2,000	1,700	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other Liabilities	11,309	14,125	5,473	6,307	7,289	5,265
	316,402	263,401	201,228	204,115	170,029	163,045
	100%	100%	100%	100%	93%	94%
Net Assets	19,896	19,696	14,515	13,676	12,445	11,186
	6%	7%	7%	6%	7%	6%
Represented by						
Share Capital - net	11,008	11,008	10,000	10,000	10,000	10,000
Reserves	1,527	1,186	969	926	614	523
Surplus on revaluation of assets - net of tax	3,031	4,626	1,851	1,276	1,618	834
Unappropriated profit / (loss)	4,330	2,876	1,695	1,474	213	(171)
	19,896	19,696	14,515	13,676	12,445	11,186
	6%	7%	7%	6%	7%	6%
Profit & Loss Account						
Profit / return earned	25,744	23,651	12,205	10,353	10,127	8,834
Profit / return expensed	(13,255)	(12,860)	(6,170)	(5,250)	(5,791)	(5,119)
Net Spread earned	12,489	10,791	6,035	5,103	4,336	3,715
Other income	1,635	1,633	1,264	965	638	570
Other expenses	(8,764)	(7,794)	(6,859)	(6,303)	(6,160)	(5,039)
Profit / (loss) before provisions	5,360	4,630	440	(235)	(1,186)	(754)
Provisions and write offs - net	(2,601)	(2,799)	(37)	392	2,030	482
Profit / (loss) before taxation	2,759	1,831	403	157	844	(272)
Taxation	(1,056)	(744)	(190)	(392)	(392)	76
Profit / (loss) after taxation	1,703	1,087	213	1,563	452	(196)
	12%	9%	3%	26%	9%	-5%

Statement of Value Added and Distribution

<u>Value Added</u>	2020 Rs in '000	2019 Rs in '000
Profit earned net of FE swap cost	25,720,106	23,612,709
Fee and commission income	900,127	617,932
Other non funded income	735,308	1,015,252
Operating expenses excluding salaries, depreciation* & amortization on owned assets and Workers Welfare Fund	(4,304,590)	(3,883,945)
Finance cost on lease liabilities against Right of Use Assets	(389,614)	(443,605)
Provisions	(2,601,023)	(2,798,657)
Value added available for distribution	20,060,314	18,119,686
 <u>Allocation of Value Added</u>		
To Depositors, Sukuk Holders and Financial Institutions		
Profit expense on deposits and other dues	12,841,590	12,378,713
To Employees		
Salaries and other benefits	3,619,430	3,090,808
To Government		
Workers' Welfare Fund	55,321	35,904
Income tax	1,056,312	744,000
	1,111,633	779,904
To Business Growth		
Depreciation and amortization on owned assets	784,526	782,923
Retained earnings	1,703,135	1,087,338
	2,487,661	1,870,261
Total distribution	20,060,314	18,119,686

* does not include depreciation on non banking assets

Chairman's Review

I am pleased to present the Annual Report, as Chairman of the Board of Directors of BankIslami Pakistan Limited (the 'Bank' or 'BankIslami'), for the year 2020.

The year 2020 was a challenging year where global economy, including Pakistan, witnessed financial and health crises on the backdrop of Covid-19 outbreak. Due to this pandemic, our customers, staff and their family members were also affected. On behalf of the Board and the Management of the Bank, I convey my heartfelt condolences to the families who have lost their loved ones due to Covid-19. I would also like to extend my prayers to the ones who have been infected with Covid-19 and are presently undergoing treatment.

The swift measures taken by the Government of Pakistan (GoP) and State Bank of Pakistan (SBP) comprising implementation of smart-lockdowns, development of quarantine centers, reduction in policy rate and introduction of relief / refinance schemes helped in effectively suppressing the impact of pandemic on businesses and households. In response to the crises emanating from Covid-19, the Bank took effective and accelerated measures to provide uninterrupted and secured banking services while ensuring safety of our customers and wellbeing of our staff. The Bank actively pursued its affected customers to assist them in availing various financial assistance schemes introduced by SBP. In addition, the Bank also contributed towards the community by ensuring distribution of charity funds and donations to the affected segments of the society.

Despite prevailing challenges and uncertainties during the year, the Bank was able to take a leap forward. The Bank successfully completed the IPO of its Listed Additional Tier-1 Sukuk - 'Ehad Sukuk'. Total size of the Ehad Sukuk is Rs. 2 billion. It will support the growth of Bank's asset and deposit base on the back of strong Capital base. During the year, Deposits of the Bank grew by 23.2%, while total assets of the Bank rose by 19%. In order to improve its credit risk appetite, the Bank booked additional provisioning during the outgoing year. The profit after tax of the Bank for 2020 improved by 56.7%, Alhamdulillah.

Going forward, the Bank will continue with its pro-business and pro-tech strategy by placing emphasis towards escalation in trade business, enhancement in low cost CASA deposits, widening its corporate and consumer financing book, increasing its digital penetration through innovation and upgradation of technology to improve processes and service quality which will in-turn further empower our Bank in serving our customers and other stakeholders 'the right way'.

Year 2020 was a year of progression for those responsible for governance. Due to expiration of the stipulated three year term of the outgoing Board, elections of the Board were held on May 7, 2020. The new Board comprises of 4 independent directors including one female director, 3 non-executive directors and one executive director. The Board includes diversified professionals having expertise in the fields of economics, financial management, capital market, private equity, technology and secretarial practices. On behalf of the Board and Shareholders of the Bank, I would like to thank the outgoing members of the Board for their commitment and dedicated contribution towards the growth of the Bank.

BankIslami considers its human capital as its most valuable asset, hence we will continue to fortify and empower them as they are the main driver for the Bank's operational and business performance at all levels. The Board is sincerely thankful to them for their role in the growth of the Bank and enhancing its brand image.

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 commitment and continuous 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 of the Board of Directors

March 03, 2021

سال 2020 گورننس کے ذمہ داران کے لیے ترقی کا سال تھا۔ سبکدوش ہونے والے بورڈ کی تین سال کی مقررہ میعاد ختم ہونے کے باعث، بورڈ کے انتخابات 07 مئی، 2020 کو منعقد ہوئے۔ نیا بورڈ 04 اڈاپینڈنٹ ڈائریکٹرز پر مشتمل ہے، جس میں ایک خاتون ڈائریکٹر، 03 نان ایگزیکٹو ڈائریکٹرز اور ایک ایگزیکٹو ڈائریکٹر شامل ہیں۔ بورڈ میں اعلیٰ تعلیم یافتہ اور تجربہ کار افراد شامل ہیں، جو معاشیات، مالیاتی انتظام و انصرام، ٹیکنالوجی اور سیکرٹریٹیل امور کے شعبہ جات میں مہارت کے حامل ہیں۔ بینک اور بورڈ کے حصص یافتگان کی جانب سے، بورڈ کے سبکدوش ہونے والے اراکین کو بینک کو ترقی دینے کے حوالے سے ان کے عزم اور فعال کردار کی ادائیگی پر شکریہ ادا کرنا چاہتا ہوں۔ بینک اسلامی، انسانی سرمایہ کو اپنا سب سے قیمتی اثاثہ سمجھتے ہوئے اسے مضبوط اور مستحکم بنانے کا عمل جاری رکھے گا کیوں کہ یہ تمام سطحوں پر بینک کی عملی اور کاروباری کارکردگی کے لیے ایک بنیادی محرک ہیں۔ بورڈ، بینک کی ترقی اور اس کے برانڈ میج کو بہتر بنانے کے عمل میں ان کے کلیدی کردار پر تہ دل سے ان کا شکریہ ادا کرتا ہے۔

میں اس موقع پر اسلامی مالیاتی نظام کی ترقی کے حوالے سے مستقل بنیاد پر ثابت قدمی کے ساتھ حمایت اور معاونت فراہم کرنے پر اسٹیٹ بینک آف پاکستان، وزارت خزانہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کو خراج تحسین پیش کرتے ہوئے ان کا شکریہ ادا کرتا ہوں۔

میں اپنے گراں قدر صارفین، حصص یافتگان، شرعی سپروائزر بورڈ کے اراکین نیز بورڈ اراکین اور ساتھ ہی بینک کے ملازمین کی جانب سے ان کے تعاون کا معترف ہوں کہ جنہوں نے ہم پر بھروسہ کیا اور پاکستان میں اسلامی بینکاری کے فروغ کے مقصد میں ہمارا ساتھ دیا۔



علی حسین

چیئر مین، بورڈ آف ڈائریکٹرز

03 مارچ، 2021

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, 2020.

Principal Activities

BankIslami principally operates as a licensed and full-fledged Scheduled Islamic Commercial Bank. The Bank is operating with 343 branches including 81 sub-branches as at December 31, 2020 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

Past

FY20 was a challenging year for Pakistan where its GDP witnessed negative growth of 0.4% which was a first in decades, reflecting impact of lockdown on account of Covid-19 and monetary & fiscal tightening measures taken prior to the outbreak. The containment measures resulted in reduction in domestic supply & demand and curbing consumer expenditure, affecting both manufacturing and service sectors. Exports and imports also contracted due to weakening global trade and domestic demand. In contrast, Government consumption rose, reflecting the rollout of stimulus package with reduction in policy rate by 625 bps to withstand the effects of the pandemic.

Present

As lockdown measures have now been relaxed, economic activity of Pakistan has started to recover. Current account in FY 21 Q1 recorded its first quarterly surplus in more than five years. The cumulative current account till December reached a surplus of \$1.1 Bn against a deficit of \$2 Bn during the same period last year, largely attributable to improvement in the trade balance, record remittances and supportive policy measures taken by the Government and SBP. Likewise, FX reserves have improved to \$20.54 Bn in Dec'20 as opposed to \$18.9 Bn in Jun'20 resulting in strengthening of rupee against dollar with a current exchange rate of Rs. 159.8 / USD from Rs. 168 / USD in June 2020. Year on year inflation is also down from 12.6% in Dec' 19 to 8% in Dec' 20.

Recent data with SBP has indicated that revenues from FMCGs have rebounded in FY21, whereas average sales volumes of oil segment, automobiles and cements have significantly improved. Under the manufacturing segment, textiles, food and beverages, paper and board, pharmaceuticals, chemicals, fertilizer and rubber products have also depicted improved volumes. In agriculture, expected decline in cotton production is likely to be offset by growth in other major crops and higher wheat production due to the rise in support prices and recently announced subsidies on fertilizers and pesticides. Moreover, wholesale and retail trade and transportation are expected to benefit from positive impacts ensuing from other segments. Large Scale manufacturing sector has grown by 7.4% till Nov'20 against a decline of 5.3% during the same period last year. However, overall manufacturing activity still remained below the levels that were achieved in FY19, highlighting the need to work on spare capacity in the economy. Correspondingly, loans to private sector has improved by Rs. 330 Bn from the level of Rs. 5,966 Bn in Jun'20 during six months, driven by rise in Consumer and Corporate loans on the back of SBP's refinance facilities. Working capital loans have also inched up by Rs. 24 Bn during Oct'20 – Nov'20, post Covid-19 lockdown period, although their level remains lower than last year.

Future

Pakistan's GDP has been projected to grow by 2% during FY21 (Jul 20 – Jun 21). Average inflation is expected to remain in the range of 7.0% to 9.0% in FY21 from the level of 10.7% in FY20. With anticipated rise in imports, in FY21, the current account deficit is expected to widen to 2.4% of GDP from 1.1% in FY20. However, since there has been resurgence in Covid-19 cases during post lockdown period, significant uncertainty still remains on how the second wave of this pandemic will shape up our economic prospects. In a bid to control the spike in Covid-19 cases, the National Command and Operations Center (NCOC) of Pakistan had directed public and private companies to implement a 50% 'work from home' policy. Timely availability of vaccines to masses, implementation of SoPs to prevent coronavirus and effective implementation of IMF structural reforms will be critical for achieving macro level stability.

(Source: State Bank of Pakistan – MPS, Economic Reviews by ADB and World Bank)

Banking Industry Outlook

Amidst challenging macroeconomic environment, banking sector of Pakistan witnessed impressive growth during 2020. Deposits grew by 22.2% while financing was slightly up by 4% on account of economic slowdown witnessed during second and third quarters of the calendar year. As a result, increase in liquidity was diverted towards investments which witnessed a growth of 31.3%. Due to hike in credit risk emanating from high discount rates during 3Q'19 to 1Q'20 and outbreak of Covid-19 pandemic during 2Q'20, total banking sector NPL and infection ratio have increased to Rs. 853 Bn and 10.5% in Sept' 20 from Rs. 761 Bn and 9.3% in Dec' 19, respectively. It is pertinent to mention that the augmentation in delinquencies occurred despite deferment related relaxations granted by SBP.

On the profitability side, banking industry posted impressive growth during 9M'20. The apex authority has so far reduced their policy rate by 625 bps to 7% during CY'20 to stimulate the leverage segments of the country. Consequently, net spreads and profitability of banks are expected to shrink significantly from 4Q'20 onwards, on account of downward adjustment on the pricing of asset side. Conventional banks that bought fixed rate bonds during CY'19 might get lesser effect on their spreads. This trend of downward adjustment on spreads is expected to continue in CY'21 as well as market participants are not expecting major increase in policy rate. Uncertainty over the actual NPL position will clear out by June 30, 2021 by when the principal and/or profit deferments are expected to expire. On the capital adequacy end, majority of banking companies are expected to remain compliant as the regulator has also reduced the minimum capital adequacy ratio requirement from 12.5% to 11.5% to allow banks to absorb expected increase in credit risk.

(Source: State Bank of Pakistan –Economic Data and Publications)

Significant Transactions

Issuance of Additional Tier-1 Capital

To further enhance the capital base of the Bank and strengthen the risk absorption capacity, the Bank completed the issuance of Pakistan's first ever Listed Islamic Additional Tier-I Capital Sukuk (ADT-1 Sukuk). The instrument has been branded as 'Ehad Sukuk' which is consistent with BankIslami's commitment to offer authentic Islamic Banking products and provide Halal returns to its customers. The total issue size of this ADT-1 Sukuk is Rs. 2 Bn and the issuance of instrument was completed on April 21, 2020. The Sukuk was subscribed by more than 190 institutional and retail investors. The trading of this Sukuk commenced on May 15, 2020 at Pakistan Stock Exchange (PSX).

Assets Classified as Held for Sale

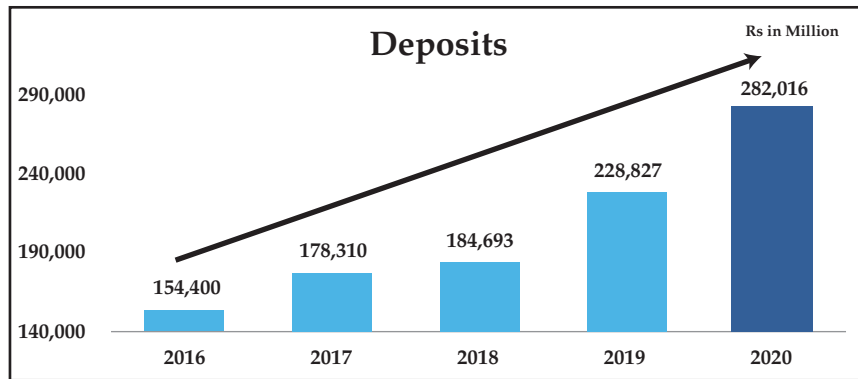
In line with the decision of Board of Directors of the Bank, as also announced on PSX on April 25, 2019, the Bank is in the process of divesting its shareholdings in two of its subsidiaries. During the outgoing year, the Bank, after going through detail process of evaluation, was successful in identifying the intended buyers for these assets for which Share Purchase Agreements have also been signed. As a result, the respective intended buyers have made advance payment to the tune of 25% of the sale consideration. At present, the Bank and the intended buyers are in the process of completing regulatory approvals and formalities. The management of the Bank expects the sale to complete in the year 2021.

Financial Performance

Statement of Financial Position	31-Dec-20	31-Dec-19	Variance
	-----Rs. in Million -----		
Net Assets	19,895	19,696	1.01%
Deposits	282,016	228,827	23.24%
Financing and related assets - net	130,162	131,775	-1.22%
Investments – net	95,240	55,194	72.55%
Due from FI's	41,640	42,912	-2.96%

Profit and Loss Account	31-Dec-20	31-Dec-19	Variance
	----- Rs. in Million -----		
Profit / return earned	25,744	23,650	8.85%
Profit / return expensed	13,255	12,860	3.07%
Net spread earned	12,489	10,790	15.75%
Operating profit	5,360	4,630	15.77%
Profit after taxation	1,703	1,087	56.67%
Earnings per share (in Rupees)	1.536	1.060	44.91%

BankIslami, despite challenges emanating from Covid-19 and ensuing slowdown in economy, depicted robust growth of 23.2% in deposits during the year 2020 on the back of its strategy to expand its customer base through acquisition of new to bank customers and promoting growth in core CASA deposits (excluding FI Deposits) through aggressive feet on street sales and marketing. As a result, core CASA deposits of the Bank impressively grew by 32.9% from Rs. 128.8 Bn in FY'19 to Rs. 171.2 Bn in FY'20. Similarly, BankIslami's overall CASA mix also widened to 63.5% in Dec'20 from 59.7% in Dec'19. To adapt the current challenging economic scenario along with SBP's accommodative monetary policy stance, the Bank will continue with its current strategy to garner its CASA deposits base so as to generate stable net revenue stream. Moreover, the Bank will also focus on capturing sticky deposits via cross-selling through its other business desks i.e. Trade Finance, Cash Management and SME.

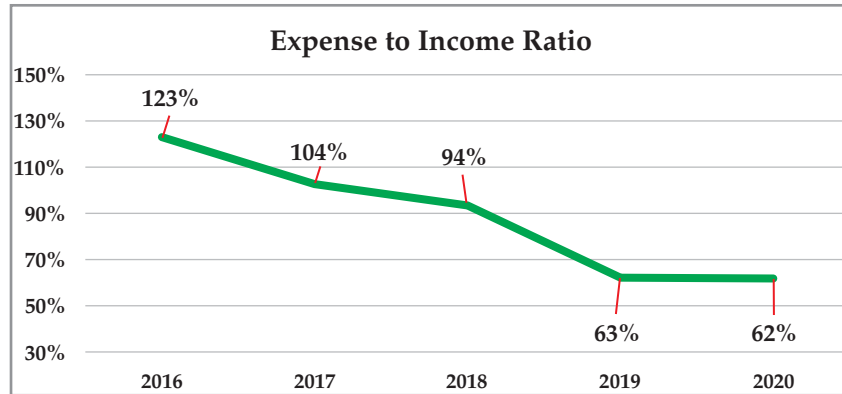


In-line with growth in Deposits, total earning assets of the Bank have likewise increased with majority of the funds channeled towards GoP backed Sukuk and FX Placements. Consequently, Investments and FI Placements book of the Bank improved by 72.6% and 20.5%, respectively. On the contrary, Islamic Financing witnessed downtick of 1.2% as the Bank was de-risking on credit expansion during 2Q'20 and 3Q'20 on account of economic uncertainty, slowdown in industrial growth and stalled trade finance activity. However, as the demand for industrial goods and consumer financing improved during the post-lockdown period, the Bank cautiously started building its financing books during 4Q'20. Keeping in view the improving economic indicators and efforts being made by Government and SBP to enhance private sector lending, the Bank foresees growth in its Islamic Financing book. Therefore, the Bank will remain keen on increasing its exposure towards rated Corporate clients, Public sector entities, Government backed Investments, Consumer Auto Finance, Low Cost Housing Schemes, Agri Financing and FI placements.

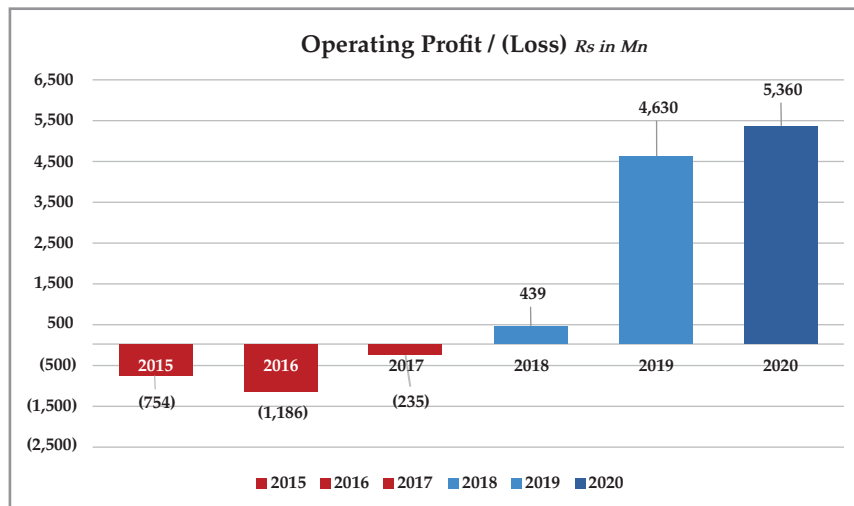
To enhance the risk absorption capacity of the Bank and inhibit prevailing challenges, certain subjective classifications and provisions were booked against potential losses during the outgoing year, giving rise to infected stock of the Bank. As a result, delinquency ratio of the Bank increased to 12.06% as compared to 10.63% in December 2019, while coverage ratio remained unchanged at an adequate level of 82.7%. In addition to the above, the Bank during FY'20, also booked additional general provision of Rs. 450 Mn on prudent basis to shield itself against potential counter party risk.

Net Assets of the Bank as at December 31, 2020 stood at Rs. 19.9 Bn, up by 1% from Rs. 19.7 Bn reported during the corresponding year end. The increase was mainly attributable to increase in accumulated profits, however the same was curtailed by decline in surplus on investments pertaining to Pakistan Energy Sukuk due to decline in its market value.

Owing to increase in average earning assets, Bank's top line grew by 8.9%, while on the other hand profit expense rose by just 3.1% on account of improved CASA Mix, resulting in increase of 15.8% in net spreads of the Bank. Bank's non-funded income excluding capital gains depicted impressive growth of 43.2% as a result of (i) improved FX income on the back of increase in trade volumes, (ii) increase in fee earned through ADC services, and (iii) enhanced Investment Banking and FI desk related activities. On the contrary, gain on sale of securities reduced by 63.3% due to one-off capital gains booked last year through sale of Pakistan Energy Sukuk-1 on attractive pricing which was available for a limited window only due to lack of availability of high yielding Shariah Compliant Sukuk during 2019. While, operating expenses of the Bank rose by 11%, cost to income ratio of the Bank clocked at almost the same level of 62% as compared to year 2019. As overall banking spreads have started to shrink from 4Q'20 onwards, cost to income ratio of banks across the industry are expected to deteriorate in FY'21. Going forward, wastage control and investment in value addition, technological enhancement and business growth will remain our focal point to maintain our profitability indicators.



Total administrative expenses of the Bank augmented by 12.4% majorly on account of (i) inflationary adjustments on staff and non-staff costs, (ii) increase in employee compensation due to ensuing full year cost impact of induction of human resource on vital and vacant position during second half of 2019, (iii) increase in outlays related to business growth, and (iv) spending towards technological advancements & information security infrastructure of the Bank.



Concurrent to increase in net spreads, growth in asset base of the Bank and stable cost to income ratio, operating profits of BankIslami registered growth of 15.8%. As stated above, considering external challenges arising due to current macro-economic scenario and following prudent approach, the Bank during FY'20 booked subjective provisioning of Rs. 1.3 Bn and additional general provisioning to the tune of Rs. 450 Mn against potential infection in asset portfolio. Despite additional provisioning, BankIslami posted a profit after tax of Rs. 1,703 Mn for the year ended December 31, 2020 which is 56.7% better than profit after tax of Rs. 1,087 Mn for the year 2019, *Alhamdulillah*.

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 depicted a growth in its financial results for the year ended December 31, 2020, which was mainly attributable to improvement in financial profile of its Islamic Banking segment (the Bank). Total assets and deposits of the Group rose by 18.8% and 23.1% respectively, as opposed to Dec 31, 2019.

Deposit base of the Group increased on the back of effective execution of strategy to garner low cost CASA deposits by the Bank. In-tandem with increase in sources, profit yielding assets of the Group also grew with major increase arising from investment towards GoP backed Sukuk and FX placements.

Profits from associated entity witnessed a decline due to slowdown in sales on account of imposition of Covid-19 lockdown, decline in demand of branded dairy products during pandemic and increase in production cost resulted in reduction in gross profit margin. However, the Group generated profit from discontinued operations in FY'20 as compared to a loss in FY'19 largely due to increase in profitability from BIPL Securities (subsidiary company) on account of improvement in capital market indices and trading volumes.

Despite challenges ensuing from decline in policy rate and slowdown in economy due to Covid-19, Group's overall operating profits increased by 15.8%, as compared to last year owing to growth in earning assets. Likewise, the Group has generated a profit after tax of Rs. 1,568 Mn for 2020, which is 42% higher than profit after tax of last year, *Alhamdulillah*.

Achievements, New Initiatives and Performance

Awards and Recognition

BankIslami won four accolades at the prestigious Sixth Islamic Retail Banking Awards (IRBA) 2020 adding another feather to its cap. The Bank had the honor to win the '*Critic's Choice Best Islamic Retail Bank Award in Pakistan*' along with the '*Best Fintech Application Award*' for its *One Touch Banking* for this year. Syed Amir Ali, President and CEO, BankIslami was recognized as the '*IRBA Personality of the Year*' while Mr. Rizwan Ata, Group Head, Distribution at BankIslami was awarded the title of '*IRBA Islamic Retail Banker of the Year for 2020*'. These awards served as testament towards Bank's strategy to become one of the leading and innovative Islamic Banks of Pakistan.

In addition to the above, during the year, the Bank also bagged one of the most renowned honor at national level by becoming the '*Brand of the Year 2019*' under the category of Islamic Banking. This accolade was received in acknowledgment of its achievements in highlighting brand excellence as well as noteworthy performance across the domain. Moreover, during the outgoing year, we also had the honor of receiving the '*Best Intellectual Property Management*' and '*Most Innovative Banking Solutions*' awards at IP Excellence Award 2020 ceremony in lieu of its efforts in the field of patent, copyrights and launching state-of-the-art banking solutions.

Corporate Banking

Due to Covid-19 and slowdown in economic activities, the focus of Corporate Banking remained on portfolio rationalization, diversification and implementation of SBP regulatory relieves. Despite challenging economic environment, Corporate Banking successfully maintained its financing portfolio comprising of well-diversified, creditworthy and high-quality customers representing all major economic sectors. It is worth mentioning that Corporate Banking on boarded more than 50 New to Bank (NTB) clients during the year 2020 by adding creditworthy relationships and expanding Bank's footprints. It reflects Bank's consistent efforts to improve, diversify and enhance the existing portfolio. The new customers on boarded during the year mainly belong to textile, cement, food processing, pharmaceuticals, fertilizer, auto & allied, power generation, electronic goods and services sectors. Going forward, Corporate Banking will focus to enhance its financing portfolio with a diverse mix of well-established and progressive customers representing all major economic sectors. There will be more focus on improving overall yields from each relationship by making especial efforts to target externally rated customers and encouraging existing customers to undergo external rating process. The Corporate Banking is also working hand in hand with Bank's Consumer Finance segment to cross-sell consumer financing products to the employees of large Corporate Customers.

Investment Banking

Investment Banking showed admirable growth in business and booked fee income of Rs. 126 Mn during the year mainly from advisory and arrangement services. With support from its Shariah Structuring team, the Investment Banking team played a vital role in developing Islamic Debt Capital Market by acting as Mandated Lead Advisor & Arranger for notable transactions including Islamic Commercial Paper of Rs. 4.5 Bn by K-Electric Limited and a Short Term Sukuk of Rs. 5 Bn by Kot Addu Power Company Limited. As the Joint Lead Arranger, the BankIslami also participated Sukuk transaction of Hub Power Company (HUBCO).

The Bank was actively involved in advising and arranging Sukuk transactions for the State Owned Entities in the Energy and Aviation sector. Further, the Bank closely worked with national carrier Pakistan International Airlines (PIA) to launch Pakistan's first listed Aviation Sukuk having total issue size of Rs. 20 Bn, with expected closure in first half of 2021. In line with Pakistan's energy infrastructure projects, the Bank teamed up with two large banks of Pakistan as Joint Lead Arranger for NTDC's Syndicate Term Finance Facility to finance one of their remarkable transmission line projects to evacuate clean energy from Jhampir wind farms and its connectivity with the national grid.

Trade Business

Despite Covid-19 related business challenges, trade business of Rs. 172 Bn was routed through the Bank, generating non-funded income of Rs. 190 Mn during the year 2020. This includes mainly the commission from import/export business amounting Rs. 141 million and commission from guarantee business amounting to Rs. 49 million. During the year under review, Government allowed import of Wheat to bridge shortfall in the local market. The Bank took advantage of this opportunity and fetched trade business of over Rs. 5 Bn. Moving ahead, special efforts will be made to increase trade business through addition of renowned trade-based customers in the portfolio. The smooth execution of trade-based transactions would be ensured through advancement in IT systems and further narrowing turnaround time.

SME and Commercial Banking

SME & Commercial Banking also played a vital role in adding trade-based clientele during the year. The Bank successfully added more than 450 NTB clients during 2020. The SME wing down delegated approving authority to branches to approve small ticket LCs to enhance its foot-prints in trade intensive markets and to offer fast track trade services for opening of import LCs related to various commodities / products for existing and NTB SME clients. Initially 20 branches were short listed for this program and then the number increased to 53. Moreover, the Bank has been actively pursuing its targets under Prime Minister's Kamyab Jawan Program and has successfully surpassed its December 2020 targets.

Cash Management and Employee Banking

With the focus to enhance both menu and quality of services, the Bank remained devoted to provide Cash Management and Employee Banking services. The Bank successfully integrated LinkIslami (Cash Management Application) with CDC via FTP Server for centralized processing of payment transactions. It now provides one window access to all of its Asset Management and Fund Management Clientele. The Bank successfully introduced employee banking services for business houses and Corporate/Commercial entities at large during the second quarter of 2020. This product has been embedded with Auto and House financing, Consumer durables and Bike financing at attractive rates.

Agri Finance

The agriculture sector showed encouraging growth as the major Kharif crops (except cotton) surpassed the expected production targets. Our portfolio comprises of financing related to crop growing, livestock farming, fish farming, tractor and equipment. The Bank approved livestock financing product to facilitate farmers in obtaining finance for working capital, fixed investment and purchase of commercial business vehicles. Warehouse receipt finance was introduced to facilitate Maize growers, especially small farmers to avoid market exploitation and obtain better price for their produce by storing their harvested crop with well reputed feed mills. Our Agri Finance team worked pro-actively to train its staff and conducted various awareness programs in along with Shariah Team in rural farmlands in Sindh and Punjab for farmers' education. Moving in 2021, Agri Finance department will capitalize the growth in the agriculture sector by introducing tractor financing to small farmers through Akhuwat to facilitate them on subsidized rates under Prime Minister's Kamyab Jawan Program. Furthermore, Value Chain financing will also be introduced through well reputed sugar mills and other agricultural processing units to facilitate farmers. The Bank has also approved Islami Livestock Product to cater the need for financing in poultry and dairy sectors.

Consumer Finance

Year 2020 proved to be a difficult year amid Covid-19 and associated financial impact across the board especially for Consumer finance customers. Even in these crunch times, the Auto finance team has become a member of 1 Billion club in the month of September via disbursements of over Rs. 1 Bn against 525 units. To further boost Bank's Auto segment, the Auto finance team launched a campaign of its 'Residual Value' product in partnership with Indus Motor Company to bring Auto finance within the reach of Consumers. Furthermore, the Bank also renewed alliances with Honda, Audi and KIA. Moreover, special discount campaigns for Armed Forces and Medical Staff were also introduced during the outgoing year. Similarly, the Bank was successful in launching new product in housing finance segment to support the initiative taken by SBP and Government of Pakistan under the umbrella of Naya Pakistan Housing Scheme for low and middle income categories. The Bank will actively work towards this area to not only increase its Housing exposure but also to contribute towards economic prosperity of the general public of Pakistan.

Going forward, the Bank will further beef up its Auto finance sales team to aggressively enhance its Auto finance portfolio. Automobile sector is anticipated to generate record volumes on the back of expected introduction of new makes and models in 2021. Moreover, to support this, the Bank is also working on end-to-end digitization of auto disbursement process, new tie-ups with auto dealers and introduction of customer focused additional features.

Alternate Delivery Channel

ADC segment unleashed its new and improved Mobile Banking App for both iOS and Android mobile phone users. The new App was rolled out keeping in mind the consumer convenience. It has now been given a fresh look and offers easy to use interface with contemporary features and services. The Bank has also redesigned its ATM screens with additional features of SMS and Card Activation Services and was also successful in converting its entire debit card portfolio to EMV compliant (chip based) cards. During the year 2020, the Bank issued over 82,000 EMV compliant debit cards to its customers.

Home Remittance & Bancatakaful

Remittances flowing into Pakistan jumped to an all-time high of USD 23.1 Bn in the fiscal year 2019-20 as overseas workers were able to send money home after countries started easing Covid-19 lock downs around the world. Following the trend, BankIslami was able to grow its home remittance inflow, transactions and income levels by 82%, 51% and 42%, respectively.

In 2020 Bancatakaful has achieved sales volume of over Rs. 250 Mn, with Bank's income growing by 21%. Besides this the Bank also partnered with EFU Life (Window Takaful) to introduce referral model for sale of BancaTakaful products through its branches.

Distribution

With a growth of 23.2%, BankIslami's Deposit performance in 2020 reflects a year of progression amidst signaling economic growth in the country. Our goal is to continue to deliver long-term value to our shareholders and customers, as we execute our strategy to create a win-win combination for our customers and other stakeholders. The Bank took various initiatives to improve the foundation of its business channels so as to ensure sustainable growth. These include, opening of more than 107,000 new deposit accounts and conducted 266 sales blitz in various localities to attract new clientele. The Bank opened nine new branches, relocated 10 branches and increased strength of its Business Development Officers by 25% across the board. The Bank is also in the process of implementing the concept of freelance Business Professionals in all branches to generate business leads. Moreover, to rejuvenate its inactive client relationships, the Bank activated more than 17,000 dormant accounts during the outgoing year, and is briskly working towards further activations on continuous basis.

With this progress, we are well positioned to continue building our growth platform into 2021 and beyond. By understanding the financial services needs of our customers, we will ensure that our growth is customer-driven. The Bank also continue to operate within the appropriate risk parameters, whereas our growth will be driven from sustainable activities to ensure operational excellence and continued innovation.

Compliance

During the year 2020, the Bank successfully implemented electronic Know Your Customer and electronic Customer Risk Profiling to further strengthen its controls to mitigate the risk of Money Laundering / Terrorist Financing / Proliferation financing. Further, a dedicated Trade Based Money Laundering desk was also established in AML department to mitigate risk of Money Laundering through trade. The Bank continued to focus on AML/CFT trainings of its staff through alternate online channels since classroom training were discontinued due to Covid-19 situation.

Further, in relation to the implementation of SBP's Guidelines on Compliance Risk Management, the Bank has achieved certain crucial milestones such as formulation of Compliance Risk Strategy, Deployment of in-house developed CRM automated system along with migration of previous RCSAs (Risk and Control Self-Assessment).

Information Security

The Information Security department of the Bank is working intensely to improve the security infrastructure of the Bank. The department was beefed up with skilled internal resources in 2019, subsequent to which multiple exercises were conducted to fortify information security posture of the Bank. Some of the major initiatives comprised of:

- Revamping of the security features with improved controls of BankIslami's public website and critical applications.

- Provision of secure remote access to critical staff of the Bank amid Covid-19 pandemic situation to enable them to work from home.
- Improvement in monitoring and visibility of Information Security Operation Centre to timely monitor and mitigate any external threats.
- Comprehensive Vulnerability Assessment and Penetration Testing.

Enterprise Risk Management (ERM)

The ERM team has developed a new model for risk profiling of trade customers. The model will assist the Bank to effectively monitor trade related customers so that Bank can adhere with trade based money laundering guidelines of SBP. Moreover, the ERM department implemented a new model for effective monitoring of foreign currency cash in hand. This has allowed the Bank to avoid the cost of carrying idle foreign currency cash, thereby adding to the Bank's overall revenue.

Shariah

In order to facilitate the business teams and the clients during the pandemic, guidelines on 'Physical Inspection Waiver' and 'Implementation of Regulatory Relief to Dampen the Effects of Covid-19' were issued by Shariah Department which assisted the business teams in delivering customized Shariah compliant solutions to the clients in smooth form especially with reference to the cases pertaining to rescheduling / restructuring of financing facilities.

The Shariah department reviewed more than 1,800 transactions and banking documents relating to financing transactions, marketing and promotional material, restructuring and rescheduling cases, pool management related activities and income received by BankIslami to ensure its compliance with the principles of Shariah and guidelines established by Shariah Board of the Bank. The Shariah team of the Bank, during the smart lockdown period, ensured continuation of financing transactions' monitoring using digital means.

The Shariah team also visited branches across different cities including 17 model branches to conduct "Shariah Review and Knowledge Assessment" of branch staff across the country and to ensure a Shariah compliant environment at the branch level.

During the year, the Shariah team continued its focus on Shariah related trainings of Bank's employees. While ensuring Covid-19 related SoPs, more than 59 online and 41 classroom training sessions of Islamic Banking Concepts were conducted in various cities with more than 2,900 participants attended these sessions. The Shariah team also conducted awareness sessions for general public and students in various cities so as to interact with general public and students and address their questions/misconceptions pertaining to Islamic Banking. In order to impart mandatory Islamic Banking trainings to BankIslami staff and to comply with SBP instructions, the team facilitated and closely coordinated with HR in launching of mandatory self-study 'Basic Islamic Banking Online Program'.

The Shariah team also conducted Islamic Banking awareness seminars via Zoom for capacity building of staff of SBP BSC, Sukkur and Hyderabad.

Marketing

On the marketing side, the Bank sponsored multiple events to strengthen its brand positioning and create awareness of its Shariah Compliant products and One Touch Banking solution amongst multitudes. These include participation in Zameen Expo to promote its House Financing offerings, sponsorship of ACCA's Annual Corporate Networking Conference in Peshawar to establish its brand in the Northern Region and sponsorship of IBA Alumni's annual event which was attended by various industry leaders and high net-worth individuals. To educate the masses and create awareness regarding Islamic Banking products and its structure, the Bank developed and promoted informative video clips which was circulated across social media.

A dedicated and 360-degree Independence Day media campaign with the title of **‘Plantation for the Nation’** was launched to enhance BankIslami's brand equity and create positive brand association with patriotism and environment protection. To create awareness regarding Islamic Banking products and services, the Bank also developed and promoted informative video clips through digital channels.

Human Resource

BankIslami operates with a goal to provide equal employment opportunities and does not discriminate within its employees and job applicants on the basis of gender, religion, race, color, and disabilities. In line with this aim, the Bank inducted an exclusive batch of differently-abled employees during the outgoing period.

Following our strategic goal of ‘Employer by Choice’, BankIslami extended financial support to its employees, during the catastrophic situation ensuing from heavy thunderstorm and urban flooding in Karachi, by paying one-time Rain Emergency relief allowance to staff located in Karachi, to provide coverage against household losses incurred due to urban flooding.

As part of BankIslami’s continuous development and capacity building initiative, profile screening of support staff was done to provide them opportunity to advance their careers in business development and other roles. The Bank also conducted manpower planning exercise to streamline job roles of various functions. The objective was to streamline staffing needs and ensure that each function has proper manpower.

Institute of Business Management (IoBM) and BankIslami signed MoU on partnering for Islamic Banking Training programs which includes providing of accreditation by IoBM for BankIslami’s training programs. Two certification courses have already been launched i.e. Certified Customer Service Officer program, Certified Islamic Retail Banker program by the Bank under this MoU.

Using digital platforms, various E-learning modules, video tutorials and assessments were launched by the Bank to keep the employees engaged towards the process of continuous learning and development. Furthermore, continuous leadership development initiative sessions were conducted for top management to build an organizational culture based on Islamic values, innovation and adaptability. Interaction was also made with Chairman Shariah Board, Mufti Irshad Ahmad Aijaz, to reinforce the importance of Shariah Compliance and latest developments in Islamic Finance across the globe. For capacity building of the Bank’s staff to develop competencies of employees, courses were held through NIBAF, IBP, ICAP, IBA, etc.

BankIslami, in collaboration with the Centre for Islamic Finance of Lahore University of Management Science (LUMS), successfully conducted certified program on Islamic Finance for its 200+ Branch Managers and Area Managers in Lahore and Karachi. This learning initiative was part of Bank’s continuous development and capacity building initiative.

The Bank as a pilot project, took a unique initiative by launching out-patient health services through its in-house dispensary equipped with a qualified physician to provide medical consultancy to employees and their family members without any charges. Likewise, the Bank also initiated another unique benefit for its staff to support their dreams and personal aspirations wherein Hajj policy for its employees was announced and an employee along with family member, through balloting, was chosen and sponsored by the Bank to perform Hajj in next season.

Future Strategy

BankIslami envisages its continued growth in the Islamic Banking industry in years to come. The Bank aspires to enhance the value of its stakeholders and strengthen its position as one of the leading Islamic banks in the domain. To achieve this ambition, the Bank will remain focused towards implementation of its Strategic Plan (the Plan) which has been judiciously developed to exemplify its Vision and Mission Statements. The Strategic plan of the Bank sets out clear roadmap to achieve BankIslami's organizational goals and objectives. The Plan was developed during 2019 and subsequently adjustments were made to address the changing external environment. The Plan sets out various goals and KPIs for accelerated growth in deposit base, enhancing trade business volumes, 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.

Trends and Factors Likely to Affect the Future Development, Performance and Position of the Bank

The Board of Directors and Management of the Bank are committed towards monitoring the performance of the Bank in line with its strategic plan and financial targets. The Board meets at-least once every quarter to assess the performance of the Bank against operating and financial budgets. While assessing performance, the Board and the Management considers various factors that may potentially affect organization's future performance, development and position and require short-term changes in its Strategic Plan and financial targets. These factors include:

- Monetary Policy Committee decisions
- Macro-economic scenario and outlook
- Repricing of core assets and liabilities
- Exchange rate fluctuations
- Capital adequacy
- Competitive landscape
- Availability of Shariah compliant investment avenues
- Changes in laws, regulation, rules, corporate taxation and accounting framework
- External risks emanating from political and law order situation
- Technological changes
- Social and environmental changes
- Business continuity in times of hardship such as in case of disaster or pandemic.

Corporate Social Responsibility

BankIslami has a mission to create value for its stakeholders and everyone in the socio-economic in which it operates. Therefore, the Bank firmly believes to operate in a socially responsible and ethical manner and remains committed in making constructive contributions to the economy, society and the environment. Throughout the year 2020, energy conservation, donation and charity were central to BankIslami's CSR efforts.

Energy Conservation

BankIslami has always been a strong advocate for streamlining the utilization of eco-friendly and alternate energy solutions. Our people strongly believes in accustoming to greener and economical alternatives for energy consumption. Being aligned with this philosophy, the Bank has arranged its own solar powered installations that are producing more than 600 KW of energy and powering 158 of its branches. While we aim to make hundred percent of our branch network sustainable on solar energy, we face a space availability challenge as solar powered installations require load bearing rooftops at high altitude. Nonetheless, this challenge has not prevented the Bank's vision to minimize its carbon footprint and it keeps on endeavoring to create a sustainable, greener environment in the present and for a safer future so as to serve the humankind in *'the right way'*.

Charity and Donations

Charity is disbursed through distribution of charity payable account by the Bank. The sources of charity payable account are (a) Shariah non-compliant income, (b) purification of dividend income, (c) late payment charges received from customers and (d) profit earned on charity payable account. Charity disbursements made by the Bank are not only for the purpose of Shariah compliance but, at the same time, are meant to make a valuable and positive impact in the society. 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 22.2.1 to the financial statements. In addition to this, the Bank also contributed funds through donation mode to various philanthropic NGOs, including Indus Hospital, particulars of which are also disclosed in note 32.2 to the financial statements.

The aforementioned charity and donations also include funds, amounting to Rs. 25.6 Mn, provided to organization, schemes and deserving community which are fighting against the impact of Covid-19.

Card-less and Paper-less Banking

With a view point to save 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 Bank offers a unique Digital Banking experience for its customers which is based on biometric technology under the brand of *'OneTouch Banking'*. This feature has enabled our customers to withdraw funds from ATM or perform Over the Counter (OTC) transactions at BankIslami branches by using their thumb i.e. without the use of any plastic card and/or paper based instrument.

BankIslami takes pride in the fact that, at present, it is the only bank in Pakistan which is offering its customers to do card less and paper less banking transactions through its branches and ATM network.

Recognition

National Forum of Environmental & Health organizes a national event every year to recognize CSR initiatives by the corporate sector. This year BankIslami received four accolades in categories, namely *'Bio Diversity (for its One Touch Banking Solution)'*, *'Green Energy Initiative'*, *'Education Sponsorship'* and *'Collective Contribution towards Edhi'* (NGO) CSR Campaign. The Bank also won three precious award for its CSR initiatives and activities at 9th Annual CSR Summit and Awards 2020 for its efforts made in the areas of *'Sustainability Initiative'*, *'Environmental Stewardship'* and *'Social Impact'*.

Customer Service and Complaint Management

The Bank values its customers and takes pride in servicing them, therefore to ensure that we consistently deliver fair outcomes to our clients based on openness and transparency, we have made Fair Treatment of Consumer (FTC) an integral part of our corporate culture and, in line with this, the Bank has embedded 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 department to oversee service quality standards, problem resolution and the fair treatment of consumer. The Bank ensures that new Initiatives are taken at regular intervals to make banking experience more convenient, comfortable and pleasing for our customers. Key Service Indicators have been formed and strict controls are imposed through regular monitoring. In order to create 'Wow Experience' for our customers, the Service Quality department of the Bank regularly trains its staff on service indicators and complain management. The Bank considers 'Voice of Customer' as a major tool to judge the quality of services provided, therefore, to evaluate the satisfaction level of our customers, the Bank also conducts perception / satisfaction surveys on periodic basis.

Further to monitor overall performance and efficiency of service quality, the Management of the Bank has formed 'Service Excellence Committee' (SEC), under the chairmanship of the CEO. SEC meets on quarterly basis and is responsible to review various service quality standards recommended by Service Quality department. It also reviews various reports on service quality prepared by the department and identifies areas of improvement for strengthening and simplifying existing procedures including redundancies and duplications. It also suggests improvement in customers' and other stakeholder's service level and makes recommendations on carrying out research and analysis in quality assurance on continuous basis.

Customer Grievance

BankIslami has implemented a strong Complaint Handling Policy and Grievance Redress Mechanism to ensure that complaints and customer grievances are addressed in a timely manner with an aim to prevent recurrence of issues of the same nature. Customers have the option of registering their complaints through various modes, namely, branches, phone banking, social media, website and via email. Complaint management and resolution process is kept transparent through registration, acknowledgement, interim response (wherever 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 44,356 complaints were received by the Bank in 2020 and the average time taken to resolve these complaints was 4 working days. Other than these, 190 complaints were received from SBP and Banking Mohtasib Pakistan which were fully addressed during FY'20.

Compliance

BankIslami operates with a strong compliance culture which has enabled the Bank to adhere to high standards of ethics, integrity and honesty, starting from the top of the organization and cascading the same down the line in a way that ensures consistent and effective implementation of regulatory requirements / standards / practices and other laws in letter and spirit. Therefore, the Compliance function of the Bank serves a significant role which keeps activities of the Bank within the framework of applicable laws and regulations and overseeing compliance risk at an entity level to protect the interests of its stakeholders. The Compliance function ensures that the services of the Bank have not been utilized to facilitate any proscribed / outlawed person (both natural and legal) and instantly distinguishes activities suspected as money laundering. For efficacious implementation of AML /CFT regime, the Bank is equipped with required RegTech which incorporates performing automated transaction monitoring, screening of prospective customers, real time screening of international remittances, currency transactions reporting, suspicious transaction reporting and implementation of certain system based checks in our core banking system. The Compliance function of the Bank also assumes responsibilities including but not limited to conducting periodic review of relationships posing high risk including politically exposed persons (PEP), periodic reporting related to Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS), review and approval of high risk accounts, facilitating segments and 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.

Statement of Internal Controls

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 of the Bank. However, such system is designed to mitigate the risk of failure to achieve business objectives rather than eliminate the same absolutely.

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 by an Independent Audit Department reporting directly to the Board Audit Committee.

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.

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 following departments, 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. Moreover, under the current pandemic related crisis, MCC is monitoring the situation of Bank credit risk and business profile of its customers which have been affected from Covid-19.

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 long term assets and quality acquisitions. Policies and processes are being reviewed on regular basis 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. Asset 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.

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 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, 2019 to SBP. A similar assessment report for the year ended December 31, 2020 will be submitted within the stipulated time.

Capital Plan

The Bank considers sound capital planning vital for the entity for operating in a challenging and dynamic economic environment to comply with robust regulatory requirements and maintaining a prudent structure of capital to wither any external shocks. In line with this, the Board has set 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. The Bank has maintained its CAR at 16.10% well above the regulatory thresholds of 11.50% under the prescribed Basel-III regulations.

'SARS Coronavirus Disease of 2019' (Covid-19) and Counter Measures Taken by the Bank

The Covid-19 pandemic created disruption and uncertainty for the society and business community at a global level, whereby maintaining social distancing has now become the '*new normal*'. BankIslami, being a responsible institute, to manage the crisis brought about by this outbreak took numerous steps and business continuity related measures based on the guidelines issued by WHO, SBP and Government of Pakistan to ensure provision of safe and resilient working environment for its human capital and customers. These measures comprised of activation of BCP site, enablement of work from home policy for staff with strong information security protocols, promotion of free of cost digital services, operating with limited branches and staff, disinfection of office and branch premises on frequent basis and provision of company sponsored medical services, Covid-19 testing and advisory for Bank's staff. Furthermore, the Bank also issued timely advisories regarding precautionary measures for its employees and customers.

Pursuant to the deferment related relief packages announced by SBP, the Bank, remained engaged with its customers so that they can shield themselves from the financial challenges ensuing from Covid-19. The Bank approached its existing and new customers to extend financing facilities under specialized re-financing schemes introduced by the regulator. Till December 31, 2020, the Bank approved principal deferment requests of 135 Corporate, SME and Agriculture customers, whereas on the consumer front, the Bank approved deferment requests of 954 customers.

To provide sustenance to hospitals and medical centers in development of their capacity for treatment of infected patients of COVID-19, SBP announced a separate Refinance Scheme for combating Covid-19 (RFCC). To support this noble cause, BankIslami till December 31, 2020 approved facilities of around Rs. 332 Mn under the subject scheme, with Rs. 32 Mn has already been disbursed while Rs. 300 Mn has been allocated for setting up a new hospital for which drawdown under the scheme is available up to June 30, 2021.

In order to maintain employment levels in our country during the pandemic scenario, the Bank has actively participated in the Rozgar Scheme of SBP, through a risk sharing mechanism to finance salaries & wages by approving facility requests of 57 clients by December 31, 2020. Under Islamic Temporary Economic Relief Facility (TERF), the response from various businesses across different industries have been overwhelming. So far the Bank has approved 13 requests while various requests are in the approval stage.

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 manifestation of its commitment towards high standards of Corporate Governance and Best Practices:

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 significant doubts upon the Bank's ability to continue as a going concern.
7. There are no debts 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. As of 31 December 2020, the Board is compliant with respect to Directors' training requirement under CCG.
11. Transactions with related parties were conducted on arm's length basis and were carried out in the ordinary course of the Bank's business. Details of these transactions are disclosed in note 46 to the financial statements.
12. The financial statements of the Bank have been audited without qualification by the auditors of the Bank, EY Ford Rhodes, Chartered Accountants and approved by the Board in its meeting held on 03 March 2021 for issuance to the shareholders.

13. No material changes and commitments affecting the financial position of the Bank have occurred between the end of the financial year to which these financial statements relate and the date of the Director's report.
14. The value of investments of the Bank's provident fund and gratuity fund based on un-audited accounts as at 31 December 2020, amounted to Rs. 978.356 Mn and Rs. 324.314 Mn, respectively.
15. 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 as its utmost priority. We are of the view that strengthening and improvement of corporate governance is an ongoing process for the Board and its management with the aim to achieve sustainable growth and improvement of the Bank's corporate values on continuous basis to enable the organization to meet the expectations 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 which is also 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 2020 have been adopted by the Bank and have duly been 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 and best practices, the Board of the Bank comprises of both non-executive and independent directors, including representation of female director on the Board.

The current composition of the Board is as follows:

Total number of Directors **8**

Composition:

(i)	Independent Directors:	4
(ii)	Non-executive Directors:	3
(iii)	Executive Director:	1
(a)	Female Director:	1
(b)	Male Directors:	7

In order to share responsibilities, the Board has established 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 formation of these Committees does not absolve its responsibility to comply with fiduciary requirements.

The present Board of the Bank was elected on May 7, 2020 for which approval from SBP has been received. BankIslami's new Board of Directors comprises of leading professionals from industry. The members of the Board possess versatile experience in the fields of Corporate Finance, Capital Market, Investment Management, Private Equity, Economic Research, FinTech, Innovation and Corporate Governance. The Board members hold Professional certifications, Masters and Doctorate degrees from renowned international and local institutions.

For Composition of Committees and Directors' Attendance in the Board and its Committee meetings, please refer to the Corporate Governance section of this Annual Report.

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 current 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 the year 2021. Subsequent to the year-end, the Bank's shareholders have approved the revision in the Board Remuneration Policy. In the revised policy, the increase in the remuneration of Non-Executive Directors have been approved. Further, remuneration for the members of the Board Committees for attending the meetings of Board Committees has also been approved.

With regards to remuneration policy for its employees, the Bank offers compensation structure to attract and retain relevant and professional employees, whereas the annual performance review and increments of the same are based on process that encourages the culture of 'pay for performance'. The Board Remuneration Committee (BRC) is responsible to recommend 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

The Board is in process of conducting its performance evaluation by an external and independent third party.

Directors' Training

At present, six directors have completed the prescribed certification under Director Training Program (DTP) as per the requirement of Code of Corporate Governance. Two of the directors have obtained certification under the DTP during the year 2020, while four directors had attained certifications prior to 2020. 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, have completed their term of five years, from the year 2016 to 2020, and are not eligible for re-appointment as per the Code of Corporate Governance. On behalf of the Bank, the Board would like to extend its thanks and appreciation to the retiring auditors for the services provided by them during the tenor of their appointment. On the recommendation of the Board Audit Committee, the Board has proposed the appointment of KPMG Taseer Hadi & Co., Chartered Accountants, as statutory external auditors of Bank for the year 2021.

The appointment of external auditors will be subject to approval by shareholders of the Bank in the forthcoming Annual General Meeting. The proposed firm of auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP), and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP, and meet the requirements for appointment under all applicable laws.

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. PACRA has also maintained the credit rating of the Bank's unsecured, subordinated and listed Additional Tier-1 Sukuk issue of Rs. 2 Bn at 'A-' 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 26.3.1 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



Ali Hussain
Chairman of the Board of Directors

March 03, 2021

خارجی آڈیٹرز کا تقرر آئندہ ہونے والے سالانہ اجلاس عام میں حصص یافتگان کی منظوری سے مشروط ہوگا۔ آڈیٹرز کی مجوزہ فرم نے تصدیق کی ہے کہ انہیں انٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے کوائلی ریویو پروگرام کے تحت تسلی بخش درجہ دیا گیا ہے اور یہ کہ فرم اور ان کے تمام شراکت دار انٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے منتخب کردہ ضابطہ اخلاق سے متعلق بین الاقوامی فیڈریشن آف اکاؤنٹنٹس (IFAC) کے رہنما اصولوں کے مطابق ہیں اور تمام لاگو قوانین کے تحت تقرر کی تمام تقاضوں پر پورا اترتے ہیں۔

کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے معکم نقطہ نظر کے ساتھ بینک اسلامی کی طویل المدت ادارہ جاتی ریٹنگ کو "A+" اور قلیل المدت ادارہ جاتی ریٹنگ "A1" کی سطح پر برقرار رکھا ہے۔ PACRA نے بینک کے غیر محفوظ، ماتحت اور لٹھ 2 بلین روپے کے اضافی مرحلہ۔ 1، سکوک کو معکم نقطہ نظر کے ساتھ "A" کی سطح کی کریڈٹ ریٹنگ تفویض کی ہے۔

قانونی چارہ جوئی

بینک، متعدد قانونی چارہ جوئی کا فریق ہے جو یا تو اس کے جانب سے شروع کی گئی ہوں یا مختلف فریقین کی جانب سے اس کے خلاف شروع کی گئی ہوں۔ بینک اس قانونی مشورے کی بنیاد پر، بڑے اعتماد ہے کہ ان قانونی کارروائیوں کی وجہ سے مادی طور پر کوئی غیر یقینی صورتحال موجود نہیں ہے۔ اہم معاملات اور ہنگامی حالات کے سلسلے میں تازہ ترین معلومات اور پیش رفت کے مالی گوشارے نوٹ 26.3.1 میں مذکور ہیں۔

خراج تحسین

بورڈ، اسٹیٹ بینک آف پاکستان کو معاونت اور رہنمائی فراہم کرنے پر خراج تحسین پیش کرتے ہوئے ریکارڈ کا حصہ بنانا چاہتا ہے۔ بورڈ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر انضباطی حکام کی جانب سے تائید کئے جانے پر بھی تہ دل سے مشکور ہے۔ ہم اپنے گراں قدر صارفین، کاروباری شراکت داروں اور حصص یافتگان کے، ان کی جانب سے کی جانے والی سرپرستی اور اعتماد کے لیے بھی بے حد مشکور ہیں۔ مزید یہ کہ ہم اپنی انتظامی ٹیم اور ملازمین کی لگن، عزم اور سخت محنت کو بھی قدر کی نگاہ سے دیکھتے ہیں، جس نے بینک اسلامی کو نہ صرف بینکاری کی صنعت میں بلکہ خاص طور پر اسلامی بینکاری کی صنعت میں اہم مقام دیا ہے۔

منجانب و حسب الحکم بورڈ

علی حسین

علی حسین

چیرمین آف بورڈ آف ڈائریکٹرز



سید عامر علی

صدر اور چیف ایگزیکٹو آفیسر

معاوضے کی پالیسی کو بھی منظور کیا گیا تھا۔ سال کے اختتام کے بعد، بینک کے حصص یافتگان نے بورڈ کی معاوضہ پالیسی پر نظر ثانی کی منظوری دے دی ہے۔ نظر ثانی شدہ پالیسی میں، نان ایگزیکٹو ڈائریکٹرز کے معاوضے میں اضافے کی منظوری دے دی گئی ہے۔ مزید یہ کہ بورڈ کمیٹیوں کے اجلاسوں میں شرکت کے حوالے سے بورڈ کمیٹیوں کے اراکین کے معاوضے کی بھی منظوری دے دی گئی ہے۔

اپنے ملازمین کے لیے مشاہرہ (معاوضہ) کی پالیسی کے حوالے سے بینک، متعلقہ اور پیشہ ور ملازمین کو اپنی جانب راغب کرنے اور انہیں اپنے ساتھ برقرار رکھنے کے لیے معاوضہ کی ادائیگی کا اسٹرکچر پیش کرتا ہے جبکہ سالانہ کارکردگی کا جائزہ لینے اور اس میں اضافہ اس عمل پر مبنی ہیں، جو "کارکردگی کے عوض ادائیگی" کے کلچر کی حوصلہ افزائی کرتا ہے۔ بورڈ معاوضہ مشاہرہ کمیٹی (بی آرسی) کی ذمہ دار ہے کہ وہ ملازمین کے معاوضے کے ہیکسج کے اسٹرکچر کے بارے میں بورڈ کو سفارش کرے۔ بورڈ نے مشاہرہ کے حوالے سے ایک پالیسی کی منظوری دی ہے، جو ان کی کارکردگی، معاوضہ کے اسٹرکچر اور انتہائی تقاضوں کی تشخیص کے حوالے سے طریقہ کار میکانزم کے ساتھ مٹرل رسک ٹیکرز (MRTs) اور میرل رسک کنٹرولرز (MRCs) کی شناخت کے لیے اہلیت کی وضاحت کرتی ہے۔

بورڈ کے لیے کارکردگی کی تشخیص کا طریقہ کار

بورڈ اپنی کارکردگی کا جائزہ لینے کے عمل کو ایک خود مختار تیسرے فریق کے ذریعے انجام دے رہا ہے۔

ڈائریکٹرز کی تربیت

اس وقت تک کوڈ آف کارپوریٹ گورننس کے تقاضوں کے مطابق 6 ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام (ڈی ٹی پی) کے تحت تجویز کردہ سرٹیفیکیشن مکمل کر لی ہے۔ ڈائریکٹرز میں سے دو نے سال 2020 کے دوران ڈی ٹی پی کے تحت سرٹیفیکیشن حاصل کر لی ہے، جبکہ چار ڈائریکٹرز نے سال 2020 سے قبل سرٹیفیکیشن حاصل کی تھی۔ مزید برآں، تمام ڈائریکٹرز کارپوریٹ ادارے کے ڈائریکٹرز کے حیثیت سے اپنے فرائض اور ذمہ داریوں سے پوری طرح واقف ہیں۔

شیئر ہولڈنگ کا طریقہ 1 نمونہ

بینک، پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ اس کی شیئر ہولڈنگ بشمول اس کے ڈائریکٹرز اور ایگزیکٹوز کے پاس موجود حصص (اگر کوئی ہو) کا مفصل طریقہ نمونہ اور مزمرہ جات، سالانہ رپورٹ میں منسلک ہیں۔

آڈیٹرز

موجودہ EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس نے سال 2016 سے سال 2020 تک اپنی پانچ سالہ مدت مکمل کر لی ہے اور کوڈ آف کارپوریٹ گورننس کے مطابق دوبارہ تقرری کے لیے اہل نہیں ہیں۔ بینک اپنی جانب سے سبکدوش ہونے والے آڈیٹرز کو ان کی تقرری کی مدت کے دوران فراہم کردہ خدمات پر تہہ دل سے شکر یہ ادا کرتا ہے۔ بورڈ آڈٹ کمیٹی کی سفارش پر، بورڈ نے KPMG Taseer Hadi & Co. چارٹرڈ اکاؤنٹنٹس کی سال 2021 کے حوالے سے قانونی خارجی آڈیٹرز کی حیثیت سے تقرری کی تجویز دی ہے۔

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی جانب سے 31 دسمبر، 2020 کو ختم ہونے والے سال سے متعلق کمپنیز کے کوڈ آف کارپوریٹ گورننس ریگولیشن 2019 (سی سی جی) کے تمام تقاضوں کی بینک نے اپنایا گیا ہے اور اس کی باضابطہ طور پر تعمیل کی گئی ہے۔ اس سلسلے میں ایک بیان سالانہ رپورٹ کے ساتھ منسلک ہے۔

بورڈ کی تشکیل

سی سی جی کے مطلوبہ تقاضوں اور بہترین طریقوں کے تسلسل میں، بینک کا بورڈ نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز بشمول بورڈ میں خاتون ڈائریکٹر کی نمائندگی، دونوں پر مشتمل ہے۔

بورڈ کی موجودہ تشکیل درج ذیل کے مطابق ہے:

8 ڈائریکٹرز کی مجموعی تعداد

تشکیل

4	(i) انڈیپنڈنٹ ڈائریکٹرز
3	(ii) نان ایگزیکٹو ڈائریکٹرز
1	(iii) ایگزیکٹو ڈائریکٹر
1	(a) خاتون ڈائریکٹر
7	(b) مرد ڈائریکٹرز

بورڈ نے ذمہ داریوں کی تقسیم کے حوالے سے، بورڈ کے اراکین پر مشتمل خصوصی کمیٹیاں تشکیل دی ہیں جن کے واضح مقاصد، رپورٹنگ کے طریقہ کار اور اختیارات کے دائرہ کار پر اتفاق رائے موجود ہے۔ بورڈ کی یہ کمیٹیاں نگرانی کے عمل کا ایک اہم جزو تشکیل دیتی ہیں۔ بورڈ اعتراف کرتا ہے کہ ان کمیٹیوں کی تشکیل، بورڈ کی سرپرستی اور نگرانی کے تقاضوں کی تعمیل کی ذمہ داریاں کو ختم نہیں کرتی ہے۔

بینک کا موجودہ بورڈ 7 مئی، 2020 کو منتخب ہوا تھا، جس کے لیے اسٹیٹ بینک آف پاکستان سے منظوری حاصل کی جا چکی ہے۔ بینک اسلامی کے نئے بورڈ آف ڈائریکٹرز میں صنعت کے ماہر پیشہ ور افراد شامل ہیں۔ بورڈ کے اراکین، کارپوریٹ فنانس، کمپیوٹریٹ، مارکیٹ، انویسٹمنٹ مینجمنٹ، پرائیویٹ ایکویٹی، اکنامک ریسرچ، فن ٹیک، انویشن اور کارپوریٹ گورننس کے شعبوں میں ہمہ گیر تجربے کے حامل ہیں۔ بورڈ کے اراکین معروف بین الاقوامی اور مقامی اداروں سے پیشہ ورانہ سند، مسٹرز اور ڈاکٹریٹ کی اسنادوں کی حامل ہیں۔

کمیٹیوں کی تشکیل اور بورڈ اور اس کی کمیٹی کے اجلاسوں میں ڈائریکٹرز کی حاضری کے لیے، اس سالانہ رپورٹ کا کارپوریٹ گورننس سیکشن ملاحظہ کریں۔

مشاہرہ کا فریم ورک

چیرمین، نان ایگزیکٹو ڈائریکٹرز اور انڈیپنڈنٹ ڈائریکٹرز اجلاسوں میں شرکت کے حوالے سے صرف فیس اور موزوں سفری، بورڈنگ اور لاجنگ اخراجات کے اہل ہیں۔ معاوضے کی موجودہ سطحیں مناسب اور عائد کردہ ذمہ داری کی سطح کے عین مطابق ہیں جو بینک اور اس کے حصص یافتگان کے بہترین مفاد میں نگرانی کے حوالے سے درکار ہیں۔ بینک کے بورڈ کے اجلاسوں میں شرکت کے حوالے سے ڈائریکٹرز کو دیا جانے والا معاوضہ، بینک کی جانب سے معتقد کردہ اجلاس عام میں بورڈ اور حصص یافتگان کے منظور کردہ پیمانہ کے مطابق ادا کیا جا رہا ہے۔ سال 2021 میں بورڈ کی جانب سے ایک باقاعدہ

- 4- مالی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر عمل کیا گیا ہے اور اس میں سے ہونے والے کسی بھی اخراج کی موزوں طریقے سے وضاحت کی گئی ہے۔
- 5- داخلی کنٹرول کا نظام ڈیزائن کے اعتبار سے مستحکم ہے اور اسے موثر طریقے سے نافذ کیا گیا ہے اور اس کی نگرانی کی جا رہی ہے۔
- 6- بینک کے اپنے امور کو اس طرح جاری رکھنے کی صلاحیت پر کسی قسم کا شبہ نہیں ہے۔
- 7- صکوک یا قرض کے حوالے سے کوئی ایسی دستاویز نہیں ہیں جن میں بینک نا دہندہ ہو یا مکتہ طور پر نا دہندہ ہونے کا خدشہ ہو۔
- 8- CCG کے بہترین طریقوں میں سے مادی طور پر کسی بھی قسم کی رخصتی نہیں ہوئی ہے۔
- 9- چیئرمین اور بورڈ کے دیگر اراکین کی تقرری کی شرائط قابل اطلاق اور بہترین طریقہ کار کے مطابق ہیں اور یہ کہ بینک کے بہترین مفاد میں ہیں۔
- 10- 31 دسمبر، 2020 تک بورڈ CCG کے تحت ڈائریکٹرز کی تربیت ضرورت کے مطابق ہے۔
- 11- متعلقہ فریقین کے ساتھ لین دین (ٹرانزیکشنز) طے کردہ فاصلے کی بنیاد پر کیا گیا تھا اور بینک کے عمومی امور میں انجام دیا گیا تھا۔ ان ٹرانزیکشنز کی تفصیلات مالی گوشواروں کے نوٹ 46 میں ظاہر کی گئی ہیں۔
- 12- بینک کے مالیاتی گوشواروں کو بینک کے آڈیٹرز، EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس کی جانب سے جانچ و توثیق کے بغیر آڈٹ کیا گیا ہے اور 03 مارچ، 2021 کو ہونے والے اجلاس میں بورڈ کی جانب سے اسے حصص یافتگان کو جاری کرنے کی منظوری دے دی گئی ہے۔
- 13- ان مالی گوشواروں سے متعلقہ مالی سال کے اختتام اور ڈائریکٹرز کی رپورٹ کی تاریخ کے درمیان بینک کی مالی حیثیت کو متاثر کرنے والی کوئی مادی تبدیلیاں اور وعدے رعبہ نہیں ہوئے ہیں۔
- 14- 31 دسمبر، 2020 کو غیر آڈٹ شدہ اکاؤنٹس کی بنیاد پر بینک کے پراویڈنٹ فنڈ اور گریجویٹ فنڈ کی سرمایہ کاری کی مالیت کی رقم بالترتیب 978.356 ملین روپے اور 324.314 ملین روپے ہے۔
- 15- ڈائریکٹرز کی رپورٹ کے ساتھ مندرجہ ذیل معلومات منسلک ہیں:
 - (I) دوران سال ڈائریکٹرز اور چیف ایگزیکٹو کی جانب سے حصص کی خرید و فروخت
 - (II) گزشتہ چھ سالوں کے اہم آپریٹنگ اور مالی کوائف راعداد و شمار

ادارہ جاتی ضابطہ کار کی تعمیل

بینک ادارہ جاتی ضابطہ کار کے بہترین طریقوں کی تعمیل کو اپنی اولین ترجیح تصور کرتا ہے۔ ہمارا خیال ہے کہ ادارے کو اسٹیک ہولڈرز بشمول حصص یافتگان اور صارفین کی توقعات کو پورا کرنے کے قابل بنانے کے لیے مستقل بنیاد پر بینک کی ادارہ جاتی اقدار کی مستحکم نمو اور بہتری کے مقصد کے حصول کے لیے ضابطہ کار کو مستحکم اور بہتر بنانا بورڈ اور اس کی انتظامیہ کے لیے ایک جاری رہنے والا عمل ہے۔ بینک اسلامی اپنے ہر عمل، خاص طور پر صارفین کے ساتھ معاملات میں میں شفافیت اور قابلیت کو بھی یقینی بناتا ہے، جو اس کے درج ذیل بنیادی اقدار سے بھی ظاہر ہوتا ہے:

- پراڈکٹ کا مستند ہونا
- کسٹمر پر توجہ
- دیانت داری
- ٹیم ورک
- عاجزی
- جدت

یہ اقدامات، بی سی پی سائٹ کو فعال کرنے، مستحکم انفارمیشن سیکورٹی پروٹوکول سے عملے کے لیے ہوم پالیسی سے کام کو اہل بنانا، مفت ڈیجیٹل خدمات کو فروغ دینا، محدود برانچوں اور عملے کے ساتھ کام کرنا، دفتر اور برانچ کے احاطے کی متعدد بنیادوں پر تلی اور کپنی کی جانب سے بینک کے عملے کے لیے اسپانسر کردہ طبی خدمات، COVID-19 ٹیسٹنگ شامل ہیں۔

اسٹیٹ بینک آف پاکستان کی جانب سے اعلان کردہ التواء سے متعلق رعایتی پیکجوں کی پیروی میں، بینک اپنے صارفین کے ساتھ رابطے میں رہا تاکہ وہ COVID-19 سے آنے والے مالی مسائل سے خود کو بچاسکیں۔ انضباطی حکام (ریگولیٹرز) کی جانب سے متعارف شدہ خصوصی ری فناننگ اسکیموں کے تحت فناننگ کی سہولیات میں توسیع کے لیے بینک نے اپنے موجودہ اور نئے صارفین سے رابطہ کیا۔ بینک نے 31 دسمبر، 2020 تک 135 کارپوریٹ، ایس ایم ای اور زرعی صارفین کی اصل رقم کے التواء کی درخواستوں کی منظوری دے دی ہے، جبکہ صارف کی سطح پر بینک کے 954 صارفین کی التواء کے حوالے سے دی جانے والی درخواستوں کو منظور کیا۔

COVID-19 سے متاثرہ مریضوں کے علاج معالجے کی صلاحیتوں میں اضافے کے لیے اسپتالوں اور طبی مراکز کو رسد فراہم کرنے کے حوالے سے اسٹیٹ بینک آف پاکستان نے COVID-19 (آر ایف سی سی) کا مقابلہ کرنے کے لیے ایک علیحدہ ری فناننگ اسکیم کا اعلان کیا۔ اس اعلیٰ ترین مقصد کی تائید کرتے ہوئے، بینک اسلامی نے اس اسکیم کے تحت 31 دسمبر 2020 تک تقریباً 332 ملین روپے کی سہولیات کی فراہمی کی منظوری دی، جس میں سے 32 ملین روپے پہلے ہی تقسیم کئے جا چکے ہیں جبکہ 300 ملین روپے کو نئے اسپتال کی تعمیر کے لیے مختص کیا گیا ہے، جو 30 جون، 2021 تک اس اسکیم کے تحت خرچ کرنے کے لیے دستیاب ہیں۔

وہائی حالات میں ملک میں روزگار کی سطح کو برقرار رکھنے کے لیے بینک نے 31 دسمبر، 2020 تک 57 کلائنٹس کی جانب سے تنخواہوں اور اجرتوں میں مالی اعانت کے حصول کے لیے دی جانے والے درخواستوں کو منظور کرتے ہوئے رسک شیئرنگ میکانزم کے ذریعے، اسٹیٹ بینک آف پاکستان کی روزگار اسکیم میں فعال انداز میں اپنا کردار ادا کیا۔ اس اسلامی عارضی معاشی رعایتی (امدادی) سہولت (TERF) کے تحت، مختلف صنعتوں کے مختلف کاروباری اداروں کی جانب سے ملنے والا رد عمل انتہائی زبردست ہے۔ اب تک بینک نے 13 درخواستوں کی منظوری دے دی ہے جبکہ متعدد درخواستیں منظوری کے مراحل میں ہیں۔

کارپوریٹ اور مالی رپورٹنگ کے فریم ورک پر ڈائریکٹرز کا بیان

بورڈ کے ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے جاری کردہ لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس، 2019 اور ایس بی پی کے ذریعے عائد کردہ ذمہ داری سے مکمل طور پر واقف ہیں۔ مندرجہ ذیل بیانات، کارپوریٹ گورننس اور بہترین طرز عمل کے اعلیٰ ترین معیار کے ساتھ اپنی وابستگی کا مظہر ہیں۔

1- بینک کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے، اس کے امور کی شفافیت، اس کے کاموں کے نتائج، ذریعہ نقد کی ترسیل اور ترسیلات زر (ایکویٹی) میں بدلاؤ کو پیش نظر رکھتے ہیں۔

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

3- مالی گوشواروں کی تیاری کے حوالے سے موزوں اکاؤنٹنگ پالیسیاں مستقل بنیاد پر اختیار کی گئی ہیں (ماسوائے مالی گوشواروں میں علیحدہ سے ظاہر کردہ) نیز اکاؤنٹنگ کے تخمینہ جات موزوں اور محتاط فیصلوں کی بنیاد پر کئے جاتے ہیں۔

کیا جاتا ہے۔ کسی بھی ممکنہ لیکویڈیٹی ریسک کی تشخیص کے لیے لیکویڈیٹی ریسک کے مختلف تناسب کی نگرانی کی جا رہی ہے۔ ٹریڈری سے متعلق امور کی نگرانی میں مارکیٹ اور لیکویڈیٹی ریسک فنکشن کے کردار کو مختلف حدود کے تعین، ان کی نگرانی، اطلاع دہندگی اور نظام میں بہتری کے عمل کو تقویت ملی ہے۔ نقصان کے اعداد و شمار کی رپورٹنگ، ریسک اور کنٹرول کی از خود تشخیص، اہم ریسک انڈیکسز کا احاطہ، ریسک کی نشاندہی کے ذریعے دستاویزات اور بینک کے طریقوں میں بہتری، آپریشنل ریسک مینجمنٹ فریم ورک میں مستقل بہتری کا ثبوت ہے۔

مستحکم آپریشنل ریسک مینجمنٹ فریم ورک کے دائرہ کار کو وسعت دینے کے لیے مسلسل کوششیں کی جا رہی ہیں۔ بینک، داخلی آپریشنل ریسک آگاہی کے پروگرام کا حامل ہے، جس کا مقصد صلاحیتوں کو بڑھانا نیز تربیت اور ملازمت سے متعلق عملے میں آگاہی کو بڑھانا اور ریسک سے پاک کلچر کو تخلیق دینا ہے تاکہ زیادہ سے زیادہ خدشات سے آگاہی کو فروغ دیا جاسکے۔

مالیاتی رپورٹنگ پر داخلی کنٹرول (ICFR)

بینک نے مالیاتی رپورٹنگ کنٹرول سمیت داخلی کنٹرول کے مجموعی سیٹ کے اثرات کا اندازہ لگانے کے لیے داخلی کنٹرول سے متعلق اسٹیٹ بینک آف پاکستان (SBP) کے رہنما اصولوں پر تندی سے عمل کیا۔ بینک کی وسعت پر طریقہ کار اور کنٹرولز کی مفصل دستاویز کو کنٹرول ڈیزائن کے غلطی کے جامع تجزیہ اور شناخت شدہ خلیج کے تدارک کے منصوبے کی تیاری کے ساتھ مکمل کی گئی تھی۔ مزید برآں، بینک نے اہم کنٹرولز کے آپریشنل اثرات کو یقینی بنانے کے لیے جامع انتظامی جانچ اور رپورٹنگ فریم ورک تیار کیا گیا ہے اور ڈیزائن میں نشاندہی کی جانے والی بہتری کے امور کو نمایاں طور پر حل کیا ہے۔ داخلی کنٹرول اور فنانشل رپورٹنگ (آئی سی ایف آر) روڈ سیپ کی تسلی بخش تکمیل پر، ایس بی پی نے بیرونی آڈیٹرز کی جانب سے لاگ فارم رپورٹ (LFR) کے جمع کرنے سے سال 2017 میں بینک کو استثناء دیا گیا۔ اب ضرورت اس امر کی ہے کہ بینک آڈٹ کمیٹی کے ذریعے تائید شدہ اپنی سالانہ خود تشخیصی رپورٹ، ایس بی پی کو پیش کرے۔ اس سے قبل 31 دسمبر، 2019 کو ختم ہونے والے سال کے حوالے سے آخری رپورٹ اسٹیٹ بینک آف پاکستان کو پیش کی گئی تھی۔ 31 دسمبر، 2020 کو ختم ہونے والے سال کے حوالے سے بھی اسی طرح کی ایک تشخیصی رپورٹ مقررہ مدت میں پیش کی جائے گی۔

کمپیوٹل پلان

بینک، کسی بھی خارجی گزند کو ختم کرنے کے لیے مستحکم انضباطی تقاضوں کی تعمیل اور سرمایہ کے تقاطع اسٹریٹجی کو برقرار رکھنے کے لیے، اس مشکل اور متحرک اقتصادی ماحول میں کام کرنے کے حوالے سے اداے کے لیے مستحکم ٹھوس سرمایہ کی منصوبہ بندی کو اہم سمجھتا ہے۔ اسی تسلسل میں، بینک نے اعلیٰ اختیارات کے ذریعہ طے شدہ بے سہل III اور MCR فرم ورک کے ساتھ طویل المیعاد سطح پر عمل پیرا ہونے کے لیے ایک دانشمندانہ منصوبہ تیار کیا ہے۔ بینک نے اپنے CAR کو مقررہ باس III کے ضوابط کے تحت 11.50% کی ریگولیٹری حد سے بڑھا کر 16.10% پر برقرار رکھا ہے۔

سال 2019 کی SARS کو روکنا وائرس مرض (COVID-19) اور بینک کی جانب سے کئے جانے والے انسدادی اقدامات

COVID-19 کی وباء نے عالمی سطح پر معاشرے اور کاروباری برادری کے معاملات میں خلل اور غیر یقینی پیدا کی، جس کے تحت سماجی فاصلہ برقرار رکھنا اب ایک نیا معمول بن گیا ہے۔ بینک اسلامی ایک ذمہ دار ادارہ ہونے کی وجہ سے اس وباء سے پیدا ہونے والے بحران کو سنبھالنے کے لیے WHO، اسٹیٹ بینک آف پاکستان اور حکومت پاکستان کے جاری کردہ رہنماء خطوط کی بنیاد پر کاروباری تسلسل سے متعلق متعدد اقدامات کئے گئے، تاکہ اس سے ہیومن کمپیوٹل اور صارفین کے لیے محفوظ اور سہل کاروباری ماحول کی فراہمی یقینی بنایا جاسکے۔

رسک مینجمنٹ فریم ورک

رسک مینجمنٹ کا مقصد کاروباری سرگرمیوں کے معمول کے امور کے دوران پیدا ہونے والی غیر یقینی صورتحال کا مؤثر طریقے سے انتظام و انصرام کرنا ہے۔ یہ بینکنگ بزنس کا سب سے اہم شعبہ ہے جس کے ذریعے بینک نقصان کے خدشات (رسک) کی صورتحال میں رہتے ہوئے، تصفیہ شدہ رسک کے منافع جات کو زیادہ سے زیادہ کرنے کے ہدف کے ساتھ انٹرنل پریزنز و اینڈرسک کا انتظام و انصرام کرتا ہے۔ رسک مینجمنٹ گروپ، سینئر ایگزیکٹوز کی سربراہی میں مندرجہ ذیل ڈویژنز کا حامل ہے، جو کہ رسک مینجمنٹ کے سربراہ کو رپورٹ کرتا ہے:

- کارپوریٹ کریڈٹ رسک مینجمنٹ
- کنزیومر کریڈٹ رسک مینجمنٹ
- کریڈٹ اینڈ منسٹریشن
- انٹرنل پریزنز رسک مینجمنٹ (ERM)
- انفارمیشن سیکورٹی
- آپریشنل ایسٹس مینجمنٹ

متعلقہ تجربہ اور مہارت کے ساتھ اعلیٰ انتظامیہ کے اراکین پر مشتمل خصوصی کمیٹیاں، بورڈ کے ذریعے مرتب کردہ مجموعی حکمت عملی کے مطابق اپنے فرائض سرانجام دیتی ہیں، تاکہ گزارشات کو رسک برداشت کرنے کی صلاحیت کی سطح کے اندر رکھنے کو یقینی بنایا جاسکے۔ کمیٹیز میں مندرجہ ذیل شامل ہوتے ہیں:

- 1- مینجمنٹ کریڈٹ کمیٹی (MCC)
- 2- ایسٹس لائبریری کمیٹی (ALCO)

ایم سی سی اس بات کو یقینی بناتا ہے کہ کریڈٹ رسک کے امور، بورڈ کی منظور شدہ پالیسیوں، انضباطی تقاضوں، بینک کی رسک برداشت کرنے کی صلاحیت اور صنعت کے بہترین طریقوں کے مطابق ہو۔ مزید برآں، موجودہ وہابی امراض سے وابستہ حالیہ بحران کے تحت، ایم سی سی اپنے ان صارفین کے بینک کریڈٹ رسک اور کاروباری پروفائل کی صورتحال پر نظر رکھے ہوئے ہے، جو COVID-19 سے متاثر ہوئے ہیں۔ ALCO مارکیٹ، سیالیت (لیکویڈیٹی)، ملک کو درپیش رسک کے حالات، اثاثہ جات اور واجبات کی مدت تکمیل کے پروفائل کا جائزہ لیتے ہوئے نرخوں کا تعین کرتا ہے اور طویل مدتی اثاثہ جات اور معیار کے حصول کے حوالے سے مستحکم سیالیت (لیکویڈیٹی) کے انتظام و انصرام کے فیصلے کرتا ہے۔ پالیسیوں اور طریقہ کار کو مزید سخت کرنے کے نظریہ کے تحت باقاعدہ بنیادوں پر جائزہ لیا جا رہا ہے، جو اثاثہ جات کے معیار کو مزید بہتر بنانے کا باعث ہوگا۔ ERM کو مارکیٹ رسک فنکشن رپورٹنگ کے ذریعے ایکویٹی، فارن ایکسچینج اور لیکویڈیٹی سے وابستہ نقصان کے خدشات کی مسلسل بنیاد پر پیمائش اور نگرانی کی جا رہی ہے۔ وباؤ کی جانچ اور حساسیت کے حوالے سے اقدامات کو مارکیٹ کو درپیش نقصان کے خدشات (رسک) کی نگرانی اور انتظام و انصرام کے لیے رسک مینجمنٹ ٹولز کے طور پر استعمال کیا جاتا ہے۔ فنانشنگ کی جامع پالیسیوں اور طریقہ کار، فنانشنگ کی منظوری دینے والے والے مخصوص تفویض کردہ عہدیداران، مناسب کولیرل کوریج، اس کی دستاویزات اور وقتاً فوقتاً کئے جانے والے تجزیوں کے ذریعے اثاثہ جات کے معیار کو یقینی بنایا جا رہا ہے۔ جامع رسک کے تجزیے اور متنوع پورٹ فولیو پر توجہ مرکوز رکھتے ہوئے فنانشنگ میں اضافے کو یقینی بنایا گیا ہے۔ مارکیٹ کے رسک کی تشخیص کے لیے بینک رسک کی مالیت کا حساب لگاتا ہے۔ سیالیت (لیکویڈیٹی) کا یومیہ انتظام و انصرام زرنقد کی ترسیل کی ممانعت، انضباطی وسائل کی ضرورت کی تکمیل اور موزوں لیکویڈیٹی اثاثہ جات کو برقرار رکھنے کے ذریعے

کمپلائنس

بینک اسلامی ایک مستحکم کمپلائنس کی ثقافت کے ساتھ کام کرتا ہے، جس نے بینک کو اختلاقیات، دیانتداری کے اعلیٰ معیارات پر عمل پیرا ہونے کے قابل بنادیا ہے۔ ادارے کی اعلیٰ سطح سے شروع کر کے اسے انہی خطوط پر نیچے کی جانب اس طریقے سے لے جایا جاتا ہے کہ وہ انضباطی تقاضوں، معیارات، مشق اور دیگر قوانین کو ان کی اصل روح کے مطابق موثر طریقے سے مستقل بنیاد پر اطلاق کو یقینی بناتا ہے۔ لہذا بینک کا کمپلائنس فنکشن ایک اہم کردار ادا کرتا ہے جو بینک کے امور سرگرمیوں کو قابل اطلاق قوانین اور ضوابط کی حدود میں رکھتا ہے اور اس کے اسٹیک ہولڈرز کے مفادات کے تحفظ کے لیے ادارے کی سطح کمپلائنس کے حوالے سے درپیش خطرات (رسک) کی نگرانی کرتا ہے۔ کمپلائنس فنکشن اس بات کو یقینی بناتا ہے کہ بینک کی خدمات کسی بھی ممنوعہ وغیر قانونی شخص (طبی یا قانونی) کی سہولت کاری کے لیے استعمال نہیں کی گئی ہوں نیز یہ منی لانڈرنگ کے حوالے سے مشکوک سرگرمیوں کی بھی نشاندہی کرتا ہے۔ AML/CFT نظام کو موثر انداز میں نافذ کرنے کے لیے، بینک مطلوبہ RegTech سے لیس ہے، جس میں خود کار طریقے سے ٹرانزیکشن کی نگرانی، متوقع صارفین کی اسکریننگ، بین الاقوامی ترسیلات زر کے اصل وقت کی جانچ، کرنسی ٹرانزیکشن رپورٹنگ، مشکوک لین دین کی اطلاع دہنگی اور ہمارے بنیادی بینکاری نظام میں سسٹم کی بنیاد پر مخصوص جانچ کا نفاذ شامل ہے۔ بینک کا کمپلائنس فنکشن ان ذمہ داریوں کو بھی بھاتا ہے (تاہم یہاں تک محدود نہیں) جن میں زیادہ نقصان کے خدشات کے ساتھ بننے والے والے تعلقات بشمول سیاسی طور پر معروف اشخاص، فارن اکاؤنٹ ٹیکس کمپلائنس ایکٹ (FATCA) سے متعلق وقتاً فوقتاً رپورٹنگ اور عمومی رپورٹنگ معیارات (CRS)، زیادہ خدشات والے اکاؤنٹس کا جائزہ اور منظوری، سہولت کاری کا سیگمنٹ اور AML/CFT سے متعلق معاملات کی برانچز، مقامی اور بین الاقوامی پابندیوں پر مشاورت کا وقتاً فوقتاً جائزہ لیا جاتا ہے نیز AML/CFT, FATCA, CRS پر عملی گیر بنیاد پر باضابطہ طور پر وسیع تربیت کا انعقاد بھی کرتا ہے۔

داخلی کنٹرولز کا بیان

بورڈ آف ڈائریکٹرز اس بات کی یقین دہانی کے حوالے سے اپنی ذمہ داری کو تسلیم کرتا ہے کہ اس کے بینکاری کے تمام پہلوؤں کا احاطے کرنے کے لیے ایک موزوں اور موثر داخلی کنٹرول سسٹم موجود ہے اور بینک انتظامی امور کے ذریعے اس کی سختی سے پیروی کی جا رہی ہے۔ تاہم اس طرح کا نظام کاروباری اہداف کو حاصل کرنے میں ناکامی کے خدشات (رسک) کو یکسر ختم کرنے کی بجائے، کم کرنے کے لیے ڈیزائن کیا گیا ہے۔

بورڈ کار ضابطہ کار (کارپورٹ گورنس) کے اعلیٰ ترین معیار کی تعمیل کی تصدیق کرتا ہے کہ اور یہ کہ بینک کا موجودہ داخلی کنٹرول کا نظام اپنے ڈیزائن کے لحاظ سے مستحکم ہے اور بورڈ آڈٹ کمیٹی کو براہ راست رپورٹنگ کرتے ہوئے آزاد آڈٹ ڈیپارٹمنٹ کے ذریعے موثر طریقے سے اس پر عمل درآمد اور نگرانی کی جا رہی ہے۔

بورڈ داخلی کنٹرول سے متعلق انتظامیہ کی جانب سے دیئے گئے بیان کی توثیق پر رضامند ہے، جس میں سالانہ رپورٹ میں شامل مالیاتی رپورٹنگ سے متعلق اندرونی کنٹرول کے حوالے سے انتظامیہ کی تفصیلات بھی شامل ہے۔

کسٹمر سروس اور شکایت کا انتظام و انصرام

بینک نہ صرف اپنے صارفین کی قدر کرتا ہے بلکہ ان کی خدمت کرنے میں فخر محسوس کرتا ہے، اسی لیے بطور بینک ہم اس بات کو یقینی بناتے ہیں کہ ہم اپنے صارفین کو واضح اور شفاف بنیاد پر منصفانہ نتائج مستقل بنیاد پر فراہم کریں۔ ہم نے فیئر ٹریڈنگ آف کنزیومر (FTC) تخلیق کیا ہے، جو کہ ہمارے کارپوریٹ کلچر کا ایک جزو ہے اور اس کے مطابق بینک نے ایک محتاط کنزیومر پروٹیکشن فریم ورک اپنے امور میں شامل کیا ہے۔

پراڈکٹس کے ڈیزائن کی تیاری، فروختگی اور اس کے انتظامات کے دوران، ہم نے کسی بھی امتیاز کے بغیر کسٹمر کی ضروریات اور فوائد کا خیال اور اس پر غور کرنے کو اپنی اولین ترجیح بنایا ہے۔ ہم اپنے صارفین کو اعلیٰ درجے کی خدمت کے معیار اور اطمینان کی فراہمی کے لیے پرعزم ہیں اور اس معیار کی تکمیل کے لیے ہم نے کوالٹی اسٹینڈرڈز، مسائل کے حل اور صارفین کے ساتھ منصفانہ اور مناسب برتاؤ کی نگرانی کے لیے ایک علیحدہ سروس کوالٹی ڈیپارٹمنٹ تشکیل دیا ہے۔ بینک اپنے صارفین کو آسان، پرسکون اور خوشگوار بینکنگ کی سہولیات کی فراہمی کے لیے وقفہ وقفہ سے نئے اقدامات کرنے اور ان پر عمل درآمد کو یقینی بناتا ہے۔ ہم سروس انڈیکسز تشکیل دیئے گئے ہیں اور ان کی مستقل نگرانی کے لیے باقاعدہ بنیاد پر سخت نگرانی کی جاتی ہے۔ اپنے صارفین کے تجربات کو بہترین بنانے کے لیے، بینک کا سروس کوالٹی ڈیپارٹمنٹ سروس انڈیکسز اور شکایت کے انتظام و انصرام کے حوالے سے اپنے عملے کو باقاعدہ بنیاد پر تربیت دیتا ہے۔ بینک فراہم کردہ خدمات کے معیار کو جانچنے کے لیے "وائس آف کسٹمرز" کو ایک اہم ٹول کے طور پر تصور کرتا ہے۔ لہذا اپنے کسٹمر کے اطمینان اور تسلی کا اندازہ لگانے کے لیے بینک وقتاً فوقتاً ان کی رائے راہداراک جاننے کے لیے ایک سروس بھی کرتا ہے۔ خدمت کے معیار کی مجموعی کارکردگی اور صلاحیت کی کی مزید نگرانی کے لیے، بینک کی انتظامیہ نے سی ای او کی سرپرستی میں ایک "سروس ایکسیلنس کمیٹی (SEC)" تشکیل دی ہے۔ ایس ای س سرمایہ بنیادوں پر ملاقات کرتی ہے اور سروس کوالٹی ڈیپارٹمنٹ کی جانب سے تجویز کردہ مختلف خدمات کے معیارات کا جائزہ لینے کا ذمہ دار ہے۔ اس میں محکمہ کی جانب سے تیار کردہ خدمت کے معیار (سروس کوالٹی) سے متعلق مختلف رپورٹس کا بھی جائزہ لیا جاتا ہے اور موجودہ طریقہ کار کو مستحکم اور سہل بنانے کے لیے بہتری کے امور کی نشاندہی کی جاتی ہے، جن میں دہرے امور اور نقول شامل ہیں۔ یہ کمیٹی صارفین اور دیگر اسٹیک ہولڈرز کی خدمات کی سطح میں بہتری کی تجویز بھی دیتی ہے اور معیار کی بہتری کی یقین دہانی کے لیے تحقیق اور تجزیہ کی مستقل بنیاد پر انجام دہی کی سفارشات بھی کرتی ہے۔

صارف کی شکایت

بینک اسلامی نے صارف کی شکایات اور تکلیف کے بروقت ازالے اور اسی نوعیت کے مسئلے کے دوبارہ وقوع پذیر نہ ہونے کے عمل کو یقینی بنانے کے لیے ایک مستحکم سپلین پنڈنگ پالیسی اور تکلیف پریشانی کے ازالے کا میکانزم لاگو کیا ہے۔ صارفین کے پاس اپنی شکایات کو مختلف طریقوں جیسے، برانچوں، فون بینکنگ، سوشل میڈیا، ویب سائٹ اور ایمیل کے ذریعے رجسٹر کرنے کا اختیار ہے۔ اندراج، اعتراف، عبوری جواب (جہاں بھی قابل اطلاق ہو)، اور بار بار آنے والی شکایات کا بنیادی تجزیہ کر کے شکایات کے نظم و نسق کے عمل کو شفاف رکھا جاتا ہے۔ بینک کی جانب سے موصول شدہ جواب سے مطمئن نہ ہونے کی صورت میں صارفین کو بینکنگ محتسب کے دفتر سے رابطہ کرنے کا استحقاق بھی تفویض کیا گیا ہے۔

بینک کو سال 2020 میں مجموعی طور پر 44,356 شکایات موصول ہوئی تھیں اور ان شکایات کو حل کرنے کے لیے اوسطاً 4 دن کا وقت لگا تھا۔ ان کے علاوہ ایس بی پی اور بینکنگ محتسب پاکستان کی طرف سے 190 شکایات موصول ہوئی تھیں، جنہیں مالی سال 2020 کے دوران مکمل طور پر حل کر دیا گیا۔

اس چیلنج کی وجہ سے کاربن کے اثرات کو کم کرنے کے حوالے سے بینک اپنے نظریہ سے پیچھے نہیں ہٹا ہے اور موجودہ اور ایک محفوظ مستقبل کے لیے ایک پائیدار، سرسبز ماحول کی تخلیق کے کوشاں ہے، تاکہ درست انداز میں انسانیت کی خدمت کی جاسکے۔

خیرات اور عطیات

بینک کی جانب سے خیرات و صدقات کی ادائیگی کرنے والے اکاؤنٹ کے ذریعے اس کی تقسیم کی جاتی ہے۔ چیریٹی کی ادائیگی کرنے والے اکاؤنٹ کے ذرائع یہ ہیں: (a) شرعی عدم تقییل سے حاصل ہونے والی آمدن (b) منافع منقسمہ کی آمدنی کا تزکیہ (c) کسٹمر کی جانب سے وصول کردہ تاخیر سے ادائیگی کے چارجز (d) قابل خیرات ادائیگی کرنے والے اکاؤنٹ پر حاصل کردہ منافع۔ بینک کی جانب سے تقسیم کی گئی خیرات و صدقات کی فراہمی صرف شرعی تقییل کے مقصد کے لیے نہیں ہے بلکہ بیک وقت معاشرے میں ایک قابل قدر اور مثبت اثر مرتب کرنے کے لیے ہے۔ خیرات کے حوالے سے کی جانے والی ادائیگیوں کا رخ ان اداروں کی طرف ہوتا ہے عوامی فلاح و بہبود کے فلسفے کے ساتھ کام کر رہی ہوں اور عوامی فلاحی کاموں کے حوالے سے ان کی ایک تاریخ ہو۔ بینک کی جانب سے کی جانے والی خیراتی ادائیگیوں کی تفصیلات کا مالی گوشواروں کے نوٹ 22.21 میں ذکر کیا گیا ہے۔ اس کے علاوہ، بینک نے عطیات کی ادائیگی کے طریقہ کار کے ذریعے مختلف انسان دوست این جی اوز، بشمول انڈس اسپتال فنڈز کی ادائیگی میں اپنا کردار ادا کیا۔ جس کی تفصیلات مالی گوشواروں کے نوٹ 32.2 میں بھی ظاہر کی گئی ہے۔

مذکورہ بالا خیرات اور عطیات میں 21.6 ملین روپے کے وہ فنڈز بھی شامل ہیں، جو COVID-19 کے اثرات سے لڑنے والے اداروں، اسکیمز اور مستحق طبقات کو فراہم کئے گئے۔

کارڈ لیس اینڈ پیپر لیس بینکنگ

توانائی اور وسائل کو بچانے کے نقطہ نظر کے ساتھ، بینک اسلامی نے ٹیکنیکی ترقی کے ذریعے حاصل ہونے والے فوائد کے ذریعے جدت کے حوالے سے مسلسل کام کرنے کو اپنا مقصد بنایا ہے۔ بینکنا لوجی سے حاصل ہونے والے فوائد میں کاغذ اور پلاسٹک سے پاک ماحول ہونے کی اہلیت بھی شامل ہے۔ ان خطوط پر کام کرتے ہوئے، بینک اسلامی اپنے صارفین کو ڈیجیٹل بینکنگ کی ایک منفرد سہولت کی پیشکش کرتا ہے جو "ون ٹچ بینکنگ" کے برانڈ کے تحت بائیومٹرک بینکنا لوجی پر مبنی ہے۔ اس خصوصیت نے ہمارے صارفین کو اپنے آگے گئے کو استعمال کے ذریعے اے ٹی ایم سے فنڈز نکالنے یا برانچوں میں کاؤنٹر پر (OTC) کسی بھی بلاسٹک کارڈ اور یا کاغذ پر مبنی دستاویز کے استعمال کے بغیر ٹرانزیکشنز کے قابل بنا دیا ہے۔

بینک اسلامی کو اس حقیقت پر فخر ہے کہ وہ اس وقت پاکستان کا واحد بینک ہے جو اپنے صارفین کو اپنی برانچوں اور اے ٹی ایم نیٹ کے ذریعے کارڈ اور کاغذ سے پاک بینکنگ ٹرانزیکشنز کی پیش کر رہا ہے۔

اعتراف

کارپوریٹ شعبہ کی جانب سے کئے جانے والے ایس آر اے کو تسلیم کرنے کے لیے نیشنل فورم آف انوائزمنٹل اینڈ ہیلتھ، ہر سال ایک قومی تقریب کا انعقاد کرتا ہے۔ اس سال بینک اسلامی نے درج ذیل زمروں میں چار اعزازات حاصل کئے؛ بائیوڈائیورسٹی (اس کے ون ٹچ بینکنگ سلوشن کے لیے)، گرین انرجی اقدامات، ایجوکیشن اسپانسرشپ اور ایڈمی (این جی او) سی ایس آر ایم کی طرف سے اجتماعی شراکت۔ بینک نے 9 ویں سالانہ ایس آر اے ایڈ ایوارڈز 2020 میں اپنے ایس آر اے اقدامات اور امور کے حوالے سے تین گراں قدر انعامات بھی جیتے، جو بینک کی جانب سے "محکم اقدامات"، "ماحولیاتی انتظامات" اور "سماجی اثرات" کے شعبہ جات میں کی جانے والی کوششوں کے اعتراف میں دیئے گئے۔

مستقبل کے ارتقاء، کارکردگی اور بینک کی حیثیت کو ممکنہ طور پر متاثر کرنے والے رجحانات اور عوامل

بینک کا بورڈ آف ڈائریکٹرز اور انتظامیہ اپنے اسٹریٹیجک منصوبے اور مالی اہداف کے مطابق بینک کی کارکردگی کی نگرانی کے لیے نڈ عزم ہے۔ عملی امور اور مالی بجٹ کے حوالے سے بینک کی کارکردگی کا جائزہ لینے کے لیے بورڈ ہر سہ ماہی میں کم از کم ایک بار ملاقات کرتا ہے۔ کارکردگی کی تشخیص کرتے ہوئے، بورڈ اور انتظامیہ ان تمام امور پر غور کرتی ہے جو ممکنہ طور پر ادارے کی مستقبل کی کارکردگی، ارتقاء اور حیثیت کو متاثر کر سکتے ہیں اور اس کے اسٹریٹیجک منصوبے اور مالی اہداف میں تھلیل مدتی تبدیلیوں کی ضرورت ہوتی ہے۔ ان عوامل میں شامل ہیں:

- مانیٹری پالیسی کمیٹی کے فیصلے
- وسیع معاشی منظر نامہ اور اس کا نقطہ نظر
- بنیادی اثاثوں اور واجبات کی دوبارہ اشاعت
- شرح مبادلہ میں اتار چڑھاؤ
- سرمایہ کی موزونیت
- مسابقتی لینڈ اسکیپ
- شریعت کے مطابق سرمایہ کاری کے مواقع کی دستیابی
- قوانین، ضابطے، اصول، کارپوریٹ گورننس اور اکاؤنٹنگ فریم ورک میں تبدیلی
- سیاسی اور امن و امان کی صورتحال کے باعث پیدا ہونے والے خارجی خطرات
- ٹیکنیکی تبدیلیاں
- سماجی اور ماحولیاتی تبدیلیاں
- مشکل وقت جیسے آفت یا وبائی مرض کی صورت میں کاروباری تسلسل

کارپوریٹ سماجی ذمہ داری

بینک اسلامی کا یہ مشن ہے کہ وہ اپنے اسٹیک ہولڈرز اور سماجی و اقتصادی دوڑ میں شامل ہر ایک کے لیے جس میں وہ کام کرتا ہے، قدر (ویلیو) پیدا کرے۔ لہذا بینک سماجی طور پر ذمہ دار اور اخلاقی انداز میں کام کرنے پر پختہ یقین رکھتا ہے اور معیشت، معاشرے اور ماحولیات میں تعمیری شراکت کرنے کے لیے نڈ عزم ہے۔ سال 2020 کے دوران، بینک اسلامی کی سی ایس آر کی کوششوں میں توانائی کا تحفظ، عطیات اور فلاحی کام مرکزی حیثیت رکھتے تھے۔

توانائی کی بچت

ماحول دوست اور متبادل توانائی کے سلاشز کے استعمال کو آسان اور سہل بنانے کے حوالے سے بینک اسلامی، ہمیشہ سے ایک مضبوط ترجمان رہا ہے۔ ہمارے عوام توانائی کی کھپت کے حوالے سے سربز اور معاشی متبادل ذرائع کو اپنانے پر پختہ یقین رکھتے ہیں۔ اس فلسفے سے ہم آہنگ ہونے کے ناطے، بینک نے شمسی توانائی سے چلنے والی اپنی ذاتی تنصیبات کا بندوبست کیا ہے، جو 600 کلو واٹ سے زیادہ توانائی پیدا کر رہی ہیں اور اس کی 158 برانچوں کو بجلی کی سہولت بہم فرما رہی ہیں۔ اگرچہ ہمارا مقصد ہے کہ ہم اپنے برانچ نیٹ ورک کو 100 فیصد شمسی توانائی پر چلائیں، تاہم ہمیں جگہ کی دستیابی کے مسائل درپیش ہیں، کیوں کہ شمسی توانائی سے چلنے والی تنصیبات میں بلند اور اونچی جگہ پر بوجھ برداشت کرنے والی چھتوں کی ضرورت ہوتی ہے۔ بہر حال،

اقدام کے جزو کے طور پر، معاون عملے کی پروفائل اسکریننگ کی گئی تاکہ وہ اپنے کیریئر کو کاروباری ترقی اور دیگر کرداروں میں آگے بڑھنے کا موقع فراہم کیا جائے۔ بینک نے مختلف کاموں کے کردار کو رواں کرنے کے لیے افرادی قوت کی منصوبہ بندی کی مشق بھی کی۔ اس کا مقصد عملے کی ضروریات کو ہموار کرنا اور ہر کام میں مناسب افرادی قوت کی موجودگی کو یقینی بنانا تھا۔

انسٹی ٹیوٹ آف بزنس مینجمنٹ (IoBM) اور بینک اسلامی نے بینکاری کے ترقیاتی پروگرامز کے حوالے سے شراکت داری پر معاہدتی معاہدے (MoU) پر دستخط کئے، جس میں بینک اسلامی کے ترقیاتی پروگرامز کے لیے IoBM کی جانب سے منظوری فراہم کرنا شامل ہے۔ اس معاہدتی معاہدے (MoU) کے تحت بینک کی جانب سے سرٹیفائیڈ کسٹمر سروس آفیسر پروگرام اور سرٹیفائیڈ اسلامک ریشیل پیئر پروگرام پر مشتمل دوسرے ٹریننگ کورسز کا آغاز پہلے ہی کر دیا گیا ہے۔ بینک کی جانب سے ڈیجیٹل پلینٹ فارم کو استعمال کرتے ہوئے، متعدد ای لرننگ ماڈلز، ویڈیو کے ذریعے درس و تدریس اور تھیمز کا آغاز کیا گیا، تاکہ ملازمین کو سیکھنے اور ارتقاء کے عمل کے ساتھ مسلسل منسلک رکھا جائے۔ مزید برآں، اسلامی اقدار، جدت اور موافقت پر مبنی تنظیمی ثقافت کی تشکیل کے حوالے سے اعلیٰ انتظامیہ کے لیے مستقل قیادت کے ترقیاتی اقدامات پر مبنی اجلاس منعقد کئے گئے۔ شریعہ بورڈ کے چیئرمین، مفتی ارشاد احمد اعجاز کے ساتھ بات چیت کا بھی اہتمام کیا گیا تھا تاکہ پوری دنیا میں اسلامی مالیات میں شرعی تعمیل کی اہمیت کو اجاگر کیا جائے اور اسے تقویت ملے۔ ملازمین کی صلاحیتوں کو بڑھانے کے لیے بینک کے عملے کی استعداد کار میں اضافے کے لیے IBA، ICAP، IBP، NIBAF وغیرہ کے ذریعے کورسز منعقد کئے گئے۔ بینک اسلامی نے لاہور یونیورسٹی آف مینجمنٹ سائنس (LUMS) کے اسلامک فنانس سینٹر کے تعاون سے اپنے 200 سے زائد برانچ منیجرز اور ایریا منیجرز کے لیے لاہور اور کراچی میں اسلامی فنانس پرسرٹیفائیڈ پروگرام کامیابی کے ساتھ منعقد کیا۔ تعلیم و تربیت کے حوالے سے یہ اقدام بینک کی مستقبل ترقی اور صلاحیتوں میں اضافے کے اقدام کا جزو تھا۔ بینک نے اپنے پائلٹ پراجیکٹ کے طور پر، ملازمین اور ان کے اہل خانہ کو بغیر کسی چارجز کے طبی مشاورت کی فراہمی کے لیے قابل معالج کی حامل اپنی اندرون خانہ (ان ہاؤس) دوا خانہ کے ذریعے آؤٹ پیسٹ ہیلتھ سروسز کا آغاز کر کے ایک منفرد قدم اٹھایا ہے۔ اسی طرح بینک نے اپنے عملے کو ان کے خوابوں اور ذاتی اہموں کی تعبیر کے حوالے سے ایک الوکھا فائدہ دینا بھی شروع کیا جس میں بینک نے اپنے ملازمین کے لیے جج پالیسی کا اعلان کیا اور قرضہ اندازی کے ذریعے گھر کے فرد کے ساتھ ایک اسٹاف کا انتخاب کیا گیا تھا اور آئندہ سیزن میں حج کی ادائیگی کے لیے بینک نے اس کی سرپرستی کی۔

مستقبل کی حکمت عملی

بینک اسلامی آنے والے سالوں میں اسلامی بینکاری کی صنعت میں اپنی مسلسل ترقی کا تصور رگمان رکھتا ہے۔ بینک اپنے اسٹیک ہولڈرز کی قدر میں اضافے اور اس حلقہ اثر میں نمایاں اسلامی بینکوں میں سے ایک شمار کئے جانے کے حوالے سے اپنی جگہ مستحکم کرنے کا خواہاں ہے۔ ان عزائم کے حصول کے لیے بینک اپنے اسٹریٹیجک پلان کے نفاذ کی جانب اپنی توجہ مرکوز رکھے گا۔ جسے اپنے نظریہ اور مقصد کے بیانات کی مثال بنانے کے لیے منصفانہ طور پر تیار کیا گیا ہے۔ بینک کے اسٹریٹیجک منصوبہ میں بینک اسلامی کے اہداف اور مقاصد کے حصول کے لیے واضح آئندہ کی حکمت عملی طے کی گئی ہے۔ یہ منصوبہ سال 2019 کے دوران تیار کیا گیا تھا اور اسی تسلسل میں بدلتے ہوئے خارجی ماحول سے نبرد آزما ہونے کے لیے تصفیہ جات کئے جاتے رہے ہیں۔ یہ منصوبہ ڈپازٹ بینس میں بڑھتی ہوئی نمو، تجارتی کاروباری حجم میں بڑھوتری، کریڈٹ رسک پروفائل میں بہتری، کسٹمر کے کوائف کے تحفظ کو مستحکم بناتے ہوئے ٹیکنالوجی کی جدت کے استعمال، اعلیٰ معیار کی افرادی قوت کو راغب کرنے، برانڈ کے تصور کو اجاگر کرنے اور تقویت دینے، ایک صحت مندانہ سرمایہ کی بنیاد کو برقرار رکھنے اور کسٹمر کو مرکز نگاہ رکھنے والا بینک بننے کے حوالے سے مختلف اہداف اور KPIs کو طے کرتا ہے۔

شریعت ڈپارٹمنٹ نے بینک کے شریعت بورڈ کی جانب سے طے شدہ شرعی اصولوں اور گائیڈ لائنز کی تعمیل کو یقینی بنانے کے لیے 1800 سے زائد ٹرانزیکشنز اور فنانسنگ ٹرانزیکشنز، مارکیٹنگ اور اشتہاری مواد، تشکیل نو اور تنظیم نو کے معاملات، پول کے انتظام و انصرام سے متعلق امور اور بینک اسلامی جانب سے وصول شدہ آمدن کا جائزہ لیا۔ اسٹارٹ لاک ڈاؤن کی مدت کے دوران، بینک کی شریعت ٹیم نے ڈیجیٹل ذرائع سے فنانسنگ ٹرانزیکشنز کی نگرانی کا تسلسل یقینی بنایا۔ شریعت ٹیم نے ملک بھر میں برانچ کے عملے کے "شرعی جائزے اور معلومات کی تشخیص" کی جانچ اور برانچ کی سطح پر شرعی اصولوں کے مطابق ماحول کو یقینی بنانے کے لیے مختلف شہروں بشمول 17 ماڈل شاخوں کا دورہ بھی کیا۔ دوران سال، شریعت ٹیم نے بینک کے ملازمین کی شریعت سے متعلق تربیت پر اپنی توجہ مرکوز رکھی۔ جبکہ COVID-19 سے متعلق احتیاطی تدابیر (SoPs) کو یقینی بناتے ہوئے، مختلف شہروں میں اسلامی بینکاری کے تصورات کے 59 سے زیادہ آن لائن اور 41 کلاس روم تربیتی اجلاس منعقد کئے گئے، ان تربیتی نشستوں میں 2,900 سے زائد شرکاء نے شرکت کی۔ شریعت ٹیم نے مختلف شہروں میں عام افراد اور طلباء کے لیے بھی آگاہی کے تربیتی اجلاس منعقد کئے، تاکہ عام افراد اور طلباء کے ساتھ بات چیت کی جاسکے اور اسلامی بینکاری سے متعلق ان کے سوالات و غلط فہمیوں کو دور کیا جاسکے۔ بینک اسلامی کے عملے کو اسلامک بینکنگ کی تربیت فراہم کرنے اور اسٹیٹ بینک کی ہدایت پر عمل کرنے کے لیے ٹیم نے لازمی سیلف اسٹڈی بیسک اسلامک بینکنگ آن لائن پروگرام شروع کرنے میں ایچ آر کو سہولت بہم فراہم کی اور ان کے ساتھ بھرپور تعاون کیا۔ شریعت ٹیم نے اسٹیٹ بینک آف پاکستان BSC، سکھراور حیدرآباد کے عملے کی استعداد کار کو بڑھانے کے لیے زوم کے ذریعے اسلامی بینکاری سے متعلق آگاہی سیمینار بھی منعقد کروائے۔

مارکیٹنگ

مارکیٹنگ کے شعبہ میں، بینک نے اپنی برانڈ کے تصور کو مستحکم کرنے اور بے شمار افراد میں اپنی شرعی اصولوں کے مطابق پراڈکٹس اور ونچ بینکنگ سلوشن کے بارے میں شعور پیدا کرنے کے لیے متعدد پروگرامز کی سرپرستی کی۔ ان میں ہاؤسنگ فنانس کی پیشکش کو فروغ دینے کے لیے زمین ایکسپو میں شرکت، شمالی علاقہ جات میں اپنے برانڈ کو مستحکم کرنے کے لیے پشاور میں ACCA کی سالانہ کارپوریٹ نیٹ ورکنگ کانفرنس کی اسپانسرشپ، IBA کے سابق طلباء کے سالانہ پروگرام کی اسپانسرشپ، انڈسٹری کے مختلف رہنماؤں اور اعلیٰ قابلیت کے حامل افراد نے شرکت کی، شامل ہیں۔ عوام کو اسلامی بینکنگ پراڈکٹس اور اس کی ساخت سے متعلق معلومات بہم فراہم کرنے اور ان میں شعور جاگرت کرنے کی غرض سے بینک نے نہ صرف معلومات ویڈیو کلیپس تیار کیں بلکہ ان کی تشہیر کے کر انہیں سوشل میڈیا پر چلایا۔ بینک اسلامی کی برانڈ ایکویٹی کو بڑھانے اور برانڈ کو مثبت انداز میں حب الوطنی اور ماحولیاتی تحفظ سے جوڑنے کے لیے "شجرکاری قوم کے لیے" کے عنوان سے ایک مختص کردہ، 360 ڈگری یوم آزادی میڈیا مہم شروع کی گئی۔ اسلامی بینکاری کی مصنوعات اور خدمات سے متعلق آگاہی پیدا کرنے کے لیے بینک نے معلوماتی ویڈیو کلیپس تیار کیں اور ڈیجیٹل ذرائع کے ذریعے انہیں فروغ دیا۔

افراد کی قوت (ہیومن ریسورس)

بینک اسلامی روزگار کے مساوی مواقعوں کی فراہمی کے مقصد کے ساتھ کام کرتا ہے اور یہ صنف، مذہب، نسل، رنگ اور معذوری کی بنیاد پر اپنے ملازمین اور درخواست دہندگان میں امتیازی سلوک نہیں کرتا ہے۔ اسی مقصد کے تحت، بینک کے رخصت ہونے والی مدت کے دوران مختلف اہل ملازمین کی ایک خصوصی کھیپ بینک میں شامل کی۔ اپنے اسٹریٹجک مقصد "عمدہ ترین آجر" پر عمل کرتے ہوئے، بینک اسلامی نے کراچی میں شدید طوفانی بارشوں اور سیلاب سے ہونے والی تباہ کن صورتحال کے دوران اپنے ملازمین کے لیے مالی امداد میں توسیع کی اور کراچی میں واقع عملے کو کو ایک باررین ایمرجنسی ریلیف الاؤنس کی ادائیگی کی گئی تاکہ شہری سیلاب (اربن فلڈنگ) سے ہونے والے گھریلو نقصانات کا ازالہ کیا جائے۔ بینک اسلامی کی مستقل ترقی اور صلاحیت سازی کے

کمپلائنس

سال 2020 کے دوران، بینک نے منی لانڈرنگ روہشت گردی کے لیے فنانسنگ ریہیلڈ کے لیے مالی اعانت کے خطرات کو کم کرتے ہوئے اپنے کنٹرول کو مزید مستحکم کرنے کی غرض سے "اپنے کسٹمر کو جانیں" اور "کسٹمر رسک پروفائلنگ" کا الیکٹرانک طریقے سے کامیابی کے ساتھ اطلاق کیا۔ مزید یہ کہ تجارت کے ذریعے منی لانڈرنگ کے خطرہ کو کم کرنے کے لیے محکمہ AML میں تجارتی بنیاد کے لیے مختص شدہ ایک منی لانڈرنگ ڈیسک بھی قائم کی گئی۔ COVID-19 کی وجہ سے درپیش حالات کے سبب کلاس روم میں تربیت کا عمل معطل ہونے پر بھی، بینک نے اپنے عملے کو متبادل آن لائن ذرائع سے AML/CFT ٹرییننگ دینے پر اپنی توجہ مرکوز رکھی۔

مزید یہ کہ نقصان کے خدشات (رسک) کے انتظام و انصرام کے حوالے سے ایس بی پی کی گائیڈ لائنز کے اطلاق کے سلسلے میں، بینک نے کمپلائنس رسک اسٹریٹیجی کی تشکیل، اندرون خانہ تیار کردہ CRM خود کار نظام مع سابقہ RCSAs (رسک اینڈ کنٹرول سیلف اسمٹ) کی منتقلی جیسے کچھ اہم سنگ میل حاصل کر لیے ہیں۔

معلومات کا تحفظ (انفارمیشن سیکورٹی)

بینک کا انفارمیشن سیکورٹی ڈیپارٹمنٹ، بینک کی سیکورٹی کے بنیادی ڈھانچے کو بہتر بنانے کے لیے تدریجی سے کام کر رہا ہے۔ اس ڈیپارٹمنٹ کو ہنرمند داخلی وسائل کی مدد سے سال 2019 میں بنایا گیا تھا، جس کے نتیجے میں بینک کی انفارمیشن سیکورٹی کے نظام کو بہتر بنانے کے لیے متعدد کام کئے گئے۔ ان میں سے کچھ اہم اقدامات درج ذیل ہیں:

- بینک اسلامی کی عوامی ویب سائٹ اور پیجیڈ درخواستوں کے بہتر کنٹرول کے ساتھ سیکورٹی کی خصوصیات کو بہتر بنانا
- COVID-19 کی وبائی صورتحال کے دوران، بینک کے اہم عملے تک محفوظ ریہوش رسائی کی فراہمی تاکہ وہ گھر سے کام کر سکیں۔
- کسی بھی خارجی خطرات کی بروقت نگرانی اور اس کے خاتمے کے لیے انفارمیشن سیکورٹی آپریشن سینٹر کی نگرانی اور مرہیت میں بہتری۔
- جامع انداز میں عدم استحکام کی تشخیص اور رسائی کی جانچ

انٹرنل رائزر رسک مینجمنٹ (ERM)

ERM ٹیم نے تجارتی صارفین کی رسک پروفائلنگ کے لیے ایک نیا ماڈل تیار کیا ہے۔ یہ ماڈل تجارت سے متعلق صارفین کی مؤثر انداز میں نگرانی کرنے میں بینک کی مدد کرے گا۔ تاکہ بینک اسٹیٹ بینک آف پاکستان کے تجارت پر مبنی منی لانڈرنگ کے رہنما اصولوں پر عمل درآمد کر سکے۔ مزید یہ کہ ERM ڈیپارٹمنٹ نے غیر ملکی کرنسی کی نقد رقم کی مؤثر نگرانی کے لیے ایک نیا ماڈل نافذ کیا ہے۔ اس عمل سے بینک کو غیر ملکی کرنسی نقد صورت میں لے جانے سے بچنے کا موقع ملا ہے نیز اس کے ذریعے بینک کی مجموعی آمدنی میں اضافہ ہوتا ہے۔

شریعیہ

وبائی مرض کے دوران بزنس میز اور کلائنٹس کو سہولت بہم فراہم کرنے کی غرض سے، شریعیہ ڈیپارٹمنٹ کی جانب سے COVID-19 کے اثرات کو کم کرنے کے لیے معائنہ کے دوران جسمانی موجودگی کی چھوٹ اور انضباطی رعایت کے اطلاق سے متعلق رہنماء اصول جاری کئے گئے، جس نے بزنس میز کو اپنے صارفین کو شریعی لحاظ سے ان کی ضرورت کے مطابق، خاص طور پر فنانسنگ کی سہولیات کی تشکیل نو تنظیم نو کے حوالے سے آسان اور سہل انداز میں حل (سلوشنز) کی فراہمی میں معاونت کی۔

ترسیل کے متبادل ذرائع

ترسیل کے متبادل ذرائع کے شعبہ نے iOS اور Android موبائل فون صارفین کے لیے اپنی نئی اور پہلے سے بہتر بینکنگ ایپ جاری کر دی ہے۔ یہ نئی ایپ صارفین کی سہولت کو مد نظر رکھتے ہوئے تشکیل دی گئی ہے۔ اب اس ایپ کو ایک نئی شکل دی گئی ہے جس میں عصر حاضر کی جدید خصوصیات اور خدمات کے ساتھ آسان اور سہل انٹرفیس پیش کیا گیا ہے۔ بینک نے اپنی اے ٹی ایم اسکرینز کو بھی ایس ایم ایس اور کارڈ ایکٹیویشن خدمات کی اضافی خصوصیات کے ساتھ دوبارہ خاک تیار کیا ہے اور اپنے ڈیبٹ کارڈ کے پورے پورٹ فولیو کو EMV کے مطابق (چپ کی بنیاد پر) کارڈ میں تبدیل کرنے میں بھی کامیاب رہا۔ سال 2020 کے دوران بینک نے اپنے صارفین کو 82,000 سے زائد EMV کے مطابق ڈیبٹ کارڈ جاری کئے۔

ترسیلات زر اور بینکانگ کا نقل

دنیا بھر کے ملکوں کی جانب سے COVID-19 لاک ڈاؤن میں نرمی کرنے کے بعد سمندر پار (بیرون ملک) کام کرنے والے افراد اپنے گھروں پر پیسے بھیجنے کے قابل ہو گئے تھے، جس کی وجہ سے مالی سال 2019-20 میں پاکستان میں ترسیلات زر کا بہاؤ 23.1 بلین ڈالر کی مجموعی حد تک پہنچ گیا۔ اس رجحان کے بعد، بینک اسلامی اپنے ترسیلات زر کے بہاؤ، لین دین (ٹرانزیکشنز) اور آمدنی کی سطح کو بالترتیب 82%، 51% اور 42% تک بڑھانے کے قابل ہو گیا۔

سال 2020 میں بینکانگ نقل نے بینک کی آمدن کو 21% تک بڑھانے کے ساتھ 250 ملین روپے کا فروخت کا حجم حاصل کیا ہے۔ اس کے علاوہ بینک نے اپنی شاخوں کے ذریعے بینکانگ نقل پروڈکٹس کی فروخت کے لیے ریفرل ماڈل متعارف کرنے کے لیے ای ایف یو لائف (ڈنڈو ٹکنائل) کے ساتھ شراکت داری بھی کی ہے۔

ڈسٹری بیوشن (تقسیم)

23% بڑھوتری رنمو کے ساتھ، بینک اسلامی کے ڈپازٹ کی کارکردگی ملک میں معاشی ترقی کے اشارے دیتے ہوئے ایک سال کی ترقی کی عکاسی کرتی ہے۔ ہمارا مقصد اپنے حصص یافتگان اور صارفین کو طویل مدتی قدر کی فراہمی کے عمل کو جاری رکھنا ہے، کیونکہ ہم اپنے صارفین اور دیگر اسٹیک ہولڈرز دونوں کے لیے کامیابی کی صورت حال پیدا کرنے کی حکمت عملی پر عمل درآمد کرتے ہیں۔ بینک کے اپنے کاروباری ذرائع کی بنیاد کو بہتر بنانے کے لیے مختلف اقدامات اٹھائے، تاکہ مستحکم بڑھوتری رنمو کو یقینی بنایا جائے۔ ان میں 107,000 سے زائد نئے ڈپازٹ اکاؤنٹس اور نئے کسٹمرز کو اپنی جانب راغب کرنے کے لیے مختلف علاقوں میں 266 سیلز یلغار (سیلز بلٹنز) کا انعقاد کیا گیا۔ بینک نے 09 نئی شاخیں کھولیں، 10 شاخوں کو نئی جگہوں پر منتقل کیا اور پورے بینک میں اپنے بزنس ڈیولپمنٹ آفیسرز کی تعداد میں 25% تک اضافہ کیا۔ بینک، کاروبار کو فروغ دینے کی غرض سے تمام شاخوں میں فرمی لانس بزنس پروفیشنل کے تصور کے اطلاق کے حوالے سے بھی کام کر رہا ہے۔ مزید برآں، بینک کے غیر فعال صارف سے تعلقات کو دوبارہ استوار کرنے کی غرض سے، بینک نے رخصت ہونے والے سال کے دوران 17,000 سے زائد غیر فعال اکاؤنٹس کو فعال کیا اور مستقل بنیادوں پر مزید اکاؤنٹس فعال کرنے پر تیزی سے کام کر رہا ہے۔ اس پیش رفت کے ساتھ ہم سال 2021 اور اس کے بعد اپنے ترقیاتی پلیٹ فارم کی تعمیر کے عمل کو جاری رکھنے کے لیے اچھی طرح تیار ہیں۔ مالی خدمات کے حوالے سے اپنے صارفین کی ضروریات کو سمجھتے ہوئے، ہم اپنی نمو اور ترقی کو اپنے صارفین سے مربوط رکھنے کو یقینی بنائیں گے۔ بینک بھی نقصان کے خدشات کی مخصوص حدود کے تحت کام جاری رکھتا ہے، تاہم ہماری ترقی رنمو کو مستحکم امور کے ذریعے آگے بڑھایا جائے گا تاکہ عملی امور کی بہترین طریقے سے انجام دی اور جدت کے تسلسل کو یقینی بنایا جاسکے۔

اگیری فنانس

خریف کی اہم ترین فصل (علاوہ کپاس) کے متوقع پیداواری اہداف سے بھی زیادہ ہونے کی وجہ سے زراعت کے شعبے نے حوصلہ افزا امور بڑھوتری کا مظاہرہ کیا۔ ہمارا پورٹ فولیو فصلوں کی نمور بڑھوتری، مویشیوں کے لئے فارم، مچھلی کے لئے فارم، ٹریکٹر اور دیگر ساز و سامان سے متعلق فنانسنگ پر مشتمل ہے۔ بینک نے کاشتکاروں کو ورکنگ کیمپل، مقررہ سرمایہ کاری اور کمرشل برنس و ہیکل کی خریداری کے حوالے سے فنانسنگ کے حصول کے لیے سہولت فراہم کرنے کی غرض سے لائیو اسٹاک فنانسنگ کی منظوری دے دی ہے۔ گودام کی رسید فنانس کو کمپنی کے کاشتکاروں، بالخصوص چھوٹے کاشتکاروں کی مدد کے لیے متعارف کرایا گیا تھا تاکہ وہ مارکیٹ کے استحصال سے بچ سکیں اور اپنی کاشت کی گئی فصل کو اچھی ساکھ کی فیڈ ملوں میں اپنی کٹائی کا ذخیرہ کر کے پیداواری بہتر قیمت وصول کریں۔ ہماری اگیری فنانس ٹیم نے اپنے عملے کو تربیت دینے کے لیے فعال انداز میں کام کیا اور کاشتکاروں کی تعلیم معلومات کے لیے سندھ اور پنجاب کے دیہی علاقوں رگاؤں کے کھیتوں میں شریعہ ٹیم کے ساتھ مل کر آگہی کے مختلف پروگرامز کا انعقاد کیا۔ سال 2021 کی جانب پیش قدمی کے ساتھ محکمہ اگیری فنانس، چھوٹے کاشتکاروں کو وزیراعظم کامیاب جوان پروگرام کے تحت، اخوت کے ذریعے رعایتی نرخوں پر ٹریکٹر فنانسنگ کی سہولت متعارف کراتے ہوئے زرعی شعبے میں نموکو بڑھادے گا۔ مزید برآں، کاشتکاروں کی سہولت کے لیے ویلیو چین فنانسنگ، اچھی ساکھ کی حامل شوگر ملوں اور دیگر زرعی پروسیسنگ یونٹس کے ذریعے بھی متعارف کرائی جائے گی۔ بینک نے پولٹری اور ڈیری کے شعبوں میں فنانسنگ کی ضرورت کو پورا کرنے کے لیے اسلامی لائیو اسٹاک پراڈکٹ کو بھی منظوری دے دی ہے۔

کنز یومر فنانس

COVID-19 اور پورے بورڈ بالخصوص کنز یومر فنانس کنٹریز پر اس کے منسلک مالی اثرات کے ساتھ، سال 2020 ایک مشکل سال ثابت ہوا ہے۔ ان مشکل حالات میں بھی آٹو فنانس ٹیم، 525 یونٹس کے عوض 1 بلین روپے سے زائد کی تقسیم کے ذریعے ماہ ستمبر میں 1 بلین کلب کی رکن بن گئی ہے۔ آٹو فنانس کے شعبے کو مزید تقویت دینے کے لیے آٹو فنانس کی ٹیم نے آٹو فنانس کو کنٹری کی پیچھے میں لانے کے لیے ایڈس موٹر کمپنی کے ساتھ شراکت داری میں اپنی "ریزیڈیو ویلیو" کے حوالے سے ایک مہم کا آغاز کیا۔ مزید یہ کہ بینک نے ہنڈا، Audi اور KIA کے ساتھ بھی اپنی شراکت کی تجدید کی۔ مزید برآں، رخصت ہونے والے سال کے دوران مسلح انواع اور طبی عملے کے لیے بھی خصوصی رعایتی مہم متعارف کرائی گئیں۔ اسی طرح بینک نے کم اور متوسط آمدنی والے طبقوں کے لیے نیا پاکستان ہاؤسنگ اسکیم کے ذریعے اسٹیٹ بینک آف پاکستان اور حکومت پاکستان کی جانب سے اٹھائے جانے والے اقدام کی تائید کرتے ہوئے ہاؤسنگ فنانس کے شعبے میں نئی پراڈکٹ متعارف کرانے میں کامیاب رہا۔ بینک اس شعبہ میں نہ صرف اپنی ہاؤسنگ کی سہولت کی نمائش کے لیے بلکہ پاکستان کے عوام کی معاشی خوشحالی کے لیے اپنا بھرپور کردار ادا کرنے کے لیے فعال انداز میں کام کرے گا۔ اس پیش قدمی کے ساتھ، بینک، اپنے آٹو فنانس پورٹ فولیو کو جارحانہ انداز میں اضافے کے لیے اپنی آٹو فنانس سلیز ٹیم کو بھی مزید مستحکم کرے گا۔ سال 2021 میں نئے میک اور ماڈلز کے متوقع تعارف کے ذریعے، آٹو موبائل شعبہ میں ریکارڈ اضافے کی امید ہے۔ مزید برآں، اس عمل میں معاونت فراہم کرنے کے لیے بینک، آٹو تقسیم کے عمل کی شروع سے آخر تک ڈیجیٹلائزیشن، آٹو ڈیلرز کے ساتھ نئے روابط اور کنٹری کی منظور نظر توجہ طلب اضافی خصوصیات متعارف کرانے پر بھی کام کر رہا ہے۔

تجارتی کاروبار

COVID-19 سے متعلق کاروباری مسائل کے باوجود، بینک کے ذریعے 172 بلین روپے کے تجارتی امور انجام دیئے گئے، جس سے سال 2020 کے دوران 190 بلین روپے کی نان فنڈڈ آمدن حاصل ہوئی۔ اس میں خاص طور پر درآمدت برآمدات کے کاروبار سے حاصل ہونے والا 141 بلین روپے کا کمیشن اور ضمنی کاروبار سے حاصل ہونے والا 49 بلین روپے کا کمیشن شامل ہے۔ زیر نظر سال کے دوران، حکومت نے مقامی مارکیٹ میں گندم کی قلت کو دور کرنے کے لیے اسے درآمد کرنے کی اجازت دی۔ بینک نے اس موقع سے فائدہ اٹھایا اور اس سے 5 بلین روپے کا تجارتی کاروبار حاصل کیا۔ اس پیش رفت کے ساتھ، تجارت سے متعلقہ معروف کسٹمرز کی پورٹ فولیوں میں شمولیت کے ذریعے تجارتی کاروبار کو بڑھانے کے لیے خصوصی کوششیں کی جائیں گی۔ آئی ٹی سسٹمز میں جدت کے ذریعے تجارتی بنیاد پر کئے جانے والے لین دین (ٹرانزیکشنز) کی انجام دہی کے آسان اور ہموار ہونے کو یقینی بنایا جائے گا اور ٹرن اراؤنڈ مدت کو بھی کم کیا جائے گا۔

ایس ایم ای اور کمرشل بینکنگ

ایس ایم ای اور کمرشل بینکنگ نے بھی دوران سال تجارتی بنیادوں پر صارفین کو شامل کرنے میں اہم کردار ادا کیا۔ بینک نے سال 2020 کے دوران 450 سے زائد NTB کلائنٹس کو کامیابی سے اپنے ساتھ شامل کیا۔ ایس ایم ای نے تجارت سے بھرپور مارکیٹس میں اپنے رسائی بڑھانے اور موجودہ اور NTB ایس ایم ای کلائنٹس کے لیے مختلف اجناس پر پراڈکٹس سے متعلق درآمدی ایل بیز (LCs) کھولنے کے حوالے سے تیز رفتار ٹریڈ سروس کی پیشکش کرنے کے لیے تفویض شدہ مجاز حکام کو شاخوں تک محدود کر دیا۔ ابتدائی طور پر اس پروگرام کے لیے 20 برانچوں کا انتخاب کیا گیا اور پھر یہ تعداد بڑھ کر 53 ہو گئی۔ مزید برآں، بینک وزیراعظم کامیاب جوان پروگرام کے تحت اپنے اہداف کو فعال انداز میں پیروی کر رہا ہے اور دسمبر 2020 کے اہداف کو کامیابی کے ساتھ عبور کر لیا ہے۔

زر نقد کا انتظام و انصرام اور ایمپلائی (ملازمین) بینکنگ

میں اور خدمات کے معیار کو بہتر بنانے کی جانب توجہ مرکوز رکھتے ہوئے، بینک زر نقد کے انتظام و انصرام اور ایمپلائی (ملازمین) بینکنگ سروسز فراہم کرنے کے لیے ہمہ وقت مصروف عمل رہا ہے۔ بینک نے ادائیگی کے حوالے سے لین دین (سمٹ ٹرانزیکشنز) کے حوالے کی سینٹرلائزڈ پراسیسنگ کے لیے FTP سروسز کے ذریعے، لنک اسلامی (کیش منجمنٹ آپٹیمائزیشن) کو CDC کے ساتھ کامیابی سے منسلک مربوط کیا۔ اب یہ اپنے تمام اثاثہ جات کے انتظام و انصرام اور فنڈ منجمنٹ کلائنٹل کوون وینڈورسائی فراہم کرتا ہے۔ بینک نے سال 2020 کی دوسری سہ ماہی کے دوران بڑے پیمانے پر بزنس ہاؤسز اور کارپوریٹ تجارتی اداروں کے لیے کامیابی کے ساتھ ایمپلائی بینکنگ سروسز متعارف کرائی۔ اس پراڈکٹ کو پرکشش نرخوں پر آٹو اینڈ ہاؤس فنانسنگ، کنزیومر ڈیورٹمنٹ اور موثر سائیکل فنانسنگ کے ساتھ منسلک کیا گیا ہے۔

کارپوریٹ بینکنگ

COVID-19 اور معاشی سرگرمیوں میں سست روی کی وجہ سے کارپوریٹ بینکنگ کی توجہ پورٹ فولیو کی توثیق، تبدیلی اور اسٹیٹ بینک آف پاکستان کے ضابطوں میں دی جانے والی رعایتوں کے اطلاق پر رہی۔ معاشی طور پر درپیش مشکلات سے بھرپور ماحول کے باوجود، کارپوریٹ بینکنگ نے کامیابی کے ساتھ تمام بڑے معاشی شعبوں کی نمائندگی کرنے والے بہترین و متنوع، قابل بھروسہ اور اعلیٰ معیار کے صارفین پر مشتمل اپنے فنانسنگ کے پورٹ فولیو کو برقرار رکھا۔ یہ بات قابل ذکر ہے کہ کارپوریٹ بینکنگ نے سال 2020 کے دوران پر اعتماد اور قابل بھروسہ تعلقات استوار کرتے اور بینک کو وسعت دیتے ہوئے 50 سے زائد نئے بینک کلائنٹس کو اپنے ساتھ شامل کیا۔ یہ عمل موجودہ پورٹ فولیو کو بہتر اور متنوع بنانے اور اس میں اضافے کے حوالے سے بینک کی جانب سے کی جانے والی مسلسل و مستقل کوششوں کی عکاسی کرتا ہے۔ دوران سال بینک کے ساتھ شامل ہونے والے نئے کسٹمرز خاص طور پر ٹیکسٹائل، سینٹ، فوڈ پراسیسنگ، فارماسیوٹیکلز، فریٹ لائیزرز، آن اور اسے منسلک کاروبار، پاور جنریشن، الیکٹرانکس اشیاء اور خدمات کے شعبہ جات سے تعلق رکھتے ہیں۔ اسی پیش رفت کے ساتھ، کارپوریٹ بینکنگ، تمام بڑے معاشی شعبوں کی نمائندگی کرنے والے مستحکم اور ترقی پسند صارفین کے متنوع اداروں اور افراد کے ساتھ اپنے فنانسنگ پورٹ فولیو میں اضافہ کرنے پر توجہ دے گی۔ خارجی درجہ بند صارفین کو ہدف بنانے اور موجودہ صارفین کو خارجی درجہ بندی کے عمل سے گزارنے کی ترغیب دینے اور ان کی حوصلہ افزائی کے لیے خصوصی طور پر کوششیں کر کے ہر ایک تعلق سے حاصل ہونے والے مجموعی مفاد کو بہتر بنانے پر زیادہ توجہ دی جائے گی۔ کارپوریٹ بینکنگ، بڑے کارپوریٹ صارفین کے ملازمین کو کنزیومر فنانسنگ پراڈکٹس فروخت کرنے کے لیے، بینک کے کنزیومر فنانس شعبہ کے شانہ بشانہ بھی کام کر رہا ہے۔

انویسٹمنٹ بینکنگ

انویسٹمنٹ بینکنگ نے کاروبار میں قابل ستائش نمور بڑھوتری ظاہر کی اور دوران سال خاص طور پر مشاورتی اور انتظام و انصرام کی خدمات سے 126 بلین روپے کی فیس آمدن بک کی۔ شریڈ اسٹرکچرنگ ٹیم کے تعاون سے، انویسٹمنٹ بینکنگ ٹیم نے بطور استحقاقی مشیر اور منتظم برائے قابل ذکر ٹرانزیکشنز بشمول کے ایکسٹریکٹ کی جانب سے 4.5 بلین روپے کے اسلاک کمرشل پیپر اور کوٹ او پاور کمپنی لمیٹڈ کی جانب سے 5 بلین روپے کے قلیل المدت سکوک عمل کر کے اسلاک ڈیٹ کیپیٹل مارکیٹ کی ترقی میں کلیدی کردار ادا کیا۔ مشترکہ لیڈ منتظم کی حیثیت سے، بینک اسلامی نے جب پاور کمپنی (HUBCO) کی سکوک ٹرانزیکشن میں بھی حصہ لیا۔ بینک توانائی اور ہوا بازی کے شعبہ جات میں سرکاری ملکیت کے حامل اداروں کے حوالے سے سکوک کے لین دین (ٹرانزیکشن) کے حوالے سے مشورے دینے اور ان کا بندوبست کرنے میں فعال انداز میں سرگرم عمل تھا۔ مزید برآں، بینک نے قومی پرچم بردار پاکستان انٹرنیشنل ایئر لائنز (پی آئی اے) کے ساتھ، مجموعی طور پر 20 بلین حجم کے اجراء اور سال 2021 کی پہلی ششماہی میں متوقع تکمیل کے حامل پاکستان کے پہلے لیڈ ایوی ایشن سکوک کا افتتاح کرنے میں مل کر کام کیا۔ پاکستان کے توانائی کے بنیادی ڈھانچے کے منصوبوں کی مناسبت سے، بینک نے جھمپیر وینڈ فارمز سے شفاف توانائی حاصل کرنے اور اسے قومی گرڈ کے ساتھ منسلک کرنے کے لیے ان کے ایک قابل ذکر لائن ٹرانسمیشن منصوبے کے لیے فنانس فراہم کرنے کی غرض سے پاکستان کے دو بڑے بینکوں کو NTDC کی سینڈیکٹ ٹرم فنانس سہولت کے لیے مشترکہ لیڈ منتظم کے طور پر تشکیل دیا۔

گروپ کی مالی کارکردگی

گروپ نے 31 دسمبر، 2020 کو ختم ہونے والے سال کے حوالے سے اپنے مالی نتائج میں نمور بڑھوتری کو ظاہر کیا، جو بنیادی طور پر اس کے اسلامی بینکاری کے سیکٹ (بینک) کی مالی پروفائل میں بہتری سے منسوب تھا۔ 31 دسمبر، 2019 کے مقابلے میں گروپ کے مجموعی اثاثہ جات اور ذخائر (ڈپازٹس) میں بالترتیب 18.8% اور 23.1% کا اضافہ ہوا۔ گروپ کے ذخائر (ڈپازٹس) میں ہونے والا اضافہ، بینک کی جانب سے کم لاگت CASA ڈپازٹس کو اکٹھا کرنے کے حوالے سے مؤثر حکمت عملی کے نفاذ کے باعث ہوا۔ ذرائع کے اضافے کے ساتھ ساتھ، سرکاری حمایت یافتہ صلحہ اور ایف ایکس پلیٹفم کی طرف سے سرمایہ کاری سے حاصل ہونے والی اہم ترین بڑھوتری سے گروپ کے منافع بخش اثاثہ جات میں بھی اضافہ ہوا۔

COVID-19 لاک ڈاؤن کے نفاذ، وبائی بیماری کے دوران برانڈ ڈیوری پراڈکٹس کی طلب میں کمی اور پیداواری لاگت میں اضافے کی وجہ سے فروخت کے عمل میں سست روی کے باعث منسلک ادارے کے منافع میں کمی مشاہدہ میں آئی۔ جس کے نتیجے میں مجموعی منافع کے حد میں کمی واقع ہوئی۔ تاہم مالی سال 2019 میں ہونے والے نقصان کے مقابلے میں گروپ نے مالی سال 2020 میں عملی امور کی بندش کے دوران منافع حاصل کیا جو کہ خاص طور پر کمپنیل مارکیٹ انڈیکس اور تجارتی حجم میں بہتری کے باعث BIPL سکیورٹیز (ڈیلی کمپنی) کے منافع میں اضافے کی وجہ سے تھا۔ COVID-19 کی وجہ سے پالیسی کی شرح میں کمی اور معیشت میں سست روی کے نتیجے میں درپیش مسائل کے باوجود، گروپ کے مجموعی آپریٹنگ منافع جات میں اثاثوں کی آمدنی میں اضافے کی وجہ سے پچھلے سال کے مقابلے میں 15.8 فیصد اضافہ ہوا۔ اسی طرح گروپ نے سال 2020 کے حوالے سے 1,568 ملین روپے کا بعد از محصول منافع حاصل کیا ہے، جو کہ گزشتہ سال کے بعد از محصول منافع سے 42% زیادہ ہے۔ الحمد للہ

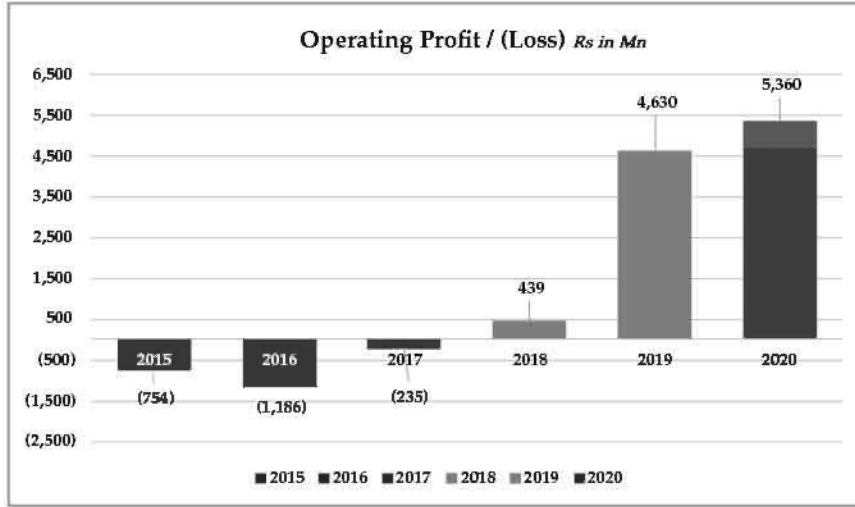
کامیابیاں، نئے اقدامات اور کارکردگی

بینک اسلامی نے انتہائی اہم ترین چھٹے اسلامک ریٹیل ایوارڈز (IRBA)، 2020 میں چار اعزازات حاصل کر کے کامیابی کی نئی منازل طے کیں۔ بینک کو اس سال پاکستان میں "کریٹیکس چوائس بیسٹ اسلامک ریٹیل بینک ایوارڈ" اور اس کے ساتھ ہی اس کی ون چنج بینکنگ کے حوالے سے "بیسٹ فن ٹیک اپٹیکیشن ایوارڈ" سے بھی نوازا گیا تھا۔ بینک اسلامی کے صدر اور سی ای او سید عامر علی کو "IRBA پر سنیلٹی آف دی ایئر" جبکہ بینک اسلامی کے گروپ ہیڈ جناب رضوان عطا کو "IRBS اسلامک ریٹیل بینکر برائے سال 2020" کے اعزاز سے نوازا گیا۔ یہ ایوارڈ، پاکستان کے سرکردہ اور جدید اسلامک بینکوں میں شامل ہونے کے حوالے سے بینک کی حکمت عملی کے عہد کا عملی ثبوت ہیں

مذکورہ بالا کامیابیوں کے علاوہ، دوران سال بینک نے اسلامی بینکاری کے زمرے کے تحت "برانڈ آف دی ایئر 2019" کے طور پر اپنی صلاحیتوں کا لوہا منواتے ہوئے قومی سطح پر بھی ایک معروف ترین اعزاز اپنے نام کرایا۔ یہ اعزاز برائڈ کی برتری کو اجاگر کرنے کے ساتھ ساتھ اپنے حلقہ اثر میں نمایاں کارکردگی کا مظاہرہ کرنے کے حوالے سے ادارے کی کامیابیوں کے اعتراف میں موصول ہوا۔ مزید برآں، رخصت ہونے والے سال کے دوران ہمیں آئی پی ایکسیلنس ایوارڈ 2020 کی تقریب میں سندھ حق ایجاد (پینٹ)، کا پی رائٹس اور فن مہارت کے حامل بینکنگ سلوشنز کے شعبہ میں کی جانے والی کوششوں کے بدلے "بیسٹ ایکچوئل پراپٹی مینجمنٹ" اور "انتہائی جدید بینکنگ سلوشنز" ایوارڈز حاصل کرنے کا بھی اعزاز حاصل ہوا۔

(3) - کاروباری امور سے متعلقہ اخراجات میں اضافہ اور

(4) - بینک کی ٹیکنیکی جدت اور انفارمیشن سیکورٹی کے بنیادی ڈھانچے پر ہونے والے اخراجات



بیک وقت نیٹ اسپریڈز میں اضافے، بینک کے اثاثہ جات میں بڑھوتری اور آمدنی کے تناسب کی مستحکم لاگت سے بینک اسلامی کا آپریشننگ منافع 15.8% کا اضافہ ریکارڈ کیا گیا۔ جیسا کہ اوپر بیان کیا گیا ہے کہ موجودہ وسیع معاشی منظر نامے کی وجہ سے پیدا ہونے والے خارجی مسائل پر غور اور محتاط راستے کو اختیار کرتے ہوئے، بینک نے مئی سال 2020 کے دوران 1.3 بلین روپے کی داخلی فراہمی بک کی اور ساتھ ہی اثاثہ جات کے پورٹ فولیو کو درپیش ممکنہ خطرے (انفیکشن) کے خلاف 450 ملین روپے کی اضافی عمومی فراہمی بک کی۔ اضافی فراہمی کے باوجود، بینک اسلامی نے 31 دسمبر، 2020 کو ختم ہونے والے سال کے حوالے سے 1,703 ملین روپے کا بعد از محصول منافع کا اعلان کیا، جو کہ سال 2019 میں ہونے والے 1,087 ملین روپے کے بعد از محصول منافع سے 56.7 فیصد بہتر ہے۔ الحمد للہ

گروپ کے نتائج

اہم امور سرگرمیاں

گروپ کے مادی اور اہم عملی بنیادی سرگرمیاں درج ذیل ہیں:

- بینک اسلامی پاکستان لمیٹڈ (ہولڈنگ کمپنی)۔ شیڈولڈ کمرشل اسلامک بینک

- BIPL سیکورٹیز لمیٹڈ (سبڈری)۔ بروکرینج سروسز

- شکرانج فوڈ پراڈکٹس (ایسوی ایٹ)۔ فوڈ پراڈکٹس کی تیاری، پراسیسنگ اور فروخت

31 دسمبر، 2020 کو بینک کے صائی اثاثہ جات 19.9 بلین روپے پر تھے، جو کہ رخصت ہونے والے سال کے اختتام کے دوران 1 فیصد کے اضافے کے ساتھ 19.7 بلین روپے رپورٹ ہوئے۔ یہ اضافہ بنیادی طور پر مجموعی منافع جات میں اضافے سے منسوب تھا، تاہم پاکستان انرجی سکوک کی مالیت میں کمی کے باعث اس کی متعلقہ سرمایہ کاری پر سہولتوں میں ہونے والی کمی کے ذریعے اس پر قابو پایا گیا۔

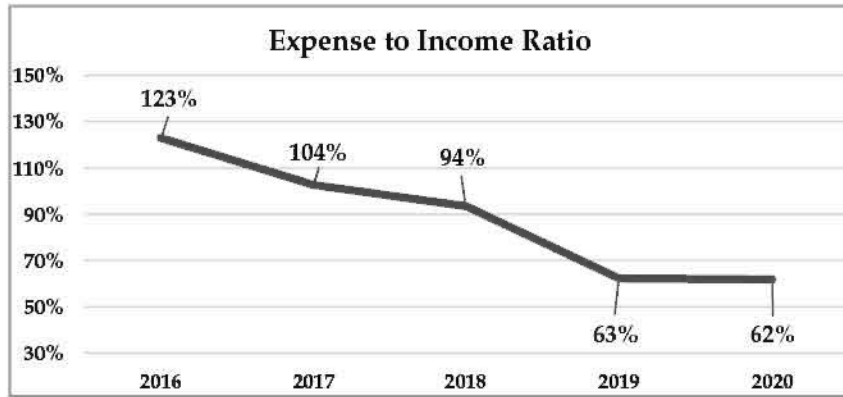
اوسط آمدنی والے اثاثہ جات میں اضافے کے سبب، بینک کی ٹاپ لائن میں 8.9 فیصد تک اضافہ ہوا، جبکہ دوسری طرف CASA کس بہتر ہونے کی وجہ سے منافع کے اخراجات میں صرف 3.1 فیصد کا اضافہ ہوا ہے، جس کے نتیجے میں بینک کے صائی فرق (اسپیڈز) میں 15.8 فیصد کا اضافہ ہوا ہے۔ سرمایہ پر حاصل ہونے والے منافع کے علاوہ بینک کی غیر فنڈ آمدنی میں 43.2% کی قابل ذکر بڑھوتری رنمو مشاہدہ میں آئی۔ جس کے نتیجے میں:

(1) - تجارتی حجم میں اضافے کے باعث غیر ملکی زرمبادلہ (ایف ایکس) کی آمدنی بہتر ہوئی

(2) اے ڈی سی خدمات کے ذریعے حاصل کی جانے والی فیس میں اضافہ ہوا

(3) انویسٹمنٹ بینکاری اور ایف آئی ڈیک سے متعلق امور سرگرمیوں میں اضافہ ہوا

اس کے برعکس، پرکشش قیمتوں پر پاکستان انرجی سکوک 1 کی فروخت کے ذریعے گزشتہ سال فروخت ہونے والے ایک سرمایہ جاتی منافع کی وجہ سے سیکورٹیز کی فروخت پر حاصل ہونے والا منافع کم ہو کر 63.3% ہو گیا، جو سال 2019 کے دوران اعلیٰ نفع کی حامل شرعی اصولوں پر مبنی سکوک کی عدم دستیابی کی وجہ سے ایک محدود حد تک دستیاب تھا۔ جبکہ بینک کے آپریٹنگ اخراجات میں 11 فیصد تک اضافہ ہوا ہے نیز سال 2019 کے مقابلے میں بینک کے لاگت سے آمدنی کا تناسب حسب سابق 62% کی سطح کے قریب ہے۔ چونکہ مجموعی طور پر بینکنگ اسپرڈز 4Q20 سے کم ہونا شروع ہو گیا ہے، لہذا توقع کی جاتی ہے کہ مالی سال 2021 میں بینکاری کی پوری صنعت کے بینکوں کی لاگت سے آمدنی کا تناسب خراب ہو جائے گا۔ اسی پیش رفت کے ساتھ، ضیاع پر قابو پانے کا عمل اور ویلیو ایڈیشن میں سرمایہ کاری نیز تکنیکی صلاحیتوں میں اضافہ اور کاروباری ترقی رنمو، ہمارے منافع جات کو برقرار رکھنے کے لیے ہمارے مرکز نگاہ رہیں گے۔

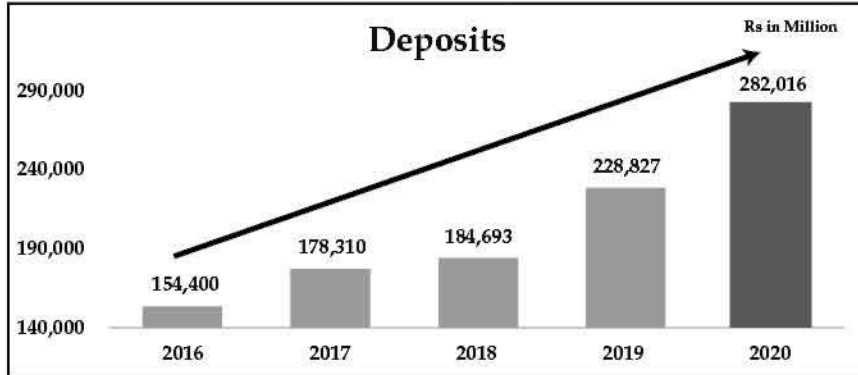


بینک کے کل انتظامی اخراجات میں 12.4% اضافہ ہوا ہے، جس میں سے اہم وجوہات یہ ہیں:

(1) - عملے اور غیر عملے کے اخراجات میں افراط زر (مہنگائی) کی ایڈجسٹمنٹ

(2) - سال 2019 کی دوسری ششماہی کے دوران اہم اور خالی اسامیوں پر افرادی قوت کی شمولیت کے پورے سال کی لاگت کے اثرات کے باعث ملازمین کے معاوضے میں اضافہ

اضافے کے ساتھ مالی سال 2020 (FY20) میں 171.2 بلین روپے ہو گئے۔ اسی طرح بینک اسلامی کا مجموعی CASA کس بھی دسمبر 2019 کے 59.7% سے بڑھ کر دسمبر 2020 میں 63.5% ہو گیا۔ اسٹیٹ بینک آف پاکستان کی مواقع پر مبنی مالیاتی پالیسی کے موقف کو اپنانے کے ساتھ ساتھ موجودہ معاشی بحران کی صورتحال سے نمٹنے کے لیے، بینک اپنے CASA ذخائر (ڈپازٹس) کی بنیاد کے حصول کے لیے اپنی موجودہ حکمت عملی کو جاری رکھے گا تاکہ مستحکم صافی آمدنی کا سلسلہ قائم کیا جاسکے۔ مزید یہ کہ بینک اپنے دیگر کاروباری امور یعنی تجارت، مالیات، زرنقد کا انتظام و انصرام اور ایس ایم ای کے ذریعے کراس سیلنگ سے مستحکم ذخائر کو بھی حاصل کرنے پر بھی توجہ دے گا۔



ڈپازٹس میں اضافے کے تسلسل میں، بینک کے مجموعی آمدنی والے اثاثوں میں بھی اسی طرح اضافہ ہوا ہے، جس میں حکومت پاکستان کے حمایت یافتہ سکوک اور ایف ایکس پلیٹفم کی طرف سے مختص فنڈز کی اکثریت ہے۔ اس کے نتیجے میں، بینک کی انویسٹمنٹ اور ایف آئی پلیٹفم کی کتاب میں بالترتیب 72.6% اور 20.5% اضافہ ہوا ہے۔ اس کے برعکس اسلاک فنانسنگ میں 1.2% کی کمی دیکھنے میں آئی کیوں کہ بینک، معاشی غیر یقینی کی درپیش صورتحال، صنعتی ترقی میں سست روی اور تجارتی مالی سرگرمیوں کے رک جانے کے باعث 2Q20 اور 3Q20 کے دوران کریڈٹ توسیع پر خطرے سے دوچار تھا۔ تاہم، لاک ڈاؤن کے بعد کی مدت کے دوران صنعتی اشیاء اور کنزیومر فنانسنگ کی طلب میں بہتری آنے پر، بینک نے محتاط انداز میں 4Q20 کے دوران اپنی فنانسنگ پر توجہ دینا شروع کر دیا ہے۔ معیشت میں بہتری کے اشاروں اور نجی شعبے کے قرضے کے قرضوں کو بڑھانے کے لیے حکومت اور اسٹیٹ بینک آف پاکستان کی جانب سے کی جانے والی کوششوں کو مد نظر رکھتے ہوئے، بینک اپنی اسلاک فنانسنگ بکس میں بھی نمور بڑھوتری کی توقع کرتا ہے۔ لہذا، بینک درجہ بندی کے لحاظ سے کارپوریٹ کلائنٹس، نجی شعبے کے اداروں، حکومت اعانتی سرمایہ کاری، کنزیومر آٹو فنانس، کم لاگت ہاؤسنگ اسکیم، ایگری فنانسنگ اور FI Placements کو بڑھانے کی جانب پیش قدمی کرنے کا خواہاں رہے گا۔

بینک کی نقصان کے خدشات (رسک) کو برداشت کرنے کی صلاحیت میں اضافے اور موجودہ مسائل کو روکنے کے لیے رخصت ہونے والے سال کے دوران، بینک کے متاثرہ اسٹاک کو بڑھاتے ہوئے، ممکنہ نقصانات کے خلاف کچھ مخصوص موضوعاتی درجہ بندی اور دفعات درج کی گئیں۔ جس کے نتیجے میں بینک کے کارخطا کا تناسب دسمبر، 2019 میں 10.63% کے مقابلے میں بڑھ کر 12.06% ہو گیا، جبکہ کوریج کا تناسب 82.7% کی موزوں سطح پر برقرار رہے ہوئے حسب سابق رہا۔ مذکورہ بالا کے علاوہ مالی سال 2020 کے دوران، بینک نے ممکنہ کاؤنٹر پارٹی کے خطرات سے خود کو بچانے کے لیے محتاط بنیادوں پر 450 بلین روپے کی اضافی عمومی فراہمی کو بھی بک کیا۔

فروخت کے لیے رکھے گئے اثاثہ جات کی درجہ بندی

بینک کے بورڈ آف ڈائریکٹرز کے فیصلے کے مطابق، جیسا کہ 25 اپریل، 2019 کو پی ایس ایکس میں بھی اعلان کیا گیا تھا، بینک اپنے دو ذیلی اداروں میں اپنے حصص (شیر ہولڈنگز) کو بیچنے پر عمل پیرا ہے۔ رخصت ہونے والے سال کے دوران، بینک، تشخیص کے تفصیلی عمل سے گزرنے کے بعد، ان اثاثوں کے مطلوبہ خریداروں کی نشاندہی کرنے میں کامیاب رہا، جس کے لیے حصص کی خریداری کے معاہدوں پر بھی دستخط ہو چکے ہیں۔ جس کے نتیجے میں متعلقہ مجوزہ خریداروں نے فروختگی کی طے شدہ رقم کا 25% پیشگی ادا کر دیا ہے۔ اس وقت بینک اور مجوزہ خریدار ضابطے کی منظور یوں اور دیگر قواعد کی تکمیل کے مراحل میں ہیں۔ بینک کی انتظامیہ کو توقع ہے کہ فروخت کا یہ عمل سال 2021 میں مکمل ہو جائے گا۔

مالی کارکردگی

تغیرات	31 دسمبر، 2019	31 دسمبر، 2020	مالی حیثیت کا گوشوارہ
	----- روپے ملین میں -----		
1.01%	19,696	19,895	صافی اثاثہ جات
23.24%	228,827	282,016	جمع شدہ رقم (ڈپازٹس)
-1.22%	131,775	130,162	فنانسنگ اور متعلقہ اثاثہ جات - صافی
72.55%	55,194	95,240	سرمایہ کاری - صافی
-2.96%	42,912	41,640	ایف آئی (FI's) پر واجب الادا

تغیرات	31 دسمبر، 2019	31 دسمبر، 2020	نفع و نقصان کا کھاتہ
	----- روپے ملین میں -----		
8.85%	23,650	25,744	حاصل کردہ نفع آمدن
3.07%	12,860	13,255	خرچ کردہ نفع آمدن
15.75%	10,790	12,489	حاصل کردہ صافی فرق
15.77%	4,630	5,360	آپریٹنگ نفع
56.67%	1,087	1,703	بعد از محمول نفع
44.91%	1.060	1.536	فی حصص آمدن (روپے میں)

COVID-19 سے پیدا ہونے والے مسائل اور معیشت میں سست روی کے نتیجے میں، بینک اسلامی نے سال 2020 کے دوران، بینک صارفین میں نے کسٹمرز کے حصول کے ذریعے اپنے کسٹمرز کی تعداد کو وسعت دینے نیز اسٹریٹ میجز اور مارکیٹنگ پر اپنے جارحانہ انداز کے ذریعے بنیادی CASA ڈپازٹس (علاوہ FI ڈپازٹس) میں بڑھوتری کو فروغ دینے کی حکمت عملی کے تحت ذخائر (ڈپازٹس) میں 23.2% کی مستحکم نمو ظاہر کی۔ اس کے نتیجے میں بینک کے بنیادی CASA ذخائر (ڈپازٹس)، مالی سال 2019 (FY19) کے 128.8 بلین روپے کے مقابلے میں 32.9% تک کے قابل ذکر

بینکاری کی صنعت کا نقطہ نظر

وسیع معاشی مسائل کے ماحول کے دوران، سال 2020 میں پاکستان کے بینکاری کے شعبہ میں قابل ذکر نمو مشاہدے میں آئی۔ سال کی دوسری اور تیسری سہ ماہی کے دوران معاشی سست روی کی وجہ سے ذخائر (ڈپازٹس) میں 22.1% کا اضافہ جبکہ فنانسنگ میں 4% کا معمولی اضافہ ظاہر ہوا۔ جس کے نتیجے میں سیالیت (لیکویڈیٹی) میں ہونے والے اضافے کو سرمایہ کاری کی جانب موڑ دیا گیا، جس میں 31.3% کا اضافہ دیکھا گیا۔ مالی سال 2019 کے تیسری سہ ماہی (3Q19) سے مالی سال 2020 کی پہلی سہ ماہی (1Q20) کے دوران بڑے پیمانے پر رعایتی شرحوں سے پیدا ہونے والے کریڈٹ رسک میں اضافے اور مالی سال 2020 کی دوسری سہ ماہی (2Q20) کے دوران COVID کی دباؤ کے پھیلاؤ کی وجہ سے بینکاری کے پورے شعبہ کے NPF اور نفلکھن کی شرح، دسمبر 2019 کے 761 بلین روپے اور 9.3% سے بڑھ کر ستمبر 2020 میں بالترتیب 853 بلین روپے اور 10.5% ہو گئی ہے۔ یہاں یہ امر قابل ذکر ہے کہ اسٹیٹ بینک آف پاکستان کی جانب سے ادائیگیوں کو موخر التواء کرنے سے متعلق دی گئی رعایت ریزی کے باوجود نفلکھن کی شرح میں اضافہ ہوا۔

منافع کے حوالے سے بینکاری کی صنعت نے مالی سال 2020 کے 9 مہینوں (9M'20) کے دوران متاثر کن نمونہ ظاہر کیا۔ اعلیٰ حکام نے CY20 کے دوران اب تک اپنی پالیسی کی شرح 625 bps کم کر کے 7% کر دی ہے تاکہ ملک کے بااثر طبقات کو متحرک کیا جاسکے۔ اس کے نتیجے میں بینکوں کا صافی پھیلاؤ اور منافع، اثاثہ جات کے حوالے سے قیمتوں کی زیریں سطح کی جانب تصفیہ کی وجہ سے، مالی سال 2020 کی چوتھی سہ ماہی (4Q'20) سے نمایاں طور پر کم ہونے کی توقع ہے۔ روایتی بینک جنہوں نے CY19 کے دوران مقررہ شرح کے بانڈ خریدے، ان کے پھیلاؤ پر اس کے کم اثرات مرتب ہو سکتے ہیں۔ توقع کی جاتی ہے کہ زیریں جانب تصفیہ کا یہ رجحان CY21 میں بھی جاری رہے گا، ساتھ ہی مارکیٹ کے شرکاء کو پالیسی کی شرح میں بہت بڑے اضافے کی توقع نہیں ہے۔ اصل NPF کی پوزیشن کے بارے میں غیر یقینی صورتحال 30 جون، 2021 تک ختم ہو جائے گی، جب تک پرنسپل اور ریبا منافع کے التواء کی میعاد ختم ہونے کی توقع کی جا رہی ہے۔ سرمایہ کی کفایت کی سطح پر، زیادہ تر بینکاری سے منسلک اداروں کی رضامندی رہنے کی توقع کی جاتی ہے، کیوں کہ انضباطی حکام (ریگولیٹر) نے کریڈٹ رسک میں متوقع اضافے کو اپنے پاس شامل کرنے کے حوالے سے بینکوں کو اجازت دینے کے لیے کم از کم سرمایہ کی کفایت کی مطلوبہ شرح کو بھی 12.5% سے 11.5% تک کم کر دیا ہے۔

(ماخذ: اسٹیٹ بینک آف پاکستان۔ اکنامک ڈیٹا اینڈ پبلیکیشن)

اہم لین دین (ٹرانزیکشنز)

اضافی مرحلہ 1 کے سرمایہ کار اجراء

بینک کے بنیادی سرمایہ کو مزید وسعت دینے اور نقصان کے خدشات کو برداشت کرنے کی صلاحیت کو تقویت دینے کے لیے، بینک نے پاکستان کا پہلی بار جاری کردہ لسٹڈ اسلامی اضافی مرحلہ 1 کیپٹل سکوک (اے ڈی ٹی-1 سکوک) کا اجراء مکمل کر لیا۔ اس دستاویز کو "عہد سکوک" کے نام سے براہ ذمہ کیا گیا ہے جو مستند اسلامی بینکاری پراڈکٹس کی پیشکش کے حوالے سے بینک اسلامی کے عزم کا عکاس ہے اور اپنے صارفین کو حلال منافع فراہم کرتا ہے۔ اس ADT-1 سکوک کا مجموعی حجم 2 بلین روپے ہے اور اس دستاویز کا اجراء 21 اپریل، 2020 کو مکمل کر لیا گیا تھا۔ اس سکوک کو 190 سے زائد ادارہ جاتی اور خوردہ سرمایہ کاروں نے سبسکرائب کیا تھا۔ اس سکوک کی تجارت کا آغاز 15 مئی، 2020 کو پاکستان اسٹاک ایکسچینج (PSX) میں ہوا۔

سے منسوب ہے۔ اسی طرح، دسمبر 2020 میں غیر ملکی زرمبادلہ (FX) کے ذخائر، جون 2020 کے 18.9 بلین امریکی ڈالر کے برخلاف بڑھ کر 20.54 بلین امریکی ڈالر ہو گئے ہیں، جو، جون 2020 میں -168/ روپے فی امریکی ڈالر کی شرح مبادلہ کے مقابلے میں -159.8/ فی امریکی ڈالر کی موجودہ شرح مبادلہ کے ساتھ ڈالر کے مقابلے میں روپے کی قدر میں استحکام کا باعث بنے۔ سال بہ سال (YoY) انفرافز کی شرح بھی سال 2019 کی 12.6% کے مقابلے میں گر کر سال 2020 میں 8% ہو گئی ہے۔

اسٹیٹ بینک آف پاکستان کے موجودہ اعداد و شمار کے مطابق FMCGs سے سال 2021 میں حاصل ہونے والی آمدنی میں دوبارہ اضافہ ہوا ہے، جبکہ تیل کے شعبے، آٹوموبائل اور سینٹ کی اوسط فروخت کے حجم میں نمایاں بہتری آئی۔ مینوفیکچرنگ کے شعبے، ٹیکسٹائل، فوڈ اینڈ بیورٹیج، سپر اینڈ بورڈ، فارماسیوٹیکل، کیمیکلز، فریٹلائز، راور بر پراڈکٹس کے شعبے کے حجم میں بھی بہتری ظاہر ہوئی۔ زراعت کے شعبے میں، معاون نرخوں میں اضافے اور حال ہی میں کھاد اور فصل کی ادویات پر اعلان کردہ سبسڈی کی وجہ سے دیگر بڑی فصلوں میں ہونے والی بڑھوتری اور گندم کی اعلیٰ پیداوار کے ذریعے کمپاس کی پیداوار میں متوقع کمی کی تلافی کا امکان ہے۔ مزید برآں، دیگر شعبوں سے آنے والے مثبت اثرات سے تھوک اور خوردہ تجارت نیز نقل و حمل کو فائدہ پہنچنے کی توقع کی جاتی ہے۔ بڑی سطح پر کام کرنے والے مینوفیکچرنگ کے شعبے جات میں نومبر، 2020 کی مدت تک 7.4% تک کا اضافہ ہوا، جبکہ گزشتہ سال کی اسی مدت کے دوران 5.3% کی کمی واقع ہوئی تھی۔ تاہم مینوفیکچرنگ کی مجموعی سرگرمی اب بھی مالی سال 2019 میں حاصل ہونے والی سطح سے کم رہی، جو معیشت میں اضافی صلاحیت پر کام کرنے کی ضرورت کو اجاگر کرتی ہے۔ اسی طرح، نجی شعبہ کو دیئے جانے والے قرضہ جات، اسٹیٹ بینک آف پاکستان کی ری فنانس سہولیات کے تحت کنزیومر اور کارپوریٹ قرضہ جات میں اضافے کے ذریعے جون 2020 کے چھ ماہ کے دوران 330 بلین روپے سے بڑھ کر 5,966 بلین روپے کی سطح پر پہنچ گئے۔ ورکنگ کیپٹل لونز (قرضہ جات) میں بھی COVID لاک ڈاؤن کے بعد کی مدت، اکتوبر، 2020 سے نومبر 2020 کے دوران 24 بلین روپے کا اضافہ ہوا، ہر چند یہ کہ اس کی سطح گزشتہ سال کے مقابلے میں کم رہی۔

مستقبل

مالی سال 2021 (جولائی 2020 - جون 2021) میں پاکستان کے GDP میں 2% اضافے کا امکان ہے۔ توقع ہے کہ اوسط انفرافز مالی سال 2020 میں 10.7% کی سطح سے مالی سال 2021 میں 7.0% سے 9.0% کی حد میں رہے گا۔ مالی سال 2021 میں درآمدت میں متوقع اضافے کے ساتھ، کرنٹ اکاؤنٹ خسارہ مالی سال 2020 کے 1.1% سے بڑھ کر GDP کا 2.4% ہونے کی توقع کی جاتی ہے۔ چونکہ لاک ڈاؤن کے بعد کی مدت کے دوران COVID کیسز میں دوبارہ تیزی آئی ہے لہذا اب بھی غیر یقینی صورتحال برقرار ہے اور یہی تشویش موجود ہے کہ اس وبائی بیماری کی دوسری لہر ہمارے معاشی معاملات کو کس شکل میں ڈھالے گی COVID-19 کے پھیلاؤ کو روکنے کے لیے، پاکستان کے نیشنل مکنائز اینڈ آپریشن سینٹر (این سی اوی) نے سرکاری اور نجی کمپنیوں کو ہدایت جاری کی ہیں کہ وہ 50% عملے کے گھر سے کام کرنے کی پالیسی پر عمل درآمد کریں۔ عوام کو ویکسین کی بروقت دستیابی، کورونا وائرس سے بچنے کے لیے ایس او پیز کا نفاذ اور آئی ایم ایف کی جانب سے خاکہ جاتی اصلاحات پر موثر طریقے سے عمل درآمد وسیع پیمانے پر استحکام کے لیے اشد ضروری ہے۔

(ماخذ: اسٹیٹ بینک آف پاکستان۔ ایم پی ایس، اے ڈی بی اور ورلڈ بینک کے معاشی جائزے)

ڈائریکٹرز کی رپورٹ

معزز حصص یافتگان

بورڈ کی جانب سے ہم سال 31 دسمبر، 2020 کے حوالے سے محاسبہ شدہ (آڈیٹڈ) سالانہ مالی گوشواروں کے ساتھ بینک اسلامی پاکستان لمیٹڈ ("بینک" یا "بینک اسلامی") کے ڈائریکٹرز رپورٹ کو پیش کرنا چاہیں گے۔

اہم امور / سرگرمیاں

بینک اسلامی بنیادی طور پر ایک لائسنس یافتہ اور جامع شیڈولڈ اسلاک کمرشل بینک کی حیثیت سے کام کرتا ہے۔ بینک 31 دسمبر، 2020 تک اپنی 343 برانچوں بشمول 81 ذیلی برانچوں کے ساتھ کام کر رہا ہے اور اپنے صارفین کو شرعی اصولوں پر مبنی مختلف خدمات پیش کرتا ہے جن میں کارپوریٹ اور کمرشل فنانسنگ، ایس ایم ای اور ایگریکلچر فنانسنگ، کنزیومر فنانسنگ، ٹریڈ فنانسنگ، رئیل اسٹیٹ فنانسنگ، انویسٹمنٹ بینکنگ، ٹریڈری سروسز، ترسیل کے متبادل ذرائع اور زر نقد کا انتظام والی خدمات شامل ہیں۔

معاشی جائزہ اور کاروباری نقطہ نظر

معاشی جائزہ

ماضی

مالی سال 2020 (FY20)، پاکستان کے لیے ایک مشکلات سے بھرپور سال تھا جس کے دوران اس دہائی میں پہلی بار ملک کی جی ڈی پی نمو میں 0.4% کی منفی سطح دیکھی گئی، جو COVID-19 کے حوالے سے عائد کردہ لاک ڈاؤن اور اس کے پھیلاؤ کو روکنے کے لیے مالیاتی اور معاشی لحاظ سے پیشگی طور پر لیے جانے والے سخت اقدامات کے اثرات کی عکاسی کرتا ہے۔ اس وباء کے پھیلاؤ کو روکنے کے لیے کئے جانے والے اقدامات کے نتیجے میں نہ صرف مقامی رسد اور طلب میں کمی واقع ہوئی بلکہ صارفین کے اخراجات بھی محدود ہو گئے، جس سے مینوفیکچرنگ اور سروس سے متعلق دونوں شعبہ جات متاثر ہوئے۔ عالمی تجارت اور مقامی طلب میں کمی کے باعث برآمدات اور درآمدت بھی محدود ہو گئی۔ اس کے برعکس، سرکاری کھپت میں اضافہ ہوا، جو وبائی مرض کے اثرات کا مقابلہ کرنے کے لیے پالیسی کی شرح میں 625 bps تک کمی کے ساتھ ایک حوصلہ افزاء پیکج کے آغاز کو ظاہر کرتا ہے۔

حال

چونکہ لاک ڈاؤن کے اقدامات اب ختم کر دیے گئے ہیں، لہذا پاکستان میں معاشی سرگرمیاں بحال ہونا شروع ہو گئی ہیں۔ مالی سال 2021 کی پہلی سہ ماہی (FY21Q1) میں کرنٹ اکاؤنٹ نے پانچ سال سے زائد مدت میں اپنا پہلا سہ ماہی سرپلس ریکارڈ کیا۔ ماہ دسمبر تک مجموعی کرنٹ اکاؤنٹ، گزشتہ سال کی اسی مدت میں ہونے والے 2 بلین امریکی ڈالر کے خسارے کے برخلاف سرپلس کی صورت میں 1.1 بلین امریکی ڈالر پر پہنچ گیا، جو حکومت اور اسٹیٹ بینک آف پاکستان کی جانب سے تجارتی توازن، ریکارڈ ترسیلات زر اور مالیاتی پالیسی کے حوالے سے کئے جانے والے اقدامات میں بہتری

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 January 01, 2020	Shares held / subscribed during the Year	No. of Shares as at December 31, 2020
Mr. Ali Hussain	Chairman	179,893,560	40,000,000	219,893,560
Dr. Amjad Waheed	Director	550	-	550
Mr. Haider Ali Hilaly	Director	-	1,000	1,000
Dr. Lalarukh Ejaz	Director	-	500	500
Mr. Siraj Ahmed Dadabhoy	Director	5,500	-	5,500
Mr. Sulaiman Sadruddin Mehdi	Director	-	1,000	1,000
Mr. Syed Ali Hasham	Director	-	501	501
Mr. Aasim Saleem	Executive	92,400	-	92,400

- As at January 01, 2020, Directors of the Bank namely Mr. Ali Mohamad Hussain Ali Mohamad Alshamali was holding 550 shares of the Bank, Mr. Fawad Anwar was holding 1,925 shares of the Bank and Mr. Noman Yakoob, was holding 18,380,127 shares of the Bank. They were retired on May 07, 2020, during the period January 1, 2020 to May 7, 2020 no sale / purchase made by them in Bank's shares.
- Mr. Ali Hussain purchased 40,000,000 shares of the Bank on April 9, 2020.

Six Years' Financial Summary

Specific Provision	2020	2019	2018	2017	2016	2015	
Profit & Loss Account							
Profit/return Earned	25,744	23,650	12,204	10,354	10,128	8,834	
Profit/return Expensed	(13,255)	(12,860)	(6,170)	(5,250)	(5,791)	(5,119)	
Net Spread earned	12,489	10,790	6,034	5,104	4,337	3,715	
Fee,commission,brokerage & exchange Income	1,265	802	1,073	735	404	490	
Dividend and capital gains	260	671	109	151	122	15	
Other Income	110	160	82	78	112	65	
Total Other Income	1,635	1,633	1,264	964	638	570	
Total Income	14,124	12,423	7,298	6,068	4,975	4,285	
Other expenses	8,764	7,794	6,859	6,303	6,160	5,039	
Profit/(loss) before tax and provisions	5,360	4,629	439	(235)	(1,185)	(754)	
Provisions	2,601	2,799	37	(392)	(2,030)	(482)	
Profit/(loss) before tax	2,759	1,830	402	157	845	(272)	
Profit/(loss) after tax	1,703	1,087	213	1,563	452	(196)	
Statement of Financial Position							
Paid up capital - net	11,008	11,008	10,000	10,000	10,000	10,000	
Reserves	1,527	1,186	969	926	614	523	
Unappropriated profit/(loss)	4,330	2,876	1,695	1,474	213	(171)	
Shareholders' equity	16,865	15,070	12,664	12,400	10,827	10,352	
Surplus on revaluation of assets-net of tax	3,031	4,626	1,851	1,276	1,618	834	
Net Assets	19,896	19,696	14,515	13,676	12,445	11,186	
Total Assets	336,297	283,096	215,743	217,792	182,473	174,231	
Earning Assets	279,350	231,759	176,410	183,421	152,493	146,200	
Gross Financings and Advances	145,338	144,720	129,578	130,828	89,949	82,361	
Financings-net of provisions	130,162	131,775	118,571	119,155	77,817	68,709	
Non-performing Financing and Advances (NPFs)	17,529	15,388	15,403	15,837	14,534	15,684	
Investments - net	95,240	55,194	38,832	42,092	46,317	35,886	
Total Liabilities	316,402	263,400	201,228	204,116	170,029	163,044	
Deposits & other accounts	282,016	228,827	184,693	178,310	153,736	153,058	
Current & Saving Deposits (CASA)	179,142	136,641	127,557	135,332	111,037	102,491	
Due to Financial Institutions	16,128	15,104	7,820	15,570	6,066	3,198	
Cost bearing Liabilities	209,132	173,397	132,768	136,010	110,912	110,800	
Contingencies and commitments	22,001	26,652	23,135	22,435	25,557	29,022	
Financial Ratios							
Profit before tax ratio (PBT/total income)	19.53%	14.74%	5.53%	2.58%	16.95%	-6.36%	
Net Spread earned/Profit Earned	48.51%	45.63%	49.45%	49.29%	42.82%	42.05%	
Other income to total income	11.58%	13.14%	17.32%	15.90%	12.82%	13.30%	
Total income/ Other expense ratio (excl. provisions)	Times	1.61	1.59	1.06	0.96	0.81	0.85
Return on average equity (ROE)		10.67%	7.84%	1.70%	13.46%	4.27%	-2.37%
Return on average assets (ROA)		0.55%	0.44%	0.10%	0.78%	0.25%	-0.14%
Earning per share (EPS after tax)	Rs.	1.5362	1.0600	0.2099	1.5509	0.4487	(0.2437)
Gross financings/ deposit ratio		51.54%	63.24%	70.16%	73.37%	58.26%	53.81%
Net financings / deposit ratio		46.15%	57.59%	64.20%	66.82%	50.40%	44.89%
Breakup value per share (excl.surplus on rev. of assets)	Rs.	15.21	13.59	12.56	12.30	10.74	10.27
Breakup value per share (incl.surplus on rev. of assets)	Rs.	17.95	17.76	14.40	13.57	12.35	11.10
Earning assets to total assets ratio		83.07%	81.87%	81.77%	84.22%	83.57%	83.91%
Earning assets to profit bearing Liabilities	Times	1.34	1.34	1.33	1.35	1.37	1.32
CASA to Total Deposits		63.52%	59.71%	69.06%	75.90%	71.92%	66.96%
NPLs to Gross Financings ratio		12.06%	10.63%	11.89%	12.11%	16.16%	19.04%
Total Assets to Equity	Times	19.94	18.79	17.04	17.56	16.85	16.83
Deposit to shareholders' equity	Times	16.72	15.18	14.58	14.38	14.26	14.79
Capital Adequacy Ratio		16.10%	14.95%	15.10%	14.68%	13.43%	12.34%
Market value per share-Dec 31	Rs.	12.01	11.09	12.00	9.29	13.36	11.50
Non Financial Information							
Number of branches		343	334	330	330	321	317
Total number of employees		3,437	3,447	3,052	3,350	3,206	2,929

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.

As a continuous process, the Bank formulates/update and review various key policies and procedures for its various lines of businesses. While formulating such policies clear line of authority and responsibility is ensured to have been established in order to ascertain 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. These process and controls are reviewed and updated periodically.

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 been 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, 2019 to SBP. A similar assessment report for the year ended December 31, 2020, 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

March 3, 2021

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

FOR THE YEAR ENDED DECEMBER 31, 2020

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (“Code” or “Regulations”) issued by the Securities and Exchange Commission of Pakistan (“the Commission”), for the purposes of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has 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: seven (7) including President & Chief Executive Officer
- b. Female: 1

2. The composition of Board is as follows:

i)	Independent Directors
1-	Dr. Amjad Waheed
2-	Mr. Haider Ali Hilaly.
3-	Dr. Lalarukh Ejaz
4-	Mr. Sulaiman Sadruddin Mehdi
ii)	Non-executive Director
1-	Mr. Ali Hussain
2-	Mr. Siraj Ahmed Dadabhoy
3-	Mr. Syed Ali Hasham
iii)	Executive Director
1-	Mr. Syed Amir Ali, President & Chief Executive Officer
iv)	Female Director
1-	Dr. Lalarukh Ejaz

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 the Companies Act, 2017 (the “Act”) and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board has 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 Dr. Lalarukh Ejaz, Independent Director and Mr. Syed Ali Hasham, during the year.

Dr. Amjad Waheed, Independent Director, Mr. Haider Ali Hilaly, Independent Director, Mr. Sulaiman Sadruddin Mehdi, Independent Director and Mr. Syed Amir Ali, President & Chief Executive Officer have already attained certification before year 2020.

10.	There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, during the year. The Board has approved their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.	
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:	Chairperson Mr. Haider Ali Hilaly Members Dr. Lalarukh Ejaz Mr. Sulaiman Sadruddin Mehdi Mr. Syed Ali Hasham
	Human Resource Management Committee	Chairperson Mr. Sulaiman Sadruddin Mehdi Members Dr. Amjad Waheed Dr. Lalarukh Ejaz Mr. Siraj Ahmed Dadabhoy Mr. Syed Ali Hasham Mr. Syed Amir Ali
	Board Remuneration Committee	Chairperson Mr. Sulaiman Sadruddin Mehdi Members Mr. Ali Hussain Dr. Amjad Waheed Dr. Lalarukh Ejaz Mr. Siraj Ahmed Dadabhoy Mr. Syed Ali Hasham
	Risk Management Committee	Chairperson Dr. Amjad Waheed Members Mr. Siraj Ahmed Dadabhoy Mr. Sulaiman Sadruddin Mehdi Mr. Syed Ali Hasham Mr. Syed Amir Ali
	Information Technology (IT) Committee	Chairperson Dr. Lalarukh Ejaz Members Mr. Haider Ali Hilaly Mr. Syed Amir Ali
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.
	Human Resource Management Committee	Half Yearly.
	Board Remuneration Committee	Half Yearly
	Risk Management Committee	Yearly
	I.T Committee	Yearly

15. The Board has set up an effective internal audit function with team who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
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 & Chief Executive Officer



Ali Hussain
Chairman

March 3, 2021



EY Ford Rhodes
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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

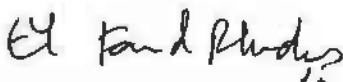
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of BankIslami Pakistan Limited (the Bank) for the year ended 31 December 2020 in accordance with the requirements of regulation 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 2020.


Chartered Accountants

Place: Karachi

Date: March 4, 2021

Shariah Supervisory Board Report - 2020

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

اتَّخَذَ اللَّهُ رَبًّا الْعَالَمِينَ، وَالضَّلَاطَةَ وَالسَّلَامَةَ عَلَى اشْرَاقِ الْاَكْيُنَاءِ وَالْمُرْسَلِينَ،
وَعَلَى آلِهِ وَأَصْحَابِهِ أَجْمَعِينَ، وَبِعَهْدِهِ

By the grace of Allah, the Almighty, BankIslami has successfully completed the year 2020, a year in which Covid-19 drastically affected the world economically, psychologically, and socially.

During this economic crisis, the Government of Pakistan and the State Bank of Pakistan played a commendable role due to which Pakistan did not undergo economic problems that many other countries had to face. Amongst other initiatives, the State Bank of Pakistan started different financial schemes to help institutions to come out from the economic crisis. Those schemes, among others, included payment relaxation in outstanding facilities, subsidized financing in the health sector, and assistance to organizations in payment of salaries & wages.

BankIslami also played its role in dampening the financial effects of the pandemic by remaining actively engaged in providing financing under the above mentioned financial schemes of the State Bank of Pakistan. The Management of the Bank, in general, and Shariah Compliance Department (SCD), in particular, played a crucial role in the implementation of directives relating to schemes issued by the Islamic Banking Department of State Bank of Pakistan and Shariah Supervisory Board of the Bank. In order to facilitate the implementation of these schemes in the Bank, SCD effectively coordinated with Shariah Supervisory Board in the ongoing phase to ensure timely Shariah approvals of financing under these schemes to steer the business wheel in this financial crisis.

Shariah Supervisory Board (SSB) hereby presents the Annual Report about the affairs of BankIslami.

During the year ended December 31, 2020, SSB of BankIslami held four meetings to review various matters which included, among others, new products and services, product modifications, concepts, transactions, structures, processes, and Shariah issues referred to them. To ensure that, apart from the quarterly meetings, SCD 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 on time.

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

Shariah Compliance:

The commitment of the Board of Directors and Management in building the overall Shariah compliance environment of the Bank is commendable. The Bank's Shariah Compliance Department (SCD) experienced the management's utmost support in discharging its functions.

In 2015, BIPL Securities (formerly known as KASB Securities) became a subsidiary of BankIslami as a result of a merger of BankIslami with ex-KASB Bank. The Shariah Board of the Bank had advised to dispose-off BIPL Securities as significant portion of brokerage activities are not in compliance with Shariah rules. In line with Shariah Board's advice and BOD decision, the Management has signed a Share Purchase agreement with the buyer, and in this regard the completion of sale is expected in 2021 subject to regulatory approvals.

The SCD works under the guidance and supervision of the Shariah Board and is equipped with qualified professionals – including Shariah Scholars and business graduates from reputed institutions. The prime objective of SCD is to keep a continuous watch on the operations from the Shariah perspective and take corrective actions if needed. The SCD ensures Shariah Compliance in the affairs of BankIslami by actively evaluating various operational activities including customer-specific Transaction Fact Sheets, the text of agreements and guarantees, verifying monthly distribution of profit and loss to depositors, and coordinating with HR for arranging and providing Islamic Banking training to the Bank's staff.

The SCD strives to bring about continuous improvement in the Shariah compliance environment of the Bank. In this regard, SCD, as per the directives of the Shariah Board, issues new guidelines and revises the previously issued Shariah instructions to manage Shariah non-compliance risk. During the year, SCD issued different Shariah guidelines which include, among others, guidelines regarding Obtaining Takaful in Financing Transactions, Disposal of Foreign Currency, Obtaining Shariah Approval in Settlement Cases, and Waiver of Charges on Current Account. Comprehensive Shariah Compliance guidelines for Branches were also issued to ensure that branches espouse the spirit of Islamic Banking and demonstrate the fundamental, ideological and practical differences between Islamic and Conventional Banking.

The function of Shariah Review of financial transactions is discharged by SCD in two phases; pre-execution review which is for all the customers and post-execution review which is carried out on a sample check basis.

SCD carried out Shariah Review of different departments/functions of Head office and branches across the country during the year. The SCD presented Shariah Review reports, Internal and External Shariah Audit reports, and SBP Inspection report to SSB for determining corrective actions.

In addition to Shariah Review, Internal Shariah Audit unit (ISAU), working under the Internal Audit department, conducted Shariah Audit of branches and departments/functions of the Bank to ensure the compliance of Shariah guidelines of Shariah Board and State Bank of Pakistan.

Products & Shariah Structuring:

Alhamdulillah, the Bank successfully concluded the IPO and listing of BankIslami Ehad Sukuk which is Pakistan's first listed Additional Tier-1 Mudarabah Sukuk. The Sukuk is a key milestone for the Bank through which our Tier-1 Capital has been strengthened.

During the year, a series of Islamic Commercial Papers (ICPs) were issued by K-Electric in which the Bank was the joint Shariah Structuring Bank. Further, Short Term Sukuk (STS) for Kot Addu Power Company Limited (KAPCO) was also structured. The ICPs and STS were structured on the basis of Musharakah (Shirkat-ul-Aqd) through which participants invested in identified business operations of the respective companies.

Different Products/Schemes were launched during the year after obtaining Shariah Board approval. They include the following:

1. **Islamic Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns (IRSPWS):** This product was developed to assist businesses in coping with the challenge of making wages/salary payments to their workers /employees due to COVID-19.
2. **Islamic Temporary Economic Refinance Facility (ITERF):** This product was developed to support businesses in combating the economic challenges faced due to COVID-19. This product enabled long-term financing to customers for imported and locally manufactured new plant and machinery to be used in setting-up new projects across various sectors.
3. **Islamic Refinance Facility for Combating COVID-19 (IRFCC):** This product was developed to support hospitals/medical centers in controlling and eradicating COVID-19. Medical equipment and setting up of isolation wards were financed through this facility.

The above three products were developed to enable the Bank's customers for availing different Islamic Refinance Schemes introduced by the State Bank of Pakistan (SBP) to dampen the effects of COVID-19. Transaction Fact Sheets were developed in coordination with the relevant business unit for each case received under these Schemes. Considering that a large number of customers availed these Schemes, there was a significant effort involved in structuring customized Shariah-compliant solutions for each transaction.

4. **Islamic Premium FCY Savings Account:** This was introduced as a variant of the existing FCY savings account (based on Mudarabah) and was targeted towards medium to large-sized depositors and corporations.
5. **Islami Business Savings Account:** This was introduced as a variant of the existing savings account (based on Mudarabah) in which the profit will be calculated on the daily balance. This was targeted towards businesses or individuals who have fluctuating balances throughout the month.

Under Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMKJ-YES), the Bank also provided concessional financing to youth for establishing or expanding business enterprises. The Scheme was offered to customers through the Bank's existing modes of financing and products. Cases were evaluated on an individual basis and solutions were provided accordingly. The Bank further, through Muskun Financing, offered low-cost house financing facility to customers under the SBP's 5 and 10 Marla low and Middle Income Housing Scheme (Naya Pakistan Housing Program).

In terms of Shariah-compliant solutions, the Bank introduced a couple of guidelines during the year to cater to the different COVID-19 related SBP schemes. Firstly, guidelines were issued about the physical inspection in different transactions. These guidelines were issued to ensure complete Shariah compliance of the transactions keeping in mind the health advisory about COVID-19. Secondly, to allow the Bank to offer to defer, reschedule or restructure the financing transactions of different customers, Shariah guidelines titled "Implementation of Regulatory Relief to Dampen the Effects of COVID-19" were developed as well. The Transaction Fact Sheets (TFS) of the restructuring/rescheduling requests received from customers were developed on an individual basis by business units concerning these guidelines and approval was granted accordingly.

The Shariah Board also reviewed the revised product manuals and agreements of its existing products such as Murabahah and Bai Muajjal of Sukuk.

Training and Development:

During the year, Shariah Compliance Department and Products & Shariah Structuring fully focused on the training of Bank's staff and conducted several programs for different departments of the Bank to enhance their knowledge of Islamic banking to prepare them to persuade customers and to execute transactions in the best manner in terms of Shariah.

To enhance the theoretical and practical knowledge of Islamic Banking and Finance during the given period, the team continued its focus on Shariah related training of the Bank's employees despite the COVID-19 pandemic. SCD devised and executed a plan to conduct the training of employees through an online platform. The training was followed by an oral test of each employee through video calls. The team also conducted Shariah training of employees of various departments of the Bank including Trade, Corporate, Pool Management, and Distribution team in various cities. Training sessions on Islamic and business ethics were also conducted for the Bank's sales team.

The Islamic Banking training and orientation sessions for BOD and Top Management were also conducted. The session related to the applicable legal framework was also arranged for members of the Shariah Board during the year.

During the period, several online and classroom training sessions on Islamic Banking Concepts conducted in various cities in which more than 2,957 participants attended.

To increase the effectiveness of internal training, the Bank entered into collaboration with the Institute of Business Management (IoBM) through which different IoBM accredited certification programs will be offered to the Bank's employees. In this regard, "Certified Islamic Retail Banker (CIRB)" program was rolled out for bank-wide employees which will equip the participants with detailed knowledge of Islamic banking as well as an understanding of key features of deposit and financing products.

A comprehensive online training program constituting of 06 sessions, covering all the financing products, was organized and conducted for the Corporate, SMEs & Agri teams. A similar customized online training program comprising of 05 sessions was organized and conducted for the Distribution team. The latter was attended by Branch Managers across the country. Both online programs were conducted on a Pan- Pakistan level.

In coordination with HR, SCD also launched Mandatory Self-study Basic Islamic Banking Program. This program comprised of self-study reading lessons and E-learning videos along with the assessment material. Further, in a bid to improve staffs' Shariah and Islamic Banking knowledge, the team took the initiative to share daily posts with the title 'Islam aur Maeeshat'.

Islamic Banking Awareness:

Islamic Banking awareness sessions for the general public and students were arranged in various cities to address the misconceptions about Islamic Banking. In the period, the team conducted seminars in Karachi, Kallar Syedan, Muzzafarabad, Islamabad, Mehar and Bahawalpur. The team also conducted Islamic Banking awareness session via Zoom for capacity building of staff of SBP BSC, Sukkur, and Hyderabad.

The Bank launched a 'Rural Business Development Program' with a special focus on rural areas in terms of increasing Islamic banking and financial inclusion. In this regard, awareness sessions on Islamic Banking and principles of Islam in Agri-Business (e.g. prohibition of interest, payment of Ushar from crop production) were conducted in rural areas such as Allah Dino Soomro Goth (suburb village of Badin), Wahi Pandhi (suburb village of Dadu) and Goth Gahi Khan Chhajro (suburb village of Hala).

Further, articles on Islamic Banking were also authored and published in some of the leading Urdu newspapers to increase Islamic banking awareness amongst the general public.

Composition of Financing Portfolio:

The Bank used a variety of Islamic modes of finance to provide financing to its customers. The share of the partnership (Shirkat-ul-Aqd) and Shirkat-ul-Milk cum rent based products was 30% and 45%, respectively while the share of trade based products was 20%. The following diagram illustrates the composition of the financing portfolio as of December 31, 2020.



Charity:

The Bank received an amount of Rs. 38.9 million from the customers 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. 371,000/- was also credited to the charity account.

During the year, an income of Rs. 7.49 million was declared as Shariah non-compliant and accordingly credited to Charity Account.

A charity amount of Rs. 181,388/- till Dec 31, 2020, has been received from employees in place of breaching the terms of the contract.

Disbursement during the year from the charity fund has amounted to Rs. 53.66 million. Details of charity disbursed are available in the notes to the accounts.

Recommendations/Suggestions:

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

- The Bank should continue to launch training programs like “Certified Islamic Retail Banker” which provide comprehensive and specialized training for other banking areas. This will help in enhancing Islamic banking knowledge of the Bank’s staff and mitigate Shariah non-compliance risk.
- To enhance the contribution of the Bank in place of preventing the general public from Riba, it is suggested that the Bank should further broaden its product spectrum to cater to the financing needs of untapped segments such as personal and education financing.
- In addition to using Running Musharakah for providing financing to government entities, the Bank, in coordination with other industry players, should explore more options to cater to the financing need of government institutions.
- As the Musharakah based financing portfolio is growing, therefore, it is important to work towards developing centralized control, in consultation with other industry players, to monitor the Running Musharakah limit of each customer.

- The Bank should continue to conduct Islamic Banking public awareness sessions particularly in rural areas of the country to inculcate in masses the concept of impermissibility of Riba and understanding of Islamic modes of finance.

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 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.

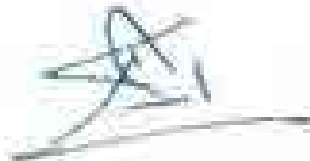
وصلی اللہ وسلم علی نبینا محمد وبارک وسلم



Mufti Javed Ahmad
Resident Shariah Board Member



Mufti Muhammad Hussain Khaleel Khali
Shariah Board Member



Mufti Ishaq Ahmad Aljar
Chairman, Shariah Supervisory Board

اہم شرعی

- ۱۔ اہم شرعی باتوں پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۱۔ اہم شرعی باتوں کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۲۔ ایک ایسی بات کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۳۔ ایک ایسی بات کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۴۔ ایک ایسی بات کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۵۔ ایک ایسی بات کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۶۔ ایک ایسی بات کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۷۔ ایک ایسی بات کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۸۔ ایک ایسی بات کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۹۔ ایک ایسی بات کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:
- ۱۰۔ ایک ایسی بات کی بنیاد پر ردوں کا عملی شرعی گائیدہ پر ردوں اور تلف شرعی نبیوں کی بنیاد اور اپنی بہترین سطوات کے مطابق دیکھنا ہے کہ:

وصلی اللہ وسلم علی نبینا محمد وبارک وسلم



علی محمد
سربراہ امور شرعی



علی محمد
سربراہ امور شرعی



علی محمد
سربراہ امور شرعی

اسلامی بینکاری کی تاریخ

سوں کے دوران ایشیائی ممالک میں زہد نیت اور پرہیزگاری کی ترویج اور ترقی کے ذریعے بینکاری کی ترقی کے لیے جامع و متوازن اور بینک کے مختلف شعبوں کے ملازمین کو اسلامی بینکاری کی اصطلاحات اور اصولوں میں اضافہ کرنے کے ذریعے سے کئی نئے و ترقی پسند طریقوں کی ایجاد و ترویج کی گئی اور معاملات کو ترقی جمانے سے کئی مواقع فراہم ہوئے۔

لہذا، ان کے کاروباروں کے دوران ہم نے قریباً ہفتے کے لیے قریباً ہفتے کے لیے اسلامی بینکاری کی اصطلاحات اور اصولوں کی ترقی و ترویج کے لیے کام کیا ہے۔ ترقی پسند اور بینک کے مختلف شعبوں کے ملازمین کو اسلامی بینکاری کی اصطلاحات اور اصولوں میں اضافہ کرنے کے ذریعے سے کئی نئے و ترقی پسند طریقوں کی ایجاد و ترویج کی گئی اور معاملات کو ترقی جمانے سے کئی مواقع فراہم ہوئے۔

پورا ایک ڈاکیومنٹ اور اس کے لیے اسلامی بینکاری کی اصطلاحات اور اصولوں کی ترقی و ترویج کے لیے کام کیا ہے۔ ترقی پسند اور بینک کے مختلف شعبوں کے ملازمین کو اسلامی بینکاری کی اصطلاحات اور اصولوں میں اضافہ کرنے کے ذریعے سے کئی نئے و ترقی پسند طریقوں کی ایجاد و ترویج کی گئی اور معاملات کو ترقی جمانے سے کئی مواقع فراہم ہوئے۔

سوں کے دوران، مختلف شعبوں میں اسلامی بینکاری کے موضوعات پر تصوراتی اور عملی طور پر کام کیا گیا ہے، جس میں اسلامی بینکاری کی اصطلاحات اور اصولوں کی ترقی و ترویج کے لیے کام کیا گیا ہے۔ ترقی پسند اور بینک کے مختلف شعبوں کے ملازمین کو اسلامی بینکاری کی اصطلاحات اور اصولوں میں اضافہ کرنے کے ذریعے سے کئی نئے و ترقی پسند طریقوں کی ایجاد و ترویج کی گئی اور معاملات کو ترقی جمانے سے کئی مواقع فراہم ہوئے۔

بینک کی ایشیائی ترقی پسند اور بینک کے مختلف شعبوں میں اسلامی بینکاری کی اصطلاحات اور اصولوں کی ترقی و ترویج کے لیے کام کیا گیا ہے۔ ترقی پسند اور بینک کے مختلف شعبوں کے ملازمین کو اسلامی بینکاری کی اصطلاحات اور اصولوں میں اضافہ کرنے کے ذریعے سے کئی نئے و ترقی پسند طریقوں کی ایجاد و ترویج کی گئی اور معاملات کو ترقی جمانے سے کئی مواقع فراہم ہوئے۔

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شریح کیا کہ جس ذمہ داری کے تحت ہم نے اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔ شریح نے کہا کہ جس ذمہ داری کے تحت ہم نے اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔ شریح نے کہا کہ جس ذمہ داری کے تحت ہم نے اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔

شریح نے کہا کہ ہم نے اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔ شریح نے کہا کہ جس ذمہ داری کے تحت ہم نے اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔

پروڈکٹس اور شریعی ڈھانچہ (Products and Shariah Structuring)

الحمد للہ اللہ تعالیٰ نے ہمارے ساتھ کام کیا اور ہمیں اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔ شریح نے کہا کہ جس ذمہ داری کے تحت ہم نے اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔

دوران سب سے پہلے اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔ شریح نے کہا کہ جس ذمہ داری کے تحت ہم نے اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔

اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔ شریح نے کہا کہ جس ذمہ داری کے تحت ہم نے اس کے دوران ایذاً ان کے مختلف شعبہ جات پر ایک بھر میں ۲۲ پروڈکٹوں کا شرعی جائزہ لیا۔

۱۔ پروڈکٹ ڈھانچہ کے مطابق پروڈکٹوں کی گھومنے پھرنے والی چیزوں کے لئے اسلامی ڈھانچہ:

یہ پروڈکٹ ڈھانچہ کے مطابق پروڈکٹوں کی گھومنے پھرنے والی چیزوں کے لئے اسلامی ڈھانچہ ہے۔ اس کے مطابق پروڈکٹوں کی گھومنے پھرنے والی چیزوں کے لئے اسلامی ڈھانچہ ہے۔

۲۔ اسلامی عدالتوں کے مطابق اسلامی ڈھانچہ کی سہولت:

یہ پروڈکٹ ڈھانچہ کے مطابق پروڈکٹوں کی گھومنے پھرنے والی چیزوں کے لئے اسلامی ڈھانچہ ہے۔ اس کے مطابق پروڈکٹوں کی گھومنے پھرنے والی چیزوں کے لئے اسلامی ڈھانچہ ہے۔

۳۔ اسلامی عدالتوں سے پروڈکٹ ڈھانچہ کے لئے اسلامی ڈھانچہ کی سہولت:

یہ پروڈکٹ ڈھانچہ کے مطابق پروڈکٹوں کی گھومنے پھرنے والی چیزوں کے لئے اسلامی ڈھانچہ ہے۔ اس کے مطابق پروڈکٹوں کی گھومنے پھرنے والی چیزوں کے لئے اسلامی ڈھانچہ ہے۔

رہدہا کے اگلے حصے میں بینک امریکن میں اس مافیہ ہونے والی فائٹرز اور دیگر صورت کو ذکر کیا گیا ہے :

شریہ کہا نہیں:

بینک میں شریہ کہا نہیں کی بحوالہ سورہوں کو بھرنے کے حوالے سے پروفیسر ڈاکٹر یحییٰ زکریا، مہتمم اسلامیات اور مولانا مفتی محمد عقیل ہیں۔ شریہ کہا نہیں باہر نکلنے والی ذمہ داریوں کی وضاحت کے دوران مہتمم اسلامیات کا حوالہ دیا گیا ہے۔

سابقہ کے لئے نہیں پڑھنے کے چیک اسلامی میں انعام کے نتیجے میں 2015ء میں فی آئی بی ایل سٹیورڈ پیٹرنز سے لے کر ایف بی سی کے ایف بی سی کے چیک اسلامی کا ایلی مین کی تھی۔ بینک کے شریہ کے حوالے سے روایت کی تھی کہ فی آئی بی ایل سٹیورڈ پیٹرنز کو فراغت کا اہل ہونے کو اس کی کاروباری سرگرمیوں کا پورا حصہ شرعی اصولوں کے مطابق نہیں ہے۔ شریہ پر مبنی ہونا ہے اور یہ بینک ڈاکٹر یحییٰ زکریا کے خیال میں، واقعی میں نیک ہونے کی فراغت کے معنی ہیں: اختلاف سے لے کر جس کے نتیجے میں مگر اس کی فراغت سے ضروری سطحوں کے لئے ہونے کی فراغت 2021ء میں نہیں ہونے کی تھی ہے۔

شریہ کہا نہیں زیادہ تر تحت شریہ پر مبنی ذمہ داریوں کو بھرنے کے حوالے سے مہتمم اسلامیات اور مولانا مفتی محمد عقیل ہیں۔ شریہ کہا نہیں باہر نکلنے والی ذمہ داریوں کی وضاحت کے دوران مہتمم اسلامیات کا حوالہ دیا گیا ہے۔

شریہ کہا نہیں کو بھرنے کے لئے شریہ کہا نہیں باہر نکلنے والی ذمہ داریوں کو بھرنے کے حوالے سے مہتمم اسلامیات اور مولانا مفتی محمد عقیل ہیں۔ شریہ کہا نہیں باہر نکلنے والی ذمہ داریوں کی وضاحت کے دوران مہتمم اسلامیات کا حوالہ دیا گیا ہے۔

شریہ کہا نہیں باہر نکلنے والی ذمہ داریوں کو بھرنے کے لئے شریہ کہا نہیں باہر نکلنے والی ذمہ داریوں کی وضاحت کے دوران مہتمم اسلامیات کا حوالہ دیا گیا ہے۔

غالباً بینک کے معاملات کو شریہ کے مطابق رکھنے کے لئے شریہ کہا نہیں باہر نکلنے والی ذمہ داریوں کو بھرنے کے حوالے سے مہتمم اسلامیات اور مولانا مفتی محمد عقیل ہیں۔ شریہ کہا نہیں باہر نکلنے والی ذمہ داریوں کی وضاحت کے دوران مہتمم اسلامیات کا حوالہ دیا گیا ہے۔

شریعت بورڈ کی رپورٹ برائے سال 2020ء

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الحمد لله رب العالمين، والصلوة والسلام على اشرف الأنبياء والمرسلين،
وعلى آله وأصحابه لجفيعين، وبعد

الحمد لله اللہ تعالیٰ کے فضل و کرم سے وقف اعلیٰ نے 2020ء میں مشکل سال میں بھی کرامات ادا کر کے جس نے چاہی دنیا کو معاشی ترقی دے دی اور ہر طرف جوش و خروش کا ماحول پیدا کیا۔

ان معاشی بحران کے موقع پر حکومت پاکستان اور اعلیٰ عدالتوں کا کردار قابلِ توجہ رہا، جس کے نتیجے میں پاکستان میں اقتصادی صورتحال بہتر ہو گئی اور معاشی کاروبار میں ترقی دیکھی گئی۔ لیکن یہ سب کچھ نہ ہوا تو معاشی بحران سے نمٹنے کے لیے کچھ ایسی تدابیر اختیار کرنی ہوتی ہیں جن سے معاشی بحران سے نمٹنے کے لیے کچھ ایسی تدابیر اختیار کرنی ہوتی ہیں جن سے معاشی بحران سے نمٹنے کے لیے کچھ ایسی تدابیر اختیار کرنی ہوتی ہیں جن سے معاشی بحران سے نمٹنے کے لیے کچھ ایسی تدابیر اختیار کرنی ہوتی ہیں۔

وقف اسلامی اعلیٰ عدالتوں کی ذمہ داریوں کے تحت شرعی امور میں اصلاحی کاموں کے لیے طابق ذکاوت کے سرگرم عمل رہے۔ شریعتی امور میں اصلاحی کاموں کے لیے طابق ذکاوت کے سرگرم عمل رہے۔ شریعتی امور میں اصلاحی کاموں کے لیے طابق ذکاوت کے سرگرم عمل رہے۔ شریعتی امور میں اصلاحی کاموں کے لیے طابق ذکاوت کے سرگرم عمل رہے۔

وقف اسلامی نے بھی اپنے معاشی اثرات کو فائدہ مند بنانے کے لیے اعلیٰ عدالتوں کے احکامات کو مدنظر رکھ کر اپنی سرگرمیوں کو جاری رکھا۔ اعلیٰ عدالتوں کے احکامات کو مدنظر رکھ کر اپنی سرگرمیوں کو جاری رکھا۔ اعلیٰ عدالتوں کے احکامات کو مدنظر رکھ کر اپنی سرگرمیوں کو جاری رکھا۔ اعلیٰ عدالتوں کے احکامات کو مدنظر رکھ کر اپنی سرگرمیوں کو جاری رکھا۔

شریعت بورڈ اپنے تمام معاملات کے ذریعے وقف اسلامی کے معاملات کے ساتھ ساتھ ہی اپنے فرائض کو انجام دے رہا ہے۔

71 دسمبر 2020ء کو اعلیٰ عدالتوں نے اپنے فیصلوں کے ذریعے وقف اسلامی کے معاملات کا جائزہ لینے کے لیے شریعت بورڈ کو طلب کیا اور اسے اپنے معاملات کو جاننے اور اس کے لیے تدابیر اختیار کرنے کی ہدایت کی۔ اعلیٰ عدالتوں کے احکامات کو مدنظر رکھ کر اپنی سرگرمیوں کو جاری رکھا۔ اعلیٰ عدالتوں کے احکامات کو مدنظر رکھ کر اپنی سرگرمیوں کو جاری رکھا۔ اعلیٰ عدالتوں کے احکامات کو مدنظر رکھ کر اپنی سرگرمیوں کو جاری رکھا۔

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 with 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 2020, BankIslami disbursed Rs. 53.662 Mn. from the Charity Fund. The amount was utilized to provide assistance to recognized and renowned charitable institutions working primarily in the areas of Health and Education. In the past year, the world faced unprecedented challenges as a result of the pandemic COVID-19. Pakistan was also impacted by the pandemic and support was needed by institutions especially those catering to healthcare, education and poverty alleviation. The Bank endeavored to provide relief by timely diverting the Charity funds to institutions combating the pandemic COVID-19.

Following is a brief profile of some institutions which received donations from the Charity Fund:

Akhuwat

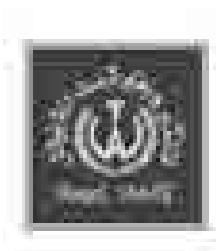
Akhuwat was established with the objective of providing interest free micro credit to the poor so as to enhance their standard of living. It started its operations in Lahore and to date has over 45+ branches in this city. It has also expanded to Rawalpindi and Faisalabad in collaboration with the Chambers of Commerce and Industry and philanthropists of these two cities. Besides these cities, it has opened branches in other cities across Pakistan with network of over 675 branches in 200+ cities. Akhuwat played a vital role in addressing the COVID-19 pandemic and helped under-privileged communities to have essential daily items.



Akhuwat is simultaneously working on various principles such as interest-free micro loans, use of religious places, volunteerism, transforming borrowers into donors and inclusion of all members of society irrespective of their religion, caste, color or gender. Their unique drives include Akhuwat Clothes Bank, Khawajasira Support Program, establishment of E-learning labs and Low Cost Housing Projects.

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 includes health, education, marriage assistance of orphan girls, funeral services, rescue centers, Sadqa/Aqeeqa services, joint Qurbani, Hajj/Umra services, construction of mosques, water projects, cooked food distribution, ration distribution and Ramadan services.



Alamgir Welfare Trust International has a vision of making Pakistan a great country to live in, where every person has a mean to feed his family, where kids have the right to education, and every patient has resources to get treatment. The trust is working tirelessly for a society whose key characteristic are patience and tolerance.

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. The organization has been able to refer its many students to normal schools/academies by helping them (and parents) gain a better understanding of their needs and fulfilling them on their own. ACRO provides therapeutic and special education interventions of occupational, speech, physical and psychological/applied behavioral therapy services for all ages. Children enrolled in ACRO largely belong to less privileged backgrounds.



ACRO have successfully helped over 1,000 families to cope with autism through their center in just two years. The ACRO currently provides therapeutic and special education interventions of Occupational, Speech, Physical and Psychological/Applied Behavioral Therapy services for all ages. They are resolute to provide best of its help, support and services to all those in need, and to keep striving for improvement in every aspect in the future.

Baitussalam Welfare Trust

Baitussalam, being a welfare organization, is providing different humanitarian services within Pakistan and internationally. Their mission is to mobilize Muslim philanthropists to facilitate the transformation of marginalized and impoverished Muslims around the world through initiating social discourse and by promoting value-based services particularly in the fields of education, human and community development, social welfare, and humanitarian services.



The trust is also running a venture namely “Bait us Salam Education Foundation” that aims at 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. Bait Us Salam Welfare Trust also provided food and healthcare services to masses during the COVID-19 pandemic.

Indus Hospital

Indus Hospital was a joint venture of the Ruffaydah Foundation and the Islamic Mission Hospital Trust in 2005. The Hospital formally started its operations in July 2007 and provides free of cost healthcare to common people. Spreading over 20 acres of land and located in the Korangi area, the Indus Hospital is a 300-bed tertiary care multidisciplinary hospital providing premium healthcare in state of the art facility free to everyone. It has also the privilege to be Pakistan's first paperless hospital. During the COVID-19 pandemic, the hospital provided valuable services on emergency basis and took a lead in establishing isolation centers.



The major 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.

Institute of Business Administration – Center for Excellence in Islamic Finance (IBA-CEIF):

The CEIF was established at IBA, Karachi with the objective of providing a platform for discovery, enhancement and dissemination of knowledge in the field of Islamic Finance. IBA-CEIF, based at the IBA's City Campus, offers Executive Learning Programs, Practitioners' Qualification Series, Discussion Forums, Conferences, Seminars and Distinguished Learning Dialogues for discussion between various stakeholders including Academicians, Shariah Scholars, Industry Professionals, Regulators and Policy Makers from the Central Bank and Ministry of Finance to provide the industry with trained human resource at all levels. Currently, IBA-CEIF offers Masters of Islamic Banking and Finance (MS-IBF) program and is in process of developing a PhD program in Islamic Finance.



IBA-CEIF provides need based scholarships and financial aid for its programs and certifications to deserving students having financial constraints. Further, IBA-CEIF regularly conducts Islamic Finance awareness campaigns, and has a very good reputation for its services.

Saylani Welfare International Trust

Saylani Welfare International Trust is a Pakistani charitable institution focusing primarily on feeding the homeless. It was established in May 1999 and is headquartered in Karachi, Pakistan. Saylani, since its inception, has worked on both, providing needed economic and nutritional help to the needy in distress as well as providing means for able persons to earn a living through innovative solutions to tackle the root causes and effects of poverty of Pakistani citizens.



Notable programs of Saylani Welfare International Trust include Ehsaas Langar Khana, Saylani Mass Training Programs, Saylani Dastarkhawan, Saylani RO Plant, Saylani Online Masajid, Saylani Online Quran, Saylani Job Bank, Saylani Blood Bank & Thalassemia Centers.

Shaukat Khanum Memorial Hospital

Shaukat Khanum Memorial Cancer Hospital and Research Centre is a project of the Shaukat Khanum Memorial Trust. 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. Currently, the trust is running two functional hospitals in Lahore and Peshawar, whereas the third Shaukat Khanum Memorial Cancer Hospital & Research Center in Karachi is under construction.



Shaukat Khanum Memorial Hospital has a mission to act as a model institution to alleviate the suffering of patients with cancer through the application of modern methods of curative and palliative therapy irrespective of their ability to pay, the education of health care professionals and the public and perform research into the causes and treatment of cancer.

The Citizens Foundation (TCF)

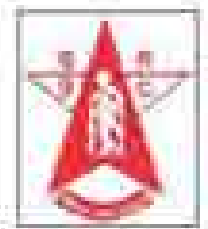
The Citizens Foundation (TCF) is one of the largest non-profit organization in the field of education. It was established in 1995 and vision of this non-profit organization is to bring a positive change in Pakistan by providing quality education to the less privileged youth. The organization provides primary and secondary level education at a nominal fee. TCF has established over 1,652 school units with an enrollment of over 266,000 students in 25 years.



The model of TCF is unique as they cater the neediest, and focus on building school in urban slums as well as rural communities. The established schools have almost 50% gender ratio with professional management that works for the holistic development of students and uplift of entire community.

The Society for the Rehabilitation of Special Children

The Society for the Rehabilitation of Special Children (SRSC) was founded in the 1980s with a motto of bringing back forgotten yet special children back into our society. The institution provides special children with many facilities including physiotherapy, clinical and rehabilitation services, occupational and speech therapy, speedy immunization, nutrition and imparting of basic social skills.



The institution also runs a free clinic and dispensary with qualified doctors, provides free transportation and further provides a source of livelihood to the parents of the special children through a handicraft workshop where small and decorative items are created and sold through different outlets.

Transparent Hands

Transparent Hands is the largest technology platform for crowd-funding in the healthcare sector of Pakistan. The organization offers free healthcare services including medical and surgical treatments, medical camps and tele-health facility to the under-privileged communities across the country at the best private hospitals present in its panel. The main aim of the organization is to reach millions of needy patients all over Pakistan who are suffering because of lack of healthcare facilities with the help of modern technology. The Government of Pakistan has recognized the services of Transparent Hands for the nation and awarded Tamgha-e-Imtiaz to Ms. Rameeza Mueen (CEO) in the year 2018.



Transparent Hands offer complete range of free healthcare services including medical and surgical treatments, medical camps and tele-health facility to the underprivileged community of Pakistan. Their goal is to reach the millions of needy patients all over Pakistan who are suffering because of lack of healthcare facilities and continue serving humanity at large by providing the best healthcare in Pakistan.



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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 2020, 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 2020 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.



Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. 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>Covid-19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Bank to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Bank's accounting policy (refer note 7.4.2 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>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 12.15 and 12.16 to the financial statements.</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; - 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; and - We also assessed adequacy of disclosures as included in note 12 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>2. Recoverability of deferred tax assets</p>	
<p>As disclosed in note 15 to the financial statements, as at 31 December 2020, Rs. 5,824.886 million was recorded on the Statement of financial position with respect to deferred tax assets, of which Rs. 2,748.819 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>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> - We obtained an understanding of the process and controls on this area relevant to our audit; - We evaluated the appropriateness of the components on which the Bank has recognized deferred tax asset in light of the requirements of the Income Tax Ordinance, 2001, considering factors including age and expiry of the deferred tax asset and tax rates enacted. For this purpose, we involved our internal tax specialist to assist us. - We evaluated the Banks's assumptions and estimates in relation to the likelihood of generating future taxable income, principally by performing sensitivity analysis and testing the key assumptions used by the management. <p>We have also assessed the adequacy of the Bank's disclosures in accordance with relevant laws as applicable in Pakistan</p>
<p>3. Impairment testing of goodwill</p>	
<p>As at 31 December 2020, intangible assets include goodwill amounting to Rs. 2,944.297 million acquired as a result of scheme of amalgamation as disclosed in note 14.2 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 14.2, 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 review and evaluate management's key assumptions used in 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 in accordance with the appropriate financial reporting standards.</p>



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;



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- 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




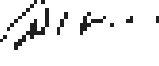

Date: March 4, 2021

Unconsolidated Statement of Financial Position

AS AT DECEMBER 31, 2020

	Note	2020	2019
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks	8	22,034,025	14,640,163
Balances with other banks	9	12,308,269	1,877,508
Due from financial institutions	10	41,640,012	42,911,620
Investments	11	95,239,635	55,194,471
Islamic financing, related assets and advances	12	130,161,889	131,774,504
Fixed assets	13	11,741,506	12,717,391
Intangible assets	14	3,108,498	3,101,794
Deferred tax assets	15	5,824,886	5,621,695
Other assets	16	13,636,969	14,655,739
Non-current assets held for sale	17	601,609	601,609
Total Assets		336,297,298	283,096,494
LIABILITIES			
Bills payable	18	4,949,486	3,645,324
Due to financial institutions	19	16,127,616	15,103,607
Deposits and other accounts	20	282,015,950	228,826,675
Subordinated sukuk	21	2,000,000	1,700,000
Deferred tax liabilities		-	-
Other liabilities	22	11,309,073	14,124,556
		316,402,125	263,400,162
NET ASSETS		19,895,173	19,696,332
REPRESENTED BY			
Share capital - net	23	11,007,991	11,007,991
Reserves	24	1,526,894	1,186,267
Surplus on revaluation of assets - net of tax	25	3,030,509	4,626,364
Unappropriated profit		4,329,779	2,875,710
		19,895,173	19,696,332
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes 1 to 50 and Annexure-I & II form an integral part of these unconsolidated financial statements.




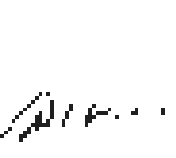

				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Unconsolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
----- Rupees in '000 -----			
Profit / return earned	27	25,743,683	23,650,447
Profit / return expensed	28	13,254,781	12,860,056
Net Profit / return		<u>12,488,902</u>	<u>10,790,391</u>
OTHER INCOME			
Fee and commission income	29	900,127	617,932
Dividend income		17,391	10,947
Foreign exchange income		364,705	183,612
Gain on securities	30	242,433	660,253
Other income	31	110,779	160,440
Total other income		<u>1,635,435</u>	<u>1,633,184</u>
Total Income		<u>14,124,337</u>	<u>12,423,575</u>
OTHER EXPENSES			
Operating expenses	32	8,578,042	7,721,165
Workers' Welfare Fund		55,321	35,904
Other charges	33	130,504	36,511
Total other expenses		<u>8,763,867</u>	<u>7,793,580</u>
Profit before provisions		<u>5,360,470</u>	<u>4,629,995</u>
Provisions and write offs - net Extra ordinary / unusual items	34	2,601,023	2,798,657
		-	-
PROFIT BEFORE TAXATION		<u>2,759,447</u>	<u>1,831,338</u>
Taxation	35	1,056,312	744,000
PROFIT AFTER TAXATION		<u>1,703,135</u>	<u>1,087,338</u>
----- Rupees -----			
Basic earnings per share	36	<u>1.5362</u>	<u>1.0600</u>
Diluted earnings per share	36	<u>1.5362</u>	<u>1.0600</u>

The annexed notes 1 to 50 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, 2020

	2020	2019
	----- Rupees in '000 -----	
Profit after taxation for the year	1,703,135	1,087,338
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	(1,590,724)	2,978,746
Items that will not be reclassified to profit and loss account in subsequent periods		
Re-measurement gain on defined benefit obligations - net of tax	3,280	51,180
Movement in surplus on revaluation of fixed assets - net of tax	58,376	-
Movement in surplus on revaluation of non-banking assets - net of tax	24,774	56,341
	86,430	107,521
Total comprehensive income	<u>198,841</u>	<u>4,173,605</u>

The annexed notes 1 to 50 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, 2020

	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, 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 on sale 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
Profit after taxation for the year	-	-	-	-	-	-	1,703,135	1,703,135
Other comprehensive income for the year	-	-	-	-	(1,590,724)	83,150	3,280	(1,504,294)
Total comprehensive income for the year	-	-	-	-	(1,590,724)	83,150	1,706,415	198,841
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(2,760)	2,760	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	(1,863)	1,863	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(83,658)	83,658	-
Transfer to statutory reserve	-	-	340,627	-	-	-	(340,627)	-
Balance as at December 31, 2020	11,087,033	(79,042)	1,276,894	250,000	1,398,010	1,632,499	4,329,779	19,895,173

The annexed notes 1 to 50 and Annexure-I & II form an integral part of these unconsolidated financial statements.


 PRESIDENT /
 CHIEF EXECUTIVE
 OFFICER


 CHIEF FINANCIAL
 OFFICER


 CHAIRMAN


 DIRECTOR

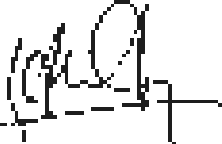





 DIRECTOR

Unconsolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
----- Rupees in '000 -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,759,447	1,831,338
Less: Dividend Income		(17,391)	(10,947)
		<u>2,742,056</u>	<u>1,820,391</u>
Adjustments for non-cash charges and other items:			
Depreciation on fixed assets	13.2	719,431	710,563
Depreciation on non banking assets	16.1.1	8,715	8,994
Depreciation on right-of-use assets	13.2	809,412	786,150
Amortization	14	65,095	72,360
Depreciation on operating Ijarah assets	12.13	1,112,358	945,762
Finance cost on Ijarah (lease) liabilities	28	389,614	443,605
Provisions and write offs - net	34	2,601,023	2,798,657
Charge for defined benefit plan	32.1	126,159	110,919
Gain on sale of property and equipment	31	(3,613)	(10,244)
Gain on sale of non-banking assets	31	-	(61,000)
		<u>5,828,194</u>	<u>5,805,766</u>
		<u>8,570,250</u>	<u>7,626,157</u>
(Increase) / decrease in operating assets			
Due from financial institutions		1,271,608	(24,738,116)
Held-for-trading securities		-	144,537
Islamic financing and related assets and advances		(1,729,968)	(16,207,594)
Others assets		(121,999)	(5,985,901)
		<u>(580,359)</u>	<u>(46,787,074)</u>
Increase / (decrease) in operating liabilities			
Bills payable		1,304,162	403,144
Due to financial institutions		1,024,009	7,284,075
Deposits and other accounts		53,189,275	44,133,312
Other liabilities (excluding current taxation)		(2,416,367)	4,823,277
		<u>53,101,079</u>	<u>56,643,808</u>
		<u>61,090,970</u>	<u>17,482,891</u>
Contributions to defined benefit plan		(100,000)	(81,882)
Income tax paid		(514,618)	(373,939)
		<u>60,476,352</u>	<u>17,027,070</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(41,620,298)	(14,165,458)
Dividend received		17,391	10,947
Payment of Ijarah (lease) liability against right-of-use assets		(978,697)	(926,714)
Investments in fixed assets		(560,412)	(3,302,007)
Investments in intangible assets		(71,799)	(52,248)
Proceeds from disposal of fixed assets		262,086	92,796
		<u>(42,951,729)</u>	<u>(18,342,684)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital (right shares)		-	1,007,912
Proceeds from issuance of subordinated sukuk		300,000	1,700,000
		<u>300,000</u>	<u>2,707,912</u>
Net cash generated from financing activities		<u>17,824,623</u>	<u>1,392,298</u>
Increase in cash and cash equivalents		<u>16,517,671</u>	<u>15,125,373</u>
Cash and cash equivalents at the beginning of the year		16,517,671	15,125,373
Cash and cash equivalents at the end of the year	38	<u>34,342,294</u>	<u>16,517,671</u>

The annexed notes 1 to 50 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, 2020

1 STATUS AND NATURE OF BUSINESS

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

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

The Bank is operating through 343 branches including 81 sub branches as at December 31, 2020 (2019: 334 branches including 81 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City Executive Tower, 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 7.4 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 SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. 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 carry forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The Bank awaits further instructions and issuance of guidelines from SBP for applicability of IFRS 9.

3.4 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in these financial statements.

4 CHANGES IN REPORTING STANDARDS AND INTERPRETATIONS

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

There are certain interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

4.1.1 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2021:

Standard, Interpretation or Amendment	Note	Effective date (annual periods beginning on or after)
IFRS 9 'Financial Instruments'	3.3	January 01, 2021
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16		January 01, 2021
Classification of Liabilities as Current or Non-current - Amendments to IAS 1		January 01, 2023
Reference to the Conceptual Framework – Amendments to IFRS 3		January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16		January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37		January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter		January 01, 2022
Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 per cent' test for de-recognition of financial liabilities		January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements		January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28		Not yet finalized

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 International Financial Reporting Standards	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2023

5 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 7.3 and 11).
- (b) Provision for non-performing Islamic financing and related assets and Advances (notes 7.4.13 and 12.17).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets and Advances (note 12.17.5).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non - associate entities (notes 7.3.5 and 11).
- (e) Determination of lease term and incremental borrowing rate for lease contract of various properties used by banks branches (notes 7.5.3, 13 & 22).
- (f) Staff retirement benefits (notes 7.10 and 40).
- (g) Revaluation and depreciation / amortization of fixed assets and intangible assets (notes 7.5, 13.2 and 14).
- (h) Valuation of non-banking assets acquired in satisfaction of claims (notes 7.7 and 16.1)
- (i) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 7.6, 15 and 35).
- (j) Estimation of other provisions and contingent liabilities (notes 26 and 34).

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.

6 BASIS OF MEASUREMENT

6.1 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 7.10 and 40 to the financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

6.2 Functional and Presentation Currency

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

6.3 Rounding off

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

7 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.

7.1 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.

7.2 Due to / from financial and other institutions

7.2.1 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 PSR 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.

7.3 Investments

7.3.1 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.

7.3.2 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.

7.3.3 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.

7.3.4 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 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.

7.3.5 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.

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

7.4 Islamic financing and related assets

7.4.1 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.

7.4.2 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.

7.4.3 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.

7.4.4 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.

7.4.5 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).

7.4.6 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.

7.4.7 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.

7.4.8 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.

7.4.9 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.

7.4.10 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).

7.4.11 Running Musharakah

In Running Musharakah financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd (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.

7.4.12 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.

7.4.13 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.

7.5 Fixed assets

7.5.1 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.

7.5.2 Capital work in progress

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

7.5.3 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.

7.5.4 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.

7.5.5 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.

7.6 Taxation

7.6.1 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.

7.6.2 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.

7.7 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.

7.8 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.

7.9 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.

7.10 Staff retirement benefits

7.10.1 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, 2020.

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.

7.10.2 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.

7.11 Revenue recognition

7.11.1 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.

7.11.2 Profit from Istisna, Salam and Muswammah (Karoobar 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.

7.11.3 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.

7.11.4 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.

7.11.5 Profit on Wakalah-tul-Istismar financings is booked on an accrual basis and is adjusted upon declaration of profit by the Wakeel.

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

7.11.7 Profit on classified financing is recognized on a receipt basis.

7.11.8 Dividend income is recognized when the right to receive the dividend is established.

7.11.9 Gains and losses on sale of investments are recognized in the profit and loss account.

7.11.10 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.

7.11.11 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.

7.11.12 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.

7.12 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.

7.13 Financial Instruments

7.13.1 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.

7.13.2 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.

7.13.3 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.

7.14 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.

7.15 Fiduciary assets

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

7.16 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.

7.17 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. The directly related costs comprise of depreciation on ijarah assets, takaful premium. 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.

Specific Musharakah Pool

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.

Other Specific Musharakah Pool

The other specific musharakah pool assets comprise of consumer housing finance portfolio and the related liability of the pool comprises of musharakah acceptance from a financial institution. This pool is created to fund the housing finance portfolio.

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.

7.18 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.

7.19 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.

7.20 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.

7.20.1 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 the Bank's retail customers.

Commercial banking

It includes investment banking business, trade business and Islamic financing and related assets relating to the Bank's 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.

7.20.2 Geographical segment

The Bank operates only in Pakistan.

7.21 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	2020	2019
-----Rupees in '000-----			
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
- local currency		6,153,879	4,578,845
- foreign currency		601,823	449,739
		6,755,702	5,028,584
With the State Bank of Pakistan in:			
- local currency current account	8.1	11,281,084	6,032,362
- foreign currency deposit accounts:			
- Cash Reserve Account	8.2	431,873	369,621
- Special Cash Reserve Account	8.3	522,019	446,116
- US Dollar Clearing Account		21,184	14,450
		975,076	830,187
With National Bank of Pakistan in:			
- local currency current account		2,955,558	2,744,790
National Prize Bonds	8.4	66,605	4,240
		22,034,025	14,640,163
8.1 This represents the amount held against Cash Reserve Requirement and Statutory Liquidity Requirement. Balance held under this account is non-remunerative.			
8.2 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.			
8.3 Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. Balance held under this account is non-remunerative.			
8.4 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	2020	2019
-----Rupees in '000-----			
9 BALANCES WITH OTHER BANKS			
In Pakistan:			
- in current accounts		2,361	2,861
- in deposit accounts	9.1	369	360
		2,730	3,221
Outside Pakistan:			
- in current accounts		8,992,757	1,874,287
- in deposit accounts	9.2	3,312,782	-
		12,308,269	1,877,508

- 9.1 These represent deposits with various Islamic banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements range between 2.00% to 5.90% (2019: 7.01%) per annum.
- 9.2 These represent deposit placement outside Pakistan with a Islamic banking division of a foreign bank under Wakala arrangement. The expected profit rate on these arrangements is 0.08% per annum.

10 DUE FROM FINANCIAL INSTITUTIONS

Note	2020			2019			
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total	
----- Rupees in '000 -----							
Secured							
Bai Muajjal Receivable							
-from Other Financial Institutions	10.1	16,888,683	-	16,888,683	20,821,525	-	20,821,525
Unsecured							
Wakalah Placement	10.2	-	3,073,290	3,073,290	-	1,316,205	1,316,205
Musharaka Placements	10.3	12,000,000	-	12,000,000	-	-	-
Bai Muajjal Receivable							
-from State Bank of Pakistan		-	-	-	6,172,475	-	6,172,475
-from Banks	10.4	4,818,345	-	4,818,345	5,942,762	-	5,942,762
-from Other Financial Institutions	10.1	4,859,694	-	4,859,694	8,658,653	-	8,658,653
Other placements		27,540	-	27,540	30,780	-	30,780
		<u>38,594,262</u>	<u>3,073,290</u>	<u>41,667,552</u>	<u>41,626,195</u>	<u>1,316,205</u>	<u>42,942,400</u>
Provision against placements	10.5	(27,540)	-	(27,540)	(30,780)	-	(30,780)
		<u>38,566,722</u>	<u>3,073,290</u>	<u>41,640,012</u>	<u>41,595,415</u>	<u>1,316,205</u>	<u>42,911,620</u>

- 10.1 The average return on this product ranges between 6.42% to 10.80% (2019: 12.95% to 17.07%) per annum. The balances have maturities ranging between 5 days to 46 days (2019: 10 days to 266 days). These Bai Muajjal are secured against Federal Government securities received as collateral and having market value of Rs. 17.309 million as at December 31, 2020 (2019:Rs. 22.739 million).
- 10.2 This represents foreign currency placements and the profit rates on these agreements range between 0.10% to 1.25% (2019: 1.70% to 3.40%) per annum. The agreements have maturities ranging from 6 to 180 days (2019: 27 to 106 days).
- 10.3 The profit rate on this agreements is range between 7.00% to 7.20% (2019: Nil) per annum and the agreements have maturity ranging from 14 to 60 days (2019: Nil).
- 10.4 The profit rate on Bai Muajjal from banks is 7.06% (2019: 13.60% to 13.75%) per annum and the agreements have maturities ranging from 47 to 48 days (2019:6 to 94 days).

10.5 Category of classification

	2020		2019	
	Classified Placements	Provision held	Classified Placements	Provision held
----- Rupees in '000 -----				
Loss	27,540	27,540	30,780	30,780

- 10.5.1 The Bank does not hold overseas classified placements.

11 INVESTMENTS

	Note	2020	2019
		-----Rupees in '000-----	
Investments - Islamic	11.1 & 11.3	94,661,960	54,616,796
Investments - Conventional (relating to amalgamated entity)	11.2 & 11.4	577,675	577,675
		<u>95,239,635</u>	<u>55,194,471</u>

Note	2020				2019			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	-----Rupees in '000-----							
11.1 Islamic Investments by type								
Available for sale securities								
Federal Government Securities	54,812,890	-	(9,222)	54,803,668	10,305,836	-	-	10,305,836
Non Government Shariah Compliant Securities	36,852,598	(35,880)	2,078,535	38,895,253	38,875,056	(35,880)	4,565,437	43,404,613
Mutual fund units	-	-	-	-	21	-	42	63
Shares / Modaraba certificates	332,869	(79,244)	81,472	335,097	332,863	(87,094)	32,573	278,342
	<u>91,998,357</u>	<u>(115,124)</u>	<u>2,150,785</u>	<u>94,034,018</u>	<u>49,513,776</u>	<u>(122,974)</u>	<u>4,598,052</u>	<u>53,988,854</u>
Associates	11.10	627,942	-	-	627,942	-	-	627,942
Total Islamic investments		<u>92,626,299</u>	<u>(115,124)</u>	<u>2,150,785</u>	<u>94,661,960</u>	<u>(122,974)</u>	<u>4,598,052</u>	<u>54,616,796</u>
11.2 Conventional Investments by type*								
Available for sale securities								
Non Government Debt Securities	263,710	(263,710)	-	-	268,210	(268,210)	-	-
Shares	1,189,030	(611,355)	-	577,675	1,189,030	(611,355)	-	577,675
	<u>1,452,740</u>	<u>(875,065)</u>	<u>-</u>	<u>577,675</u>	<u>1,457,240</u>	<u>(879,565)</u>	<u>-</u>	<u>577,675</u>
Held to maturity securities								
Non Government Debt Securities	321,601	(321,601)	-	-	321,601	(321,601)	-	-
Associates	11.10	1,032,169	(1,032,169)	-	-	1,032,169	(1,032,169)	-
Subsidiaries	11.9	104,771	(104,771)	-	-	104,771	(104,771)	-
Total conventional investments		<u>2,911,281</u>	<u>(2,333,606)</u>	<u>-</u>	<u>577,675</u>	<u>(2,338,106)</u>	<u>-</u>	<u>577,675</u>
11.3 Islamic Investments by segments								
Federal Government Securities								
GOP Ijarah Sukuks	44,507,054	-	(9,222)	44,497,832	-	-	-	-
Bai Muajjal	10,305,836	-	-	10,305,836	10,305,836	-	-	10,305,836
	<u>54,812,890</u>	<u>-</u>	<u>(9,222)</u>	<u>54,803,668</u>	<u>10,305,836</u>	<u>-</u>	<u>-</u>	<u>10,305,836</u>
Non Government Shariah Compliant Securities								
Pakistan Energy Sukuk-I	11.3.1	27,503,500	-	1,925,245	29,428,745	-	4,564,983	35,099,983
Pakistan Energy Sukuk-II	11.3.2	2,000,000	-	12,000	2,012,000	-	-	-
Sukuk certificates - unlisted		7,349,098	(35,880)	141,290	7,454,508	(35,880)	454	8,304,630
		<u>36,852,598</u>	<u>(35,880)</u>	<u>2,078,535</u>	<u>38,895,253</u>	<u>(35,880)</u>	<u>4,565,437</u>	<u>43,404,613</u>
Mutual fund units								
Units of open-end mutual funds		-	-	-	21	-	42	63
Shares								
Ordinary shares of listed companies		332,869	(79,244)	81,472	335,097	(87,094)	32,573	278,342
Associates - Unlisted								
Shakarganj Food Products Limited	11.10	627,942	-	-	627,942	-	-	627,942
		<u>92,626,299</u>	<u>(115,124)</u>	<u>2,150,785</u>	<u>94,661,960</u>	<u>(122,974)</u>	<u>4,598,052</u>	<u>54,616,796</u>

* These assets are related to amalgamated entity. These investments are either fully provided or in the process of conversion / liquidation / disposal.

11.3.1 These represents Bank's investment 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 carrying profit rate at 6 months KIBOR + 80bps.

11.3.2 These represents Bank's investment in Pakistan Energy Sukuk-II 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 carrying profit rate at 6 months KIBOR - 10bps.

11.4 Conventional Investments by segments*

Note	2020				2019			
	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	85,888	(85,888)	-	-	90,388	(90,388)	-	-
Unlisted	499,423	(499,423)	-	-	499,423	(499,423)	-	-
	585,311	(585,311)	-	-	589,811	(589,811)	-	-
Shares								
Unlisted Companies	11.7.4.2	33,680	(33,680)	-	-	33,680	(33,680)	-
		33,680	(33,680)	-	-	33,680	(33,680)	-
Foreign securities								
Equity securities	11.7.5	1,155,350	(577,675)	-	577,675	1,155,350	(577,675)	-
Associates - Unlisted								
KASB Capital Limited	11.10	41,867	(41,867)	-	-	41,867	(41,867)	-
KASB Funds Limited	11.10	432,302	(432,302)	-	-	432,302	(432,302)	-
New Horizon Exploration & Production Limited	11.10	558,000	(558,000)	-	-	558,000	(558,000)	-
		1,032,169	(1,032,169)	-	-	1,032,169	(1,032,169)	-
Subsidiaries								
My Solutions Corporation Limited	11.9	104,771	(104,771)	-	-	104,771	(104,771)	-
		104,771	(104,771)	-	-	104,771	(104,771)	-
		2,911,281	(2,333,606)	-	577,675	2,915,781	(2,338,106)	-
								577,675

* These assets are related to amalgamated entity. These investments are either fully provided or in the process of conversion / liquidation / disposal.

		2020	2019
		-----Rupees in '000-----	
11.5	Investments given as collateral		
	Federal Government Securities	5,000,000	5,000,000
11.6	Provision for diminution in value of investments		
11.6.1	Opening balance	2,461,080	4,408,122
	Charge / (reversal)		
	Charge for the year	-	39,677
	Reversals for the year	(12,350)	(2,376)
	Provision for diminution in value of investments - net	(12,350)	37,301
	Transfer to Non-current assets held for sale	17	(1,984,343)
	Closing Balance	11.6.1.1 2,448,730	2,461,080

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

Investments - Islamic	115,124	122,974
Investments - Conventional	2,333,606	2,338,106
	<u>2,448,730</u>	<u>2,461,080</u>

11.6.2 Particulars of provision against debt securities

Category of classification	2020		2019	
	Non-performing investments	Specific Provision	Non-performing investments	Specific Provision
----- Rupees in '000 -----				
Domestic				
Loss	897,442	621,191	901,942	625,691
Total	<u>897,442</u>	<u>621,191</u>	<u>901,942</u>	<u>625,691</u>

11.6.2.1 The Bank does not hold overseas classified debt securities.

11.7 **Quality of Available for Sale Securities** 2020 2019
Cost
-----Rupees in '000-----

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

11.7.1 **Federal Government Securities - Government guaranteed**

GOP Ijarah Sukuks	44,507,054	-
Bai Muajjal	10,305,836	10,305,836
	54,812,890	10,305,836

11.7.2 **Non Government Debt Securities***

Listed		
Unrated	29,503,500	30,535,000
Unlisted		
AAA	6,097,536	7,184,941
AA+	442,000	-
AA	100,000	100,000
AA-	150,000	50,000
A+	27,431	424,535
A-	220,000	220,000
Unrated	575,841	628,789
	7,612,808	8,608,265

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

	2020	2019
	Cost	
	-----Rupees in '000-----	
11.7.3 <u>Mutual Funds</u>		
A(f)	-	5
AA(f)	-	5
Unrated	-	11
	-	21

11.7.4 **Shares (Equity Securities)**

11.7.4.1 **Listed Companies**

- Bank (Islamic Bank)	190,997	190,990
- Modarabas	91,675	91,675
- Chemical	50,197	50,197
	332,869	332,862

Note	2020			2019	
	As at	Cost	Breakup value	Cost	Breakup value
----- Rupees in '000 -----					
11.7.4.2 Unlisted Companies					
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,680	0.50	5,680	0.50
KASB Invest (Private) Limited	June 30, 2020	28,000	(150.36)	28,000	5.53
11.4		<u>33,680</u>	<u>(149.86)</u>	<u>33,680</u>	<u>6.03</u>

Note	2020	2019
	----- Rupees in '000 -----	
11.7.5 Foreign Securities		
Equity Securities		
Unlisted		
Evolve Capital Limited - Incorporated in British Virgin Islands	11.4	<u>1,155,350</u>
		<u>1,155,350</u>
11.8 Particulars relating to Held to Maturity securities are as follows:		
Non Government Debt Securities		
Unlisted		
- Unrated		<u>321,601</u>
		<u>321,601</u>

11.8.1 The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Nil (December 31, 2019: Nil).

11.9	Details of investment in subsidiaries	2020							
		As at	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
----- Rupees in '000 -----									
	Unlisted								
	My Solutions Corporation Limited	December 31, 2017	100.00	Pakistan	14,448	29,678	1,978	(6,237)	(6,237)
11.10	Details of investment in associates	2020							
		As at	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
----- Rupees in '000 -----									
	Unlisted								
	Islamic								
	Shakarganj Food Products Limited	September 30, 2020	36.38	Pakistan	10,607,110	7,563,554	15,383,420	(885,568)	(873,485)
	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.

12 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES

	Note	2020	2019
		-----Rupees in '000-----	
Islamic financing and related assets - net	12.1	129,896,587	131,471,570
Advances (relating to amalgamated entity) - net	12.2	265,302	302,934
		<u>130,161,889</u>	<u>131,774,504</u>

Note	Performing		Non Performing		Total		
	2020	2019	2020	2019	2020	2019	
----- Rupees in '000 -----							
12.1 ISLAMIC FINANCING AND RELATED ASSETS							
In Pakistan							
- Running Musharakah	12.11	39,189,963	35,522,924	1,668,510	-	40,858,473	35,522,924
- Diminishing Musharakah financing and related assets - Others	12.3	28,935,891	26,611,862	1,491,171	1,241,965	30,427,062	27,853,827
- Diminishing Musharakah financing and related assets - Auto		14,336,290	11,037,846	223,763	102,992	14,560,053	11,140,838
- Diminishing Musharakah - Housing		13,446,210	14,286,913	1,631,646	1,446,812	15,077,856	15,733,725
- Istisna financing and related assets	12.5 & 12.10	11,397,127	13,625,060	1,022,049	858,108	12,419,176	14,483,168
- Musawamah financing and related assets / Karobar financing	12.4	8,380,530	11,176,623	3,024,150	2,806,150	11,404,680	13,982,773
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000	6,250,000
- Murabahah financing and related assets	12.6 & 12.9	3,496,899	6,634,565	440,795	664,272	3,937,694	7,298,837
- Ijarah financing under IFAS 2 and related assets	12.7	1,573,616	3,094,951	186,736	187,321	1,760,352	3,282,272
- Qardh e Hasana		946	2,081	541,060	552,330	542,006	554,411
- Musharakah financing		280,000	280,000	-	-	280,000	280,000
- Net investment in Ijarah financing in Pakistan	12.12	143,162	35,242	-	-	143,162	35,242
- Salam	12.8	109,900	100,000	-	337	109,900	100,337
- Murabahah against Bills		72,092	166,338	892	892	72,984	167,230
- Housing finance portfolio - others		33,897	33,786	-	-	33,897	33,786
- Past Due Acceptance		29,153	239,534	-	-	29,153	239,534
- Financing against Bills		23,236	59,173	-	-	23,236	59,173
Gross financing and related assets		127,698,912	129,156,898	10,230,772	7,861,179	137,929,684	137,018,077
Less: Provision against non-performing Islamic financing and related assets							
- Specific	12.16	-	-	(7,231,104)	(5,208,752)	(7,231,104)	(5,208,752)
- General	12.16	(801,993)	(337,755)	-	-	(801,993)	(337,755)
		(801,993)	(337,755)	(7,231,104)	(5,208,752)	(8,033,097)	(5,546,507)
Islamic financing and related assets-net of provisions		126,896,919	128,819,143	2,999,668	2,652,427	129,896,587	131,471,570

12.2 ADVANCES

Loans, cash credits, running finances, etc. - In Pakistan*		110,380	175,815	6,009,473	6,229,714	6,119,853	6,405,529
Net investment in finance lease - In Pakistan	12.12	-	-	582,185	582,185	582,185	582,185
Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan		-	-	706,325	714,646	706,325	714,646
Advances - gross		110,380	175,815	7,297,983	7,526,545	7,408,363	7,702,360
Provision against advances							
- Specific	12.16	-	-	(7,260,504)	(7,518,228)	(7,260,504)	(7,518,228)
- General	12.16	(55)	(57)	-	-	(55)	(57)
		(55)	(57)	(7,260,504)	(7,518,228)	(7,260,559)	(7,518,285)
Advances - net of provision		110,325	175,758	37,479	8,317	147,804	184,075
Fair value adjustment	12.17	-	-	117,498	118,859	117,498	118,859
Advances - net of provision and fair value adjustment		110,325	175,758	154,977	127,176	265,302	302,934

* This includes non-interest bearing performing financing facilities amounting to Rs. 106.507 million (2019: Rs. 121.991 million).

	Note	2020	2019
		-----Rupees in '000-----	
12.3 Diminishing Musharakah financing and related assets - Others			
Diminishing Musharakah financing		30,180,621	27,821,116
Advance against Diminishing Musharakah financing		246,441	32,711
		<u>30,427,062</u>	<u>27,853,827</u>
12.4 Musawamah financing and related assets / Karobar financing			
Musawamah financing		8,036,816	10,543,334
Advance against Musawamah financing		205,000	1,619
Musawamah inventories		3,162,864	3,437,820
		<u>11,404,680</u>	<u>13,982,773</u>
12.5 Istisna financing and related assets			
Istisna financing		4,131,021	8,771,480
Advance against Istisna financing		8,254,755	5,711,688
Istisna inventories		33,400	-
		<u>12,419,176</u>	<u>14,483,168</u>
12.6 Murabahah financing and related assets			
Murabahah financing		2,292,974	5,364,666
Deferred murabahah income		71,613	185,009
Advances against Murabaha financing		252,008	252,766
Murabaha Inventories		1,321,099	1,496,396
		<u>3,937,694</u>	<u>7,298,837</u>
12.6.1 Murabaha receivable - gross	12.6.2	2,364,587	5,549,675
Less: Deferred murabaha income	12.6.4	(56,097)	(88,968)
Profit receivable		(15,516)	(96,041)
Murabaha financing		<u>2,292,974</u>	<u>5,364,666</u>
12.6.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		5,549,675	8,265,383
Sales during the year		13,004,482	16,935,256
Received during the year		(16,189,570)	(19,650,964)
Closing balance		<u>2,364,587</u>	<u>5,549,675</u>
12.6.3 Murabahah sale price (for transactions during the year)		13,004,482	16,935,256
Murabahah Purchase price (for transactions during the year)		(12,572,837)	(16,215,498)
		<u>431,645</u>	<u>719,758</u>

		2020	2019
	Note	-----Rupees in '000-----	
12.6.4 Deferred Murabahah income			
Opening balance		88,968	123,982
Arising during the year		431,645	719,758
Recognized during the year		(464,516)	(754,772)
Closing balance		<u>56,097</u>	<u>88,968</u>
12.7 Ijarah financing under IFAS 2 and related assets			
Net book value of assets under IFAS 2	12.13	1,759,670	3,281,590
Advance against Ijarah financing		682	682
		<u>1,760,352</u>	<u>3,282,272</u>
12.8 Salam			
Salam financing		-	55,337
Advance against Salam		109,900	45,000
		<u>109,900</u>	<u>100,337</u>
12.9	Murabahah financing and related assets includes financing amounting to Rs. 139.750 million (2019: Rs. 994 million) and advance amounting to Rs. 80 million (2019: Rs. 741 million) under Islamic Export Refinance Scheme.		
12.10	Istisna financing and related assets includes financing amounting to Rs. 154.188 million (2019: Rs. 1,209.817 million) and advance amounting to Rs. 1,580 million (2019: Rs. 147 million) under Islamic Export Refinance Scheme.		
12.11	Running musharakah financing and related assets includes financing amounting to Rs. 1,492 million (2019: Rs. 993.187 million) under Islamic Export Refinance Scheme.		
12.12 Break up of net investment in Ijarah financing and Finance lease			
		2020	2019
		----- Rupees in '000-----	
Islamic financing and related assets		143,162	35,242
Advances		582,185	582,185
		<u>725,347</u>	<u>617,427</u>

12.12.1 Net investment in Ijarah financing in Pakistan and finance lease

	2020				2019			
	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	677,779	-	-	677,779	572,228	-	-	572,228
Residual value	91,814	-	-	91,814	89,445	-	-	89,445
Minimum Ijarah payments	769,593	-	-	769,593	661,673	-	-	661,673
Profit for future periods	(44,246)	-	-	(44,246)	(44,246)	-	-	(44,246)
Present value of minimum Ijarah payments	725,347	-	-	725,347	617,427	-	-	617,427

12.13 Ijarah Assets

	Cost		2020			Book value as at December 31, 2020	Rate of Depreciation %	
	As at January 01, 2020	Addition/ (deletions)	As at December 31, 2020	As at January 01, 2020	Charge / (deletions)			As at December 31, 2020
	Rupees in '000							
Plant and Machinery	2,054,737	- (60,638)	1,994,099	640,115	686,221 (35,716)	1,290,620	703,479	20-33.33
Vehicles	4,143,207	- (1,208,417)	2,934,790	2,276,239	426,363 (824,003)	1,878,599	1,056,191	20-33.33
	6,197,944	- (1,269,055)	4,928,889	2,916,354	1,112,584 (859,719)	3,169,219	1,759,670	

	Cost		2019			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	

12.13.1 Future Ijarah payments receivable

	2020				2019			
	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	1,474,156	168,432	-	1,642,588	1,859,213	517,180	-	2,376,393

	2020	2019
	----- Rupees in '000-----	
12.14 Particulars of Islamic financing and related assets and advances - gross		
In local currency	144,618,552	142,150,863
In foreign currency	719,495	2,569,574
	145,338,047	144,720,437

12.15 Islamic financing and related assets and advances include Rs. 17,528.755 million (2019: Rs. 15,387.724 million) which have been placed under non-performing status as detailed below:

Category of classification

	2020		2019	
	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	149,428	-	525,244	-
Substandard	485,371	34,915	695,454	76,698
Doubtful	1,947,553	536,216	1,904,229	821,090
Loss	14,946,403	13,920,477	12,262,797	11,829,192
Total	17,528,755	14,491,608	15,387,724	12,726,980

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

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

	2020			2019		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	12,726,980	337,812	13,064,792	10,932,951	230,642	11,163,593
Charge for the year	2,181,260	464,236	2,645,496	2,798,104	107,170	2,905,274
Reversals for the year	(416,632)	-	(416,632)	(884,736)	-	(884,736)
	1,764,628	464,236	2,228,864	1,913,368	107,170	2,020,538
Amount written off	-	-	-	(119,339)	-	(119,339)
Closing balance	14,491,608	802,048	15,293,656	12,726,980	337,812	13,064,792
12.16.1						
Islamic	7,231,104	801,993	8,033,097	5,208,752	337,755	5,546,507
Conventional	7,260,504	55	7,260,559	7,518,228	57	7,518,285
	14,491,608	802,048	15,293,656	12,726,980	337,812	13,064,792

	Note	2020	2019
-----Rupees in '000-----			
12.16.2 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account			
Gross reversals for the year		416,632	884,736
Charge for the year		(2,645,496)	(2,905,274)
		<u>(2,228,864)</u>	<u>(2,020,538)</u>
Fair value adjusted - net		(1,361)	(37,601)
Net (charge) / reversals taken to the profit and loss account	34	<u>(2,230,225)</u>	<u>(2,058,139)</u>

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

	2020			2019		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	14,491,608	802,048	15,293,656	12,726,980	337,812	13,064,792
In foreign currency	-	-	-	-	-	-
	<u>14,491,608</u>	<u>802,048</u>	<u>15,293,656</u>	<u>12,726,980</u>	<u>337,812</u>	<u>13,064,792</u>

12.16.4 The Bank maintains general reserve (provision) amounting to Rs. 352.048 million (2019: 337.812 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing. In addition, the Bank carries general provision of Rs. 450 million (December 31, 2019: Nil) as a matter of prudence based on management estimate.

12.16.5 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, 2020 amounts to Rs. 890.288 million (2019: Rs. 345.792 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 543.076 million (2019: Rs. 210.933 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

12.17 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.

	2020	2019
-----Rupees in '000-----		
12.18 Particulars of write offs		
Against provisions	-	119,339
Directly charged to the profit and loss account	-	-
	<u>-</u>	<u>119,339</u>
Write offs Rs. 500,000 and above	-	119,339
Write offs below Rs. 500,000	-	-
	<u>-</u>	<u>119,339</u>

12.18.1 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.

12.19 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	2020	2019
-----Rupees in '000-----			
Balance at the beginning of the year		2,888,625	2,603,451
Financing granted during the year		1,168,453	1,281,863
Payments received during the year		(962,003)	(996,689)
Balance at the end of the year	12.19.1	<u>3,095,075</u>	<u>2,888,625</u>

12.19.1 This includes Rs. 2.361 million (2019: Rs. 5.397 million) as Qardh e Hasana to employees under the Bank's Human Resource Policy.

12.20 Total gross financing and related assets includes financing amounting to Rs. 2,805.692 million, Rs. 31.895 million and Rs. 3.038 million, under "Islamic refinance scheme for payment of wages and salaries", "Islamic refinance scheme for combating COVID (IRFCC)" and "Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)", respectively.

	Note	2020	2019
-----Rupees in '000-----			
13 FIXED ASSETS			
Capital work-in-progress	13.1	179,270	362,346
Property and equipment	13.2	8,575,597	8,810,013
Right of use assets	13.2	2,986,639	3,545,032
		<u>11,741,506</u>	<u>12,717,391</u>

13.1 Capital work-in-progress

Advances to suppliers and contractors	138,670	321,746
Advance for acquiring properties:		
- Office premises	762,503	762,503
	901,173	1,084,249
Provision for impairment against advance for acquiring floor / office premises	(721,903)	(721,903)
	<u>179,270</u>	<u>362,346</u>

13.2 Property and Equipment

	2020						Total
	Freehold/ Lease hold land	Freehold/ Lease hold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	
	Rupees in '000						
At January 1, 2020							
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
Year ended December 2020							
Opening net book value	3,434,712	3,384,460	1,253,203	697,424	40,214	3,545,032	12,355,045
Additions	-	-	328,886	398,801	11,287	251,019	989,993
Disposals	(181,520)	(53,318)	(213,108)	(13,255)	(5,239)	-	(466,440)
Write-Offs	-	-	(55,627)	-	-	-	(55,627)
	(181,520)	(53,318)	(268,735)	(13,255)	(5,239)	-	(522,067)
Movement in surplus on assets revalued during the year							
Movement in surplus on assets revalued during the year	57,620	2,520	-	-	-	-	60,140
	57,620	2,520	-	-	-	-	60,140
Depreciation charge							
Depreciation charge	-	(151,402)	(255,183)	(299,872)	(12,972)	(809,412)	(1,528,842)
Reversal of Depreciation on disposal	-	3,033	187,895	12,302	4,737	-	207,967
	-	(148,369)	(67,288)	(287,570)	(8,235)	(809,412)	(1,320,875)
Closing net book value	3,310,812	3,185,293	1,246,066	795,400	38,027	2,986,639	11,562,236
At December 31, 2020							
Cost / Revalued amount	3,310,812	3,481,832	3,072,175	3,492,862	68,447	4,582,201	18,008,329
Accumulated depreciation	-	(296,539)	(1,826,109)	(2,697,462)	(30,420)	(1,595,562)	(6,446,093)
Net book value	3,310,812	3,185,293	1,246,066	795,400	38,027	2,986,639	11,562,236
Depreciation rate / *years	-	2	10	15-25	20	*1-5	
	2019						Total
	Freehold/ Lease hold land	Freehold/ Lease hold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	
	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 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
Depreciation rate / *years	-	2	10	15-25	20	*1-5	

13.2.1 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'.

13.3 Cost of fully depreciated properties and equipment that are still in the Bank's use, as at December 31, 2020, amounted to Rs. 2,718.778 million (2019: Rs. 2,460.778 million).

13.4 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, 2020 would have been as follows:

	Rupees in '000
Land	3,044,311
Building	1,404,941
	<u>4,449,252</u>

14 INTANGIBLE ASSETS

	2020				Total
	Computer software	Core deposits	Customer list	Goodwill (note 14.2)	
----- Rupees in '000 -----					
At January 1, 2020					
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	127,887	29,610	-	2,944,297	3,101,794
Year ended December 2020					
Opening net book value	127,887	29,610	-	2,944,297	3,101,794
Additions:					
- directly purchased	71,799	-	-	-	71,799
Amortization charge	(62,817)	(2,278)	-	-	(65,095)
Closing net book value	136,869	27,332	-	2,944,297	3,108,498
At December 31, 2020					
Cost	645,980	40,600	7,799	2,944,297	3,638,676
Accumulated amortization and impairment	(509,111)	(13,268)	(7,799)	-	(530,178)
Net book value	136,869	27,332	-	2,944,297	3,108,498
Rate of amortization (percentage)	20	5.5-20	10	-	
Useful life (years)	5	5 - 18	10	-	

	2019				Total
	Computer software	Core deposits	Customer list	Goodwill (Note 14.2)	
	----- 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	145,721	31,888	-	2,944,297	3,121,906
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
Amortization charge	(70,082)	(2,278)	-	-	(72,360)
Closing net book value	127,887	29,610	-	2,944,297	3,101,794
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	127,887	29,610	-	2,944,297	3,101,794
Rate of amortization (percentage)	20	5.5-20	10	-	
Useful life (years)	5	5 - 18	10	-	

- 14.1** The cost of fully amortized intangible assets that are still in the Bank's use, as at December 31, 2020 amounted to Rs. 382.537 million (2019: Rs. 241.319 million).
- 14.2** This represents goodwill recognized upon acquisition of KASB Bank Undertakings based on fair values of assets and liabilities. The Bank carried out Goodwill impairment testing as at December 31, 2020.

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	15.84
Terminal growth rate	5.00

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. 6,555.163 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	4.53
Terminal growth rate	(7.76)

14.3 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.

Note	2020					
	At January 1, 2020	Recognized in P&L & Unappropriated profit	Recognized in OCI	At December 31, 2020		
----- Rupees in 000-----						
15 DEFERRED TAX ASSETS						
Deductible Temporary Differences on:						
	Accumulated tax losses	15.1	3,299,042	(550,223)	-	2,748,819
	Tax credit against minimum tax		269,938	(269,938)	-	-
	Provision for diminution in the value of investments		326,246	-	-	326,246
	Provision against non-performing Islamic financing and related assets and advances		3,785,670	12,212	-	3,797,882
	Provision for gratuity		21,253	(21,253)	-	-
	Ijarah financing and related assets		218,663	(11,583)	-	207,080
	Accelerated tax depreciation		16,377	45,514	-	61,891
	Others		240,830	22,413	-	263,243
			8,178,019	(772,858)	-	7,405,161
Taxable Temporary Differences on:						
	Fair value adjustments relating to net assets acquired upon amalgamation		(229,846)	38,628	-	(191,218)
	Surplus on revaluation of fixed assets	25	(623,385)	2,367	(881)	(621,899)
	Surplus on revaluation of non-banking assets	25	(12,172)	1,003	(3,214)	(14,383)
	Surplus on revaluation of available for sale securities	25	(1,609,318)	-	856,543	(752,775)
	Net investment in finance lease		(81,603)	81,603	-	-
			(2,556,324)	123,601	852,448	(1,580,275)
			5,621,695	(649,257)	852,448	5,824,886
----- Rupees in 000-----						
2019						
	At January 1, 2019	Recognized in P&L & Unappropriated profit	Recognized in OCI	At December 31, 2019		
----- Rupees in 000-----						
Deductible Temporary Differences on:						
	Accumulated tax losses		3,630,734	(331,692)	-	3,299,042
	Tax credit against minimum tax		168,353	101,585	-	269,938
	Provision for diminution in the value of investments		326,246	-	-	326,246
	Provision against non-performing Islamic financing and related assets and advances		4,034,741	(249,071)	-	3,785,670
	Provision for gratuity		21,253	-	-	21,253
	Impairment of goodwill		-	-	-	-
	Ijarah financing and related assets		179,937	38,726	-	218,663
	Accelerated tax depreciation		-	16,377	-	16,377
	Others		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		(272,996)	43,150	-	(229,846)
	Accelerated tax depreciation		(77,420)	77,420	-	-
	Surplus on revaluation of fixed assets		(640,023)	16,638	-	(623,385)
	Surplus on revaluation of non-banking assets		(22,212)	13,348	(3,309)	(12,172)
	Surplus on revaluation of available for sale securities		(5,378)	-	(1,603,940)	(1,609,318)
	Net investment in finance lease		(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

15.1 The Bank has aggregate tax losses of Rs. 7,853.768 million as at December 31, 2020 (2019: Rs. 9,425.835 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. 2,748.819 million (2019: Rs. 3,299.042 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

16 OTHER ASSETS	Note	2020	2019
-----Rupees in '000-----			
Profit / return accrued in local currency		8,121,504	7,483,717
Profit / return accrued in foreign currency		7,772	12,132
Advances, deposits, advance rent and other prepayments		951,923	468,406
Non-banking assets acquired in satisfaction of claims		2,149,758	2,075,858
Branch Adjustment Account		-	46,064
Takaful / insurance claim receivable		30,985	23,996
Receivable against First WAPDA Sukuk Acceptances	16.2	50,000	50,000
Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts		60,489	-
Amount held with financial institution	26.3.1.4	814,546	738,477
Others		419,274	461,129
		<u>14,998,812</u>	<u>15,707,735</u>
Less: Provision held against other assets	16.3	(1,588,151)	(1,253,182)
Other Assets (net of provision)		<u>13,410,661</u>	<u>14,454,553</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		226,308	201,186
Other assets - total		<u>13,636,969</u>	<u>14,655,739</u>
16.1 Market value of non-banking assets acquired in satisfaction of claims		<u>1,671,387</u>	<u>1,572,365</u>

The properties of the Bank have been revalued by independent professional valuers as at 31 December 2020. 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. 27.988 million.

Impairment against non-banking assets acquired in satisfaction of claims amounting to Rs. 704.679 million (2019: Rs. 704.679 million) is included in provision held against other assets.

16.1.1 Non-banking assets acquired in satisfaction of claims

	2020	2019
	-----Rupees in '000-----	
Opening Balance	1,572,365	2,317,671
Additions	79,750	-
Disposals	-	(500,000)
Revaluation	27,988	63,707
Depreciation	(8,716)	(8,994)
Impairment	-	(160,019)
General provision	-	(140,000)
Closing Balance	<u>1,671,387</u>	<u>1,572,365</u>

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

Sale Proceeds	-	561,000
Less: Carrying Value	-	(500,000)
Gain / (loss) on disposal	<u>-</u>	<u>61,000</u>

16.2 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	2020	2019
		-----Rupees in '000-----	
16.3 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	704,679
Amount held with financial institution	26.3.1.4	719,218	369,239
Others		137,562	152,572
	16.3.1	<u>1,588,151</u>	<u>1,253,182</u>

16.3.1 Movement in provision held against other assets

Opening balance	1,253,182	678,959
Charge for the year	369,238	699,688
Reversals for the year	(34,269)	(1,275)
Adjustment for the year	-	(124,190)
Closing balance	<u>1,588,151</u>	<u>1,253,182</u>

17 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, after following a detail process, the Bank has identified buyers and signed a Share Purchase Agreement with respect to sale of its investment in BankIslami Modaraba Investment Limited and BIPL Securities Limited. The buyers have made payment of 25% of the sale consideration in advance (refer note 22). Currently, the Bank and respective buyers are in the process of arranging regulatory approvals. The Bank expects the completion of sale transactions in the upcoming year. Accordingly, these investments have been classified as held for sale.

	2020		
	Cost / Amortized cost	Provision for diminution	Carrying Value
	----- Rupees in '000 -----		
Islamic Investment			
BankIslami Modaraba Investments Limited	78,808	-	78,808
Conventional Investment			
BIPL Securities Limited	522,801	-	522,801
	601,609	-	601,609

	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
	2,585,952	(1,984,343)	601,609

17.1 The provision amounting to Rs. 1,984.343 million has been written off during the year.

	2020	2019
	-----Rupees in '000-----	
18 BILLS PAYABLE		
In Pakistan	4,949,486	3,645,324
Outside Pakistan	-	-
	4,949,486	3,645,324

19 DUE TO FINANCIAL INSTITUTIONS

	Note	2020	2019
-----Rupees in '000-----			
Secured			
Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	19.1	3,622,550	3,816,813
Acceptances from State Bank of Pakistan for financial assistance	19.2	3,375,410	3,086,794
Refinance facility for Islamic Mortgage	19.3	1,989,031	1,000,000
Islamic refinance scheme for payment of wages and salaries	19.4	2,805,692	-
Islamic refinance scheme for combating COVID (IRFCC)	19.4	31,895	-
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)	19.4	3,038	-
Total secured		11,827,616	7,903,607
Unsecured			
Wakalah Acceptance	19.5	4,300,000	4,000,000
Musharakah Acceptance		-	3,200,000
Total unsecured		4,300,000	7,200,000
		16,127,616	15,103,607

19.1 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 (2019: Rs. 5,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2020.

19.2 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.

19.3 The agreements are on a profit and loss sharing basis and are secured against housing finance portfolio. The profit rate on these agreements is ranging from 5.33% to 7.79% (December 31, 2019: 12.97%) per annum.

19.4 These acceptance are on profit and loss sharing basis which have been invested in general pool of the Bank and are secured against demand promissory notes executed in favor of SBP.

19.5 The profit rate on this agreement is 6.35% (2019: 11.5%) per annum and has maturity in 181 days (2019: 6 days).

	2020	2019
-----Rupees in '000-----		
19.6 Particulars of due to financial institutions with respect to currencies		
In local currency	16,127,616	15,103,607
In foreign currencies	-	-
	16,127,616	15,103,607

20 DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000-----						
Customers						
Current deposits	87,643,313	3,068,383	90,711,696	64,907,052	2,728,254	67,635,306
Savings deposits	74,101,851	3,615,238	77,717,089	55,379,811	3,120,219	58,500,030
Term deposits	91,499,914	1,630,147	93,130,061	87,652,008	1,303,894	88,955,902
Others	2,701,340	56,786	2,758,126	2,673,856	19,555	2,693,411
	<u>255,946,418</u>	<u>8,370,554</u>	<u>264,316,972</u>	<u>210,612,727</u>	<u>7,171,922</u>	<u>217,784,649</u>
Financial Institutions						
Current deposits	286,076	3,880	289,956	197,108	7,673	204,781
Savings deposits	7,665,522	-	7,665,522	7,607,705	-	7,607,705
Term deposits	9,743,500	-	9,743,500	3,229,540	-	3,229,540
	<u>17,695,098</u>	<u>3,880</u>	<u>17,698,978</u>	<u>11,034,353</u>	<u>7,673</u>	<u>11,042,026</u>
	<u>273,641,516</u>	<u>8,374,434</u>	<u>282,015,950</u>	<u>221,647,080</u>	<u>7,179,595</u>	<u>228,826,675</u>

	2020	2019
	-----Rupees in '000-----	
20.1 Composition of deposits		
Individuals	75,345,432	60,267,699
Government (Federal and Provincial)	5,799,902	5,570,891
Public Sector Entities	9,775,722	9,482,568
Banking Companies	86,498	426,545
Non-Banking Financial Institutions	17,612,480	10,615,481
Private Sector	173,395,916	142,463,491
	<u>282,015,950</u>	<u>228,826,675</u>

20.2 Total deposits includes eligible deposits under deposit protection mechanism amounting to Rs. 133,539.972 million (2019: Rs. 103,293.988 million).

21 SUBORDINATED SUKUK

The Bank has issued 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.

21.1 Salient features of the ADT-1 sukuk are as follows:

*Amount	▪ Rs. 2,000 million.
*Issue Date	▪ April 21, 2020
*Tenor	Perpetual (i.e. no fixed or final redemption date)
*Security	Unsecured
*Expected Profit Rate	The Sukuk carries a profit at the rate of 3 Months KIBOR + 2.75%. The Mudaraba Profit
*Instrument Rating	PACRA has rated this sukuk at 'A-' (A minus).
*Profit payment frequency	Profit shall be payable monthly in arrears, on a non-cumulative basis
*Call option	The Bank may, at its sole discretion, call the sukuks, at any time after five years from the Issue Date subject to the prior approval of the SBP.
*Lock-in clause	Profit on the sukuks shall only be paid from the current year's earnings and if the Bank is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements.
*Loss absorbency clause	▪ The sukuks shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written-off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel-III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013.

- 21.2** The funds raised through this instrument are being utilized towards Bank's General Pool, that is, financing and investment activities as permitted by Bank's Memorandum and Articles of Association. With permission of Sukuk holders, the proceeds of this issue have been commingled with other funds of the depositors (which may include Bank's own equity) i.e. invested in General Pool of the Bank.

22 OTHER LIABILITIES

	Note	2020	2019
-----Rupees in '000-----			
Profit / return payable in local currency		1,733,220	2,015,445
Profit / return payable in foreign currencies		14,583	16,216
Accrued expenses		877,787	661,911
Deferred Murabahah Income - Financing and IERS		104,322	138,841
Payable to defined benefit plan		4,677	4,677
Payable to defined contribution plan		2,876	2,656
Defined Benefit Plan liabilities		131,738	110,626
Security deposits against Ijarah		1,122,450	1,453,017
Ijarah (lease) Liability		3,443,873	3,781,937
Provision against off-balance sheet obligations	22.1	85,975	85,975
Acceptances		2,392,561	4,347,956
Receipt appropriation account		6,638	195,818
Current taxation (provisions less payments)		199,281	283,212
Provision against other tax liabilities		146,409	55,334
Unrealized loss on Shariah compliant alternative of forward foreign exchange contracts		-	33,978
Sundry creditors		190,839	175,312
Charity payable	22.2	14,712	21,605
Retention money payable		10,167	17,499
Provision for Workers' Welfare Fund	22.3	123,164	67,843
Branch adjustment account		30,867	-
Rental received in advance		348,243	563,555
Advance against disposal of Non current asset held for sale		188,303	-
Others		136,388	91,143
		11,309,073	14,124,556
22.1 Provision against off-balance sheet obligations			
Opening balance		85,975	129,093
Reversals		-	(43,118)
Closing balance		85,975	85,975
22.1.1 These are overdue non-funded facilities that could not be transferred to funded due to litigation.			
	Note	2020	2019
-----Rupees in '000-----			
22.2 Charity payable			
Opening balance		21,605	12,966
Additions during the year			
- Received from customers on account of delayed payment		38,904	29,248
- Shariah non-compliant income		7,495	4,727
- Profit on charity saving account		371	964
		46,770	34,939
Distribution of charity			
- Education		(1,500)	(1,000)
- Health		(38,163)	(18,300)
- Islamic microfinance program		(1,000)	(1,000)
- Community development		(13,000)	(6,000)
	22.2.1	(53,663)	(26,300)
Closing balance		14,712	21,605

	2020	2019
	-----Rupees in '000-----	
22.2.1 Charity was paid to the following:		
Indus Hospital	20,500	15,000
Bait us Salam Welfare Trust	9,500	2,000
Saylani Welfare International Trust	8,000	-
Akhuwat Corona Imdad Fund	4,000	-
Akhuwat Foundation	1,000	1,000
Alamgir Welfare Trust International	1,000	2,000
Field Isolation Centre Karachi	1,000	-
IBA - Center For Excellence In Islamic Finance	1,000	-
Transparent Hands	1,000	-
Ration bags to deserving persons affected by COVID	963	-
Shaukat Khanum Memorial Trust	750	500
Aga Khan Hospital & Medical College Foundation	700	500
Autism Care & Rehabilitation Organization	500	500
Center for Development of Social Services	500	-
Institute of Public Health	500	-
Pakistan Red Crescent Sindh	500	-
Society of Advancement of Health	500	-
The Citizens Foundation	500	1,000
The Society for the Rehabilitation of Special Children	500	-
Women Islamic Lawyers Forum	500	-
Afzaal Memorial Thalassemia Foundation	250	-
Caravan Of Life	-	500
Future Trust	-	2,000
Ghousia Free Dispensary	-	300
Pink Ribbon Pakistan	-	1,000
	53,663	26,300

22.2.2 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.

22.3 The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by Federal Government by Finance Act, 2008 for the levy of Workers Welfare Fund (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. A legal advice was obtained by the Pakistan Banking Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the Bank has not reversed the Workers Welfare Fund (WWF) provided in the earlier audited financial statements.

23 SHARE CAPITAL - NET

	2020	2019		2020	2019
	----- Number of Shares -----			-----Rupees in '000-----	
23.1 Authorized capital					
	1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000
23.2 Issued, subscribed and paid up capital					
			Ordinary shares of Rs 10 each		
	1,108,703,299	1,007,912,090	Fully paid in cash	11,087,033	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)
	1,108,703,299	1,108,703,299		11,007,991	11,007,991

24 RESERVES	Note	2020	2019
		-----Rupees in '000-----	
Statutory Reserves	24.1	1,276,894	936,267
Reserve for bad debts and contingencies		250,000	250,000
		<u>1,526,894</u>	<u>1,186,267</u>

- 24.1** 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.

25 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note	2020	2019
		-----Rupees in '000-----	

Surplus on revaluation of:

Available for sale securities	11.1	2,150,785	4,598,052
Fixed Assets		2,042,473	2,072,001
Non-banking assets acquired in satisfaction of claims		226,308	201,186
		<u>4,419,566</u>	<u>6,871,239</u>

Deferred tax liability on surplus on revaluation of:

Available for sale securities	15	(752,775)	(1,609,318)
Fixed Assets		(621,899)	(623,385)
Non-banking assets acquired in satisfaction of claims		(14,383)	(12,172)
		<u>(1,389,057)</u>	<u>(2,244,875)</u>
		<u>3,030,509</u>	<u>4,626,364</u>

25.1 Surplus on revaluation of fixed assets

Freehold/ Leasehold Land

Surplus on revaluation of fixed assets at January 1	290,901	290,901
Surplus recognized during the year	57,620	-
Surplus transferred to unappropriated profit	(82,020)	-
	<u>266,501</u>	<u>290,901</u>

Building on leasehold land

Surplus on revaluation of fixed assets at January 1	1,781,100	1,828,638
Surplus recognized during the year	1,638	-
Surplus transferred to unappropriated profit	(1,638)	(16,619)

Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(2,760)	(14,281)
Related deferred tax liability on surplus realized on disposal	(882)	(8,948)
Related deferred tax liability in respect of incremental depreciation charged during the year	(1,486)	(7,690)
	<u>(5,128)</u>	<u>(30,919)</u>
	1,775,972	1,781,100

Related deferred tax liability on surplus as at January 1	(623,385)	(640,023)
Related deferred tax liability on surplus arising during the year	(882)	-
Related deferred tax liability on surplus on revaluation transferred to unappropriated profit	882	8,948
Related deferred tax liability in respect of incremental depreciation charged during the year	1,486	7,690
	<u>(621,899)</u>	<u>(623,385)</u>
	<u>1,154,073</u>	<u>1,157,715</u>
	<u>1,420,574</u>	<u>1,448,616</u>

	2020	2019
	-----Rupees in '000-----	
25.2 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	110,113	263,592
Surplus recognized during the year	18,805	42,662
Surplus transferred to unappropriated profit on disposal	-	(196,141)
	<u>128,918</u>	<u>110,113</u>
Building on leasehold land		
Surplus on revaluation of Non Banking Assets at January 1	91,073	119,764
Surplus recognized during the year	9,183	21,045
Surplus transferred to unappropriated profit on disposal	-	(31,353)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(1,863)	(976)
Related deferred tax liability on surplus realized on disposal	-	(16,882)
Related deferred tax liability in respect of incremental depreciation charged during the year	(1,003)	(525)
	<u>(2,866)</u>	<u>(18,383)</u>
	97,390	91,073
Related deferred tax liability on surplus as at January 1	(12,172)	(22,213)
Related deferred tax liability on surplus arising during the year	(3,214)	(7,366)
Related deferred tax liability on surplus on revaluation transferred to unappropriated profit	-	16,882
Related deferred tax liability in respect of incremental depreciation charged during the year	1,003	525
	<u>(14,383)</u>	<u>(12,172)</u>
	<u>83,007</u>	<u>78,901</u>
	<u>211,925</u>	<u>189,014</u>

	2020	2019
	-----Rupees in '000-----	
26 CONTINGENCIES AND COMMITMENTS		
- Guarantees	26.1 10,342,243	10,629,042
- Commitments	26.2 10,298,481	13,618,551
- Other contingent liabilities	26.3 1,360,580	2,404,485
	22,001,304	26,652,078
26.1 Guarantees:		
Financial guarantees	84,182	80,182
Performance guarantees	5,888,773	8,290,906
Other guarantees	4,369,288	2,257,954
	<u>10,342,243</u>	<u>10,629,042</u>

	Note	2020	2019
-----Rupees in '000-----			
26.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		12,003,211	10,938,636
Commitments in respect of:			
- Shariah compliant alternative of forward foreign exchange contracts	26.2.1	(9,435,135)	(1,162,379)
Commitments for acquisition of:			
- fixed assets		232,703	219,931
- intangible assets		15,559	38,037
Other commitments	26.2.2	7,482,143	3,584,326
		10,298,481	13,618,551

		2020	2019
----- Rupees in '000 -----			
26.2.1 Commitments in respect of Shariah compliant alternative of forward foreign exchange contracts			
Purchase		11,389,226	12,252,861
Sale		(20,824,361)	(13,415,240)
		(9,435,135)	(1,162,379)
26.2.2 Other commitments			
Bills for collection		7,482,143	3,584,326

26.2.2.1 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	2020	2019
-----Rupees in '000-----			
26.3 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	26.3.1	11,200	11,200
Tax Contingencies	26.3.2	1,349,380	2,393,285
		1,360,580	2,404,485

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

26.3.1.1 These are court cases, which represent counter claims filed by the customers / 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.

26.3.1.2 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.

26.3.1.3 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.

26.3.1.4 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 16). 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. Subsequently, 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. In addition, the Bank has filed an application in the Court, seeking Court directions to local settlement bank to place the deducted funds with the Court office, for further investing in US Dollar account of a reputed Islamic bank till adjudication of the Suit. 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 (refer note 16.3).

During the year 2020, the international payment scheme has filed a Civil Case against the Bank in the District Court of California, USA claiming the payment of USD 6.2 million in lieu of cybercrime incident plus assessments representing interest, costs, fees etc in the amount of USD 7.3 million. The international payment scheme has not shared the basis of calculation of assessments of USD 7.3 million. The Bank has engaged legal counsel based in United States to defend the Bank against the subject case. On July 13, 2020, the Bank filed counterclaims against the international payment scheme seeking a declaratory judgment that the international payment scheme's imposition of assessments on the Bank is unenforceable and that the Bank is exonerated to the international payment scheme as an indemnitor, as well as a claim for breach of contract seeking damages of no less than USD 6.2 million plus interest. During the proceedings, the Judge of California Court advised the parties to go through the negotiation process before The Magistrate Judge of California Court for the amicable settlement. The negotiation process held before the Magistrate Judge was successful in arriving at an in-principle settlement which now requires certain steps to be negotiated in order to be fully executed and then implemented. The parties are now in the process of completing the legal formalities to implement the negotiated settlement. The Bank has made an adequate provision covering the probable liability on its account (refer note 16.3).

26.3.2 Tax Contingencies

26.3.2.1 The income tax returns of the Bank have been filed up to tax year 2020 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 2020 are treated to be deemed assessed under section 120 of the Income Tax Ordinance, 2001.

- 26.3.2.2** 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.
- 26.3.2.3** 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.
- 26.3.2.4** 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.
- 26.3.2.5** 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 had filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above order which is pending adjudication.
- 26.3.2.6** 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 had filed an appeal against the said decision before CIRA. During the year the CIRA passed an order in favour of the Bank. However, the tax authorities have filed an appeal before the ATIR which is pending adjudication.
- 26.3.2.7** During the year the learned Deputy Commissioner Inland Revenue (DCIR) passed amended assessment order under section 122(1) in respect of tax year 2014 and 2015 (relating to defunct KASB Bank Limited) by imposing minimum tax on turnover disregarding gross loss position of the Bank. As a result, a tax demand of Rs. 53.770 million and Rs.61.780 million was created for the tax year 2014 and 2015 respectively. Against the treatment meted out by the DCIR, an appeal has been filed before the CIRA which is pending adjudication.
- 26.3.2.8** The management, based on the opinion of its tax advisors, is confident about the favorable outcome of the above matters and consequently no additional provision has been made in these financial statements.

	Note	2020	2019
-----Rupees in '000-----			
27	PROFIT / RETURN EARNED		
Profit earned on:			
Financing		14,280,750	13,742,072
Investments		5,130,579	6,273,086
Placements		6,212,606	3,529,524
Others		119,748	105,765
		25,743,683	23,650,447
28	PROFIT / RETURN EXPENSED		
Deposits and other accounts		11,779,955	11,663,790
Due to financial institutions		821,929	693,204
Cost of foreign currency swaps against foreign currency deposits		23,577	37,738
Finance cost on Ijarah (lease) liabilities		389,614	443,605
Additional Tier-1 sukuk		239,706	21,719
		13,254,781	12,860,056
29	FEE AND COMMISSION INCOME		
Branch banking customer fees		56,743	43,742
Commission on bancatakaful		100,898	83,328
Card related fees		275,891	137,509
Commission on arrangement with financial institutions		68,006	36,906
Consumer finance related fees		32,061	29,470
Commission on guarantees		49,180	46,412
Investment banking fees		126,114	63,893
Commission on cash management		4,823	3,620
Commission on remittances including home remittances		32,531	46,907
Commission on trade		140,762	118,683
Others		13,118	7,462
		900,127	617,932
30	GAIN ON SECURITIES		
Realized gain	30.1	242,433	660,253
Unrealized gain - held for trading		-	-
		242,433	660,253
30.1	Realized gain on:		
Federal Government Securities		1,771	(4,148)
Non-Government Shariah compliant Securities		240,617	658,674
Shares / Mutual Funds Units		45	5,727
		242,433	660,253
31	OTHER INCOME		
Rent on property		12,238	8,417
Gain on termination of financing		84,931	69,124
Gain on sale of property and equipment		3,613	10,244
Gain on sale of non-banking assets		-	61,000
Recoveries against previously expensed items		4,249	9,544
Others		5,748	2,111
		110,779	160,440

32 OPERATING EXPENSES	Note	2020	2019
		-----Rupees in '000-----	
Total compensation expense		3,619,430	3,090,808
Property expense			
Rent & taxes		84,606	88,911
Takaful / Insurance		2,931	1,839
Utilities cost		353,128	344,953
Security (including guards)		367,958	323,447
Repair & maintenance (including janitorial charges)		172,754	147,902
Depreciation	13.2	343,977	329,345
Depreciation on right-of-use assets	13.2	809,412	786,150
Others		30	1,582
		2,134,796	2,024,129
Information technology expenses			
Software maintenance		245,222	155,114
Hardware maintenance		120,245	139,799
Depreciation	13.2	198,402	195,582
Amortization	14	62,817	70,082
Network charges		178,810	145,090
		805,496	705,667
Other operating expenses			
Directors' fees and allowances		9,860	7,650
Fees and allowances to Shariah Board		15,646	12,982
Legal & professional charges		139,504	180,197
Travelling & conveyance		39,109	47,540
NIFT clearing charges		29,115	20,403
Depreciation	13.2	177,052	185,636
Depreciation on non banking assets	16.1.1	8,715	8,994
Entertainment expense		57,432	75,466
Training & development		8,379	10,464
Postage & courier charges		68,509	38,255
Communication		66,775	49,998
Stationery & printing		193,099	150,599
Marketing, advertisement & publicity		130,510	151,670
Repairs and maintenance		100,032	87,948
Takaful, tracker and other charges on car Jjarah		182,426	145,016
Takaful / Insurance		316,510	286,678
Fee and subscription		186,561	143,152
Vehicle running and maintenance		129,512	131,433
Donation	32.2	5,841	-
Auditors' remuneration	32.3	17,507	18,277
Amortization	14	2,278	2,278
CDC and share registrar services		9,424	11,917
Brokerage and commission		30,152	20,956
Stamp duty, registration & verification charges		15,915	43,353
Others		78,457	69,699
		2,018,320	1,900,561
		8,578,042	7,721,165

	Note	2020	2019
-----Rupees in '000-----			
32.1 Total compensation expense			
Managerial remuneration			
(i) Fixed		1,487,190	1,266,741
(ii) Variable - Cash bonus / awards		10,889	24,207
Provision for bonus to employees		125,000	100,000
Charge for defined benefit plan	40.8.1	126,159	110,919
Contribution to defined contribution plan	41	119,903	92,035
Rent & house maintenance allowance		655,272	557,758
Utilities allowance		145,612	123,911
Medical allowance		138,040	147,316
Car maintenance allowance		194,466	171,031
Conveyance allowance		2,262	6,830
Fuel allowance		11,240	11,026
Sports & welfare		2,272	2,131
Staff life takaful		67,702	33,083
Overtime allowance		974	2,524
Increment allowance		9,998	50,576
Special allowance		110,958	74,922
Phone banking allowance		2,046	813
Relocation allowance		200	409
Sales commission		204,842	111,008
Contract staff cost		202,760	202,060
Others		1,645	1,508
Sub-total		3,619,430	3,090,808
Grand Total		3,619,430	3,090,808

	2020	2019
-----Rupees in '000-----		
32.2 Details of donations		
Indus Hospital	3,400	-
Support For Prime Minister's Corona Relief Fund-Covid 19	1,000	-
Al-Naseer Charitable Trust	600	-
Fakhir E Imdad Foundation	500	-
Ration bags to deserving persons affected by COVID	241	-
Fakhir Foundation	100	-
	5,841	-

32.2.1 Donations were not made to any donee in which Directors or their spouse had any interest.

	2020	2019
-----Rupees in '000-----		
32.3 Auditors' remuneration		
Audit fee	7,532	7,178
Fee for the review of half yearly financial statements	2,225	1,906
Fee for other statutory certifications	2,414	2,175
Special certifications and sundry advisory services	2,968	6,033
Tax services	1,622	377
Out-of-pocket expenses	746	608
	17,507	18,277

	Note	2020	2019
-----Rupees in '000-----			
33 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		130,504	36,511
34 PROVISIONS AND WRITE OFFS - NET			
Provision / (reversal of provision) for diminution in value of investments and due from financial institutions		(15,590)	35,680
Provision against Islamic financing and related assets and advances - net	12.16.2	2,230,225	2,058,139
Other provisions / write offs - net		386,388	704,838
		<u>2,601,023</u>	<u>2,798,657</u>
35 TAXATION			
Current year		430,687	442,722
Prior year		(23,632)	-
Deferred		649,257	301,278
		<u>1,056,312</u>	<u>744,000</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 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	2020	2019
-----Rupees in '000-----			
36 BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation for the period		1,703,135	1,087,338
		----- Number of shares -----	
Weighted average number of ordinary shares in issue		1,108,703,299	1,025,766,071
		----- Rupees -----	
Earnings per share - basic / diluted	36.1	1.5362	1.0600

36.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2020 and December 31, 2019.

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

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2020:

- (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 channelled towards the export sector of the economy via different Islamic financing modes such as Murabahah, Istisna etc.

Key features and risk & reward characteristics of all pools

The 'General Deposit Mudarabah Pool' for both local and foreign currency is to cater all depositors of 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 other specific musharakah pool assets comprise of consumer housing finance portfolio and the related liability of the pool comprises of musharakah acceptance from a financial institution. This pool is created to fund the housing finance portfolio.

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 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 Bank and the depositors as per agreed profit sharing ratio after deduction of commingled Bank's equity share on pro rata basis. The residual is shared among depositors as per agreed weightages. These weightages and profit sharing ratios are declared by the Bank in compliance with the requirements of the SBP and Shariah.

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

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	2020			Amount of Mudarib Share transferred through Hiba (Rupees in '000)
					Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	
PKR Pool	Monthly	9.86%	50.00%	50.00%	2,418,530	3.98%	17.82%	430,866
USD Pool	Monthly	0.80%	50.00%	50.00%	12,952	0.52%	31.97%	4,140
GBP Pool	Monthly	0.57%	50.00%	50.00%	785	0.38%	34.41%	270
EURO Pool	Monthly	0.24%	50.00%	50.00%	280	0.15%	16.07%	21

Specific Musharakah Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Client Share %	Bank Share %	2020			Amount of Hiba to Client (Rupees in '000)
					Bank Share	Profit rate return distributed	Percentage of Hiba to Client	
Islamic Export Refinance (IERS) Pool	Monthly	6.14%	53.35%	46.65%	3,159,337	1.92%	0.00%	-
Pakistan Mortgage Refinance Company (PMRC)	Monthly	10.67%	99.00%	1.00%	1,335	10.59%	0.00%	-

Specific Mudarabaha Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Depositor Share %	Mudarib Share %	2020			Amount of Madaib share transferred through Hiba to special remunerative deposits (Rupees in '000)
					Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	
(i) Special Pool PKR	Monthly	10.79%	77.68%	22.32%	1,305,352	9.11%	25.60%	334,233
(ii) 1-3 Years Term Deposits	Monthly	9.43%	86.94%	13.06%	451,614	8.70%	42.18%	190,492
(iii) Special Pool USD	Monthly	2.04%	80.00%	20.00%	3,790	1.88%	42.23%	1,601
(iv) Special Pool GBP	Monthly	0.90%	80.00%	20.00%	13	0.90%	38.87%	5
(v) Special Pool Euro	Monthly	1.38%	80.00%	20.00%	807	1.17%	24.68%	211

- (vi) In addition to the above, 246 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	2020	2019
		-----Rupees in '000-----	
38 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	8	22,034,025	14,640,163
Balances with other banks	9	12,308,269	1,877,508
		<u>34,342,294</u>	<u>16,517,671</u>
39 STAFF STRENGTH		Number of employees	
Permanent		2,599	2,527
Contractual basis		838	920
Total staff strength		<u>3,437</u>	<u>3,447</u>

40 DEFINED BENEFIT PLAN

40.1 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.

40.2 Number of Employees under the scheme

The number of employees covered under the defined scheme are 2,599 (2019: 2,527).

40.3 Principal actuarial assumptions

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

	2020	2019
- Valuation Discount rate	10.25%	11.75%
- Salary Increase Rate	10.25%	11.75%
- Expected Return on Plan Assets	10.25%	11.75%

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.

	2020	2019	
		----- 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	456,052	366,882	
Fair value of plan assets	(324,314)	(256,256)	
	<u>131,738</u>	<u>110,626</u>	

	Note	2020	2019
		----- Rupees in '000 -----	
40.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		366,882	380,601
Current service cost		119,750	104,721
Return expense		39,271	42,120
Benefits paid by the Bank		(53,159)	(81,882)
Re-measurement gain		(16,692)	(78,678)
Obligations at the end of the year		<u>456,052</u>	<u>366,882</u>
40.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		256,256	302,155
Return earned on plan assets		32,862	35,922
Contribution by the Bank		100,000	-
Benefits Paid		(53,159)	(81,882)
Re-measurement (loss) / gain over return expense	40.8.2	(11,645)	61
Fair value at the end of the year		<u>324,314</u>	<u>256,256</u>
40.7 Movement in payable under defined benefit schemes			
Opening balance		110,626	78,446
Charge for the year		126,159	110,919
Contribution by the Bank		(100,000)	-
Re-measurement gain recognized in OCI during the year	40.8.2	(5,047)	(78,739)
Closing balance		<u>131,738</u>	<u>110,626</u>
40.8 Charge for defined benefit plans			
40.8.1 Cost recognized in profit and loss			
Current service cost		<u>119,750</u>	<u>104,721</u>
Net financial charges		<u>6,409</u>	<u>6,198</u>
		<u>126,159</u>	<u>110,919</u>
40.8.2 Re-measurements recognized in OCI during the year			
Gain on obligation			
- Demographic assumptions		-	-
- Financial assumptions		(3,012)	(3,266)
- Experience adjustment		(13,680)	(75,412)
Loss / (gain) on plan assets		11,645	(61)
Total re-measurements		<u>(5,047)</u>	<u>(78,739)</u>
Deferred tax impact		1,766	27,559
Total re-measurements recognized in OCI		<u>(3,281)</u>	<u>(51,180)</u>
40.9 Components of plan assets			
Bank balance		213,406	199,470
Units of Mutual Funds		110,908	56,786
		<u>324,314</u>	<u>256,256</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:

	2020	2019
	----- Rupees in '000 -----	
1% increase in discount rate	395,753	326,514
1% decrease in discount rate	501,844	413,949
1 Year increase in Life expectancy / Withdrawal rate	444,272	366,500
1 Year decrease in Life expectancy / Withdrawal rate	444,273	366,501

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
40.11 Expected contributions to be paid to the funds in the next financial year	119,108
40.12 Expected charge for the next financial year	126,558
40.13 Maturity profile	

The weighted average duration of the defined benefit obligation is 11.94 years. (2019 : 11.93 years)

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

At December 31, 2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
Gratuity	20,014	22,781	73,425	2,024,598	2,140,818

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. 126.558 million as per the actuarial valuation report of the Bank as of December 31, 2020.

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 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. 119.903 million (2019: Rs. 92.035 million) each.

42 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

Items	2020						
	Directors			Members Shariah Board	President/ CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	Rupees '000						
Fees and Allowances etc.	1,500	-	6,100	1,500	-	-	-
Managerial Remuneration							
Fixed	-	-	-	7,527	29,273	65,317	38,499
Rent & house maintenance	-	-	-	-	-	29,392	17,325
Utilities	-	-	-	-	-	6,532	3,850
Medical	-	-	-	-	-	6,532	3,850
Conveyance	-	-	-	1,707	-	16,181	8,141
Shariah Board allowance	-	-	-	4,893	-	-	-
Others	-	-	-	29	19,123	4,094	360
Total	1,500	-	6,100	15,656	48,396	128,048	72,025
Number of Persons	1	-	6	3	1	15	14

Items	2019						
	Directors			Members Shariah Board	President/ CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	Rupees '000						
Fees and Allowances etc.	2,100	-	5,550	1,125	-	-	-
Managerial Remuneration							
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

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

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

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

2020								
Sr. No.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid					Total Amount Paid
			For Board Committees					
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board IT Committee	Board Remuneration Committee	
Rupees '000								
1	Mr. Ali Hussain	1,500	-	-	-	-	-	1,500
2	Mr. Fawad Anwar	400	-	-	-	-	-	400
3	Dr. Amjad Waheed	1,400	-	-	-	-	-	1,400
4	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	-	-	-	-	-	-	-
5	Mr. Noman Yakoob	300	-	-	-	-	-	300
6	Mr. Siraj Ahmed Dadabhoy	100	-	-	-	-	-	100
7	Mr. Muhammad Nadeem Farooq	400	-	-	-	-	-	400
8	Mr. Haider Ali Hilaly	1,000	-	-	-	-	-	1,000
9	Dr. Lalarukh Ejaz	1,000	-	-	-	-	-	1,000
10	Mr. Sulaiman Sadruddin Mehdi	1,000	-	-	-	-	-	1,000
11	Mr. Syed Ali Hasham	500	-	-	-	-	-	500
	Total Amount Paid	7,600	-	-	-	-	-	7,600

2019								
Sr. No.	Name of Director	For Board Meetings	Meeting Fees and Allowances Paid					Total Amount Paid
			For Board Committees					
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board IT 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

42.3 Remuneration paid to Shariah Board Members

Items	2020			2019		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Rupees in '000						
a. Meeting Fees and Allowances	-	-	1,500	-	-	1,125
b. Managerial remuneration & allowances	10,534	3,622	-	8,975	2,883	-
Total Amount	10,534	3,622	1,500	8,975	2,883	1,125
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 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.

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:

	2020			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	335,097	-	-	335,097
GOP Ijara Sukuk	-	44,497,832	-	44,497,832
Non-Government Shariah compliant Securities	31,440,745	7,454,508	-	38,895,253
Non-current assets held for sale	-	-	601,609	601,609
Non-Financial Assets - measured at fair value				
Fixed assets - Land and building	-	-	6,491,725	6,491,725
Non-banking assets	-	-	1,671,387	1,671,387
Off-balance sheet financial instruments - measured at fair value				
Shariah compliant alternative of forward purchase of foreign exchange	-	11,246,372	-	11,246,372
Shariah compliant alternative of forward sale of foreign exchange	-	20,631,765	-	20,631,765

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 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

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
GOP Sukuks	The fair value of GOP Ijarah Sukuk are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from six different pre-defined / approved dealers / brokers.
WAPDA Sukuks	Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
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 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.

44 SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

	2020				Total
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	
----- Rupees in '000 -----					
Profit & Loss					
Net profit / return	8,972,401	(7,333,737)	10,970,557	(120,319)	12,488,902
Inter segment revenue - net	(7,550,229)	18,398,941	(10,558,297)	(290,415)	-
Total other income	692,536	587,810	329,244	25,845	1,635,435
Total income	2,114,708	11,653,014	741,504	(384,889)	14,124,337
Segment direct expenses	71,344	4,573,564	258,759	3,860,200	8,763,867
Inter segment expense allocation	172,453	2,623,860	961,888	(3,758,201)	-
Total expenses	243,797	7,197,424	1,220,647	101,999	8,763,867
Provisions / (reversals)	(15,590)	147,487	2,089,139	379,988	2,601,023
Profit / loss before tax	1,886,501	4,308,103	(2,568,282)	(866,876)	2,759,447

	2020				Total
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	
----- Rupees in '000 -----					
Balance Sheet					
Assets					
Cash & Bank balances	23,781,391	10,560,903	-	-	34,342,294
Investments	95,239,635	-	-	-	95,239,635
Net inter segment placements	-	232,280,589	-	2,801,703	235,082,292
Due from financial institutions	41,640,012	-	-	-	41,640,012
Islamic financing and related assets - performing	-	24,718,161	99,668,978	2,887,371	127,274,510
- non-performing	-	1,265,885	1,505,851	115,643	2,887,379
Others	1,144,752	5,271,853	5,430,218	23,066,645	34,913,468
Total Assets	161,805,790	274,097,391	106,605,047	28,871,362	571,379,590
Liabilities					
Due to financial institutions	7,675,410	1,989,031	6,463,175	-	16,127,616
Subordinated sukuk	-	-	-	2,000,000	2,000,000
Deposits & other accounts	16,691,764	265,324,186	-	-	282,015,950
Net inter segment acceptances	137,226,369	-	97,855,923	-	235,082,292
Others	133,484	6,784,172	2,437,698	6,903,205	16,258,559
Total liabilities	161,727,027	274,097,389	106,756,796	8,903,205	551,484,417
Equity				19,895,173	19,895,173
Total Equity & liabilities	161,727,027	274,097,389	106,756,796	28,798,378	571,379,590
Contingencies & Commitments	(9,435,135)	-	22,345,454	9,090,985	22,001,304

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 / (reversals)	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

2019					
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	2,729,470	23,134,769

45 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	
		2020	2019	2020	2019
-----Rupees in '000-----					
Insurance Companies	Sukuks	8	3	286,000	529,500
Asset Management Companies	Sukuks	41	30	2,806,030	2,624,530
Employee Funds / NGO's	Sukuks	8	7	135,000	51,000
Individuals	Sukuks	2	2	144,470	144,470
Others	Sukuks	19	14	2,561,500	2,583,500
		78	56	5,933,000	5,933,000

Category	Type	No. of IPS account		Face Value	
		2020	2019	2020	2019
-----Rupees in '000-----					
Insurance Companies	Sukuk / Islamic Commercial Paper	2	4	60,000	235,000
Asset Management Companies	Sukuk / Islamic Commercial Paper	60	33	12,584,900	10,211,700
Employee Funds / NGO's	Sukuk / Islamic Commercial Paper	7	8	350,800	320,000
Individuals	Sukuk / Islamic Commercial Paper	4	4	49,300	49,300
Others	Sukuk / Islamic Commercial Paper	2	4	550,000	1,075,000
		75	53	13,595,000	11,891,000

46 RELATED PARTY TRANSACTIONS

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

The Bank 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:

	2020					2019				
	Directors management personnel	Subsidiaries	Associates	Other related parties	Other related parties	Directors management personnel	Subsidiaries	Associates	Other related parties	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	-	-	-	-	-	-	-	-	-	-
Adjustment	-	(1,984,343)	-	-	-	-	-	-	-	-
Closing balance	-	706,380	1,660,111	-	-	-	2,690,723	1,660,111	-	-
Provision for diminution in value of investments	-	(104,771)	(1,032,169)	-	-	-	(2,089,114)	(1,032,169)	-	-
Islamic financing and related assets										
Opening balance	22,538	194,707	525,179	1,193,862	25,280	284,740	256,850	392,853	461,667	461,667
Addition during the year	-	180,438	780,000	3,216,340	-	67,350	512,000	887,767	2,871,793	2,871,793
Repaid during the year	(3,299)	(66,942)	(742,000)	(3,404,528)	(2,742)	(51,589)	(614,071)	(755,441)	(2,299,598)	(2,299,598)
Transfer in / (out) - net	-	(2,600)	-	(509,282)	-	(105,794)	-	-	160,000	160,000
Closing balance	19,239	305,603	192,779	496,392	22,538	194,707	154,779	525,179	1,193,862	1,193,862
Other Assets										
Profit receivable on financings	812	167	-	1,626	3,153	116	68	7,392	33,659	33,659
Subordinated sukuk										
Opening balance	-	10,000	-	-	-	-	-	-	-	-
Issued / subscribed during the year	-	15	-	-	-	-	10,000	-	-	-
Redemption / Sold during the year	-	(9,000)	-	-	-	-	-	-	-	-
Closing balance	-	1,015	-	-	-	-	10,000	-	-	-

	2020					2019				
	Directors management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Directors management personnel	Subsidiaries	Associates	Other related parties	Key management personnel
(Rupees in '000)										
Deposits and other accounts										
Opening balance	3,534	269,777	82,086	1,062,262	46,092	3,696	263,847	80,269	1,232,106	
Received during the year	96,690	23,549,788	1,641,620	8,820,606	271,707	224,391	15,564,101	3,265,405	8,151,896	
Withdrawn during the year	(81,169)	(23,114,034)	(1,638,684)	(8,711,343)	(270,748)	(224,553)	(15,558,171)	(3,263,588)	(8,321,740)	
Transfer in / (out) - net	(168)	(930)	120	4	(40,791)	-	-	-	-	
Closing balance	18,887	25,210	704,601	1,171,529	6,260	3,534	269,777	82,086	1,062,262	
Other Liabilities										
Profit / return payable	2	160	3,972	7,141	138	1	2,497	18	10,786	
Meeting Fee / Remuneration payable	2,260	-	-	-	-	1,300	-	-	-	
Contingencies and Commitments										
Other contingencies	-	-	-	279,802	-	-	-	49,406	50,957	
Income										
Profit / return earned	2,413	8,171	21,419	55,236	4,663	2,283	25,868	53,241	106,363	
Dividend income	-	-	-	-	-	-	-	-	-	
Advisory Fee	-	-	-	-	-	-	-	-	-	
Other income	-	3,649	755	-	1,068	-	1,261	-	-	
Expense										
Profit / return expensed	22	373	33,916	107,125	250	30	27,167	1,229	108,734	
Other administrative expenses	86	2,209	572	6,710	4,577	6,936	606	92	1,679	
Meeting Fee / Remuneration	9,860	186,976	-	-	162,495	7,650	-	-	-	
Contribution to employees provident fund	-	-	-	119,903	-	-	-	-	92,035	
Contribution to employees gratuity fund	-	-	-	126,159	-	-	-	-	110,919	

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 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 60% from CET 1 capital as at 31 December 2020.

	2020	2019
	----- Rupees in '000 -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,007,991	11,007,991
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,347,239	13,488,185
Eligible Additional Tier 1 (ADT 1) Capital	2,000,000	1,700,000
Total Eligible Tier 1 Capital	15,347,239	15,188,185
Eligible Tier 2 Capital	4,779,847	4,264,299
Total Eligible Capital (Tier 1 + Tier 2)	20,127,086	19,452,484
Risk Weighted Assets (RWAs):		
Credit Risk	103,520,752	113,639,899
Market Risk	956,425	926,050
Operational Risk	20,563,275	15,588,775
Total	125,040,452	130,154,724
Common Equity Tier 1 Capital Adequacy ratio	10.67%	10.36%
Tier 1 Capital Adequacy Ratio	12.27%	11.67%
Total Capital Adequacy Ratio	16.10%	14.95%
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%
Capital Conservation Buffer (CCB) (Consisting of CET 1 only)	1.50%	2.50%
Total Capital plus CCB	11.50%	12.50%

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.

	2020	2019
	----- Rupees in '000 -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	15,347,239	15,188,185
Total Exposures	367,824,737	312,180,465
Leverage Ratio	<u>4.17%</u>	<u>4.87%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	66,806,359	52,694,993
Total Net Cash Outflow	33,817,378	33,979,271
Liquidity Coverage Ratio	<u>210.41%</u>	<u>162.60%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	282,534,177	230,215,305
Total Required Stable Funding	112,435,298	115,685,066
Net Stable Funding Ratio	<u>251.29%</u>	<u>199.00%</u>

- 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 Bank'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 Bank follows effective risk governance which commensurate well with its current size and structure.

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. SBP, 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 Bank's risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run at an enterprise level. Risk governance must involve all relevant parties and should be sanctioned by the Bank's leadership.

The risk management function at the 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 BankIslami, 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 COVID - 19

48.1.1 Risk management in the current economic scenario

The coronavirus outbreak has severely affected global economy. Various businesses are facing different issues with a certain degree of losses on account of decrease in demand, disruptions in supply chain, raw material shortage, and transportation disruptions, among others. To counter these challenges, regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate COVID-19 impact.

Likewise, the State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit for retail asset classification by 44 percent to Rs.180 million, thus resulting in reduced risk weighted assets; (iii) relaxing the debt burden ratio for consumer financings from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on financing obligations by one year; and (v) relaxing regulatory criteria for restructured / rescheduled financings for borrowers who require relief beyond the extension of principal repayment for one year.

COVID 19 has impacted the banks in Pakistan from various facets which include increase in overall credit risk pertaining to financings and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate financings, debt and capital advisory services etc. Major aspects of COVID 19 on the Bank are discussed below:

48.1.2 Assets quality and credit risk

As the current economic crisis unfolds against the backdrop of a public health emergency, the disruption to economic activity put strain on the solvency of customers and companies. A large number of distressed customers sought help for financial hardships across consumer and commercial lending / financing portfolios. The Risk Management Group of the Bank is monitoring the situation to identify and support customers / borrowers operating in various sectors which are most affected.

Many of the COVID affected borrowers availed the SBP enabled deferment / restructuring and rescheduling relief. The full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Keeping in view the prevailing uncertainty, the Bank has re-assessed its credit book as at December 31, 2020 for subjective downgrading and maintaining additional general reserve against potential delinquencies.

The Bank has further strengthened its credit review procedures in the light of COVID 19. The Bank conducted various stress tests on the credit portfolio and is confident that the CAR currently maintained is sufficient to adhere all regulatory and business needs.

48.1.3 Liquidity management

The Bank has provided customers with relief measures such as payment deferrals and financing restructuring / re-scheduling. Such interventions, while necessary to provide temporary relief to customers, also accompanied enhanced risk management actions on liquidity of the Bank. The Asset and Liability Committee (ALCO) of the Bank is monitoring the liquidity position and is taking due precautionary measures where needed. The Bank has conducted various stress tests on its liquidity ratios and is confident that the liquidity buffer (in terms of liquid assets) currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

48.1.4 Equity investments

The KSE -100 index improved 7.4% YoY despite of COVID-19 uncertainties. The index corrected itself from its low of ~27,200 pts in March to end the year at ~43,800 pts; which reflected the rebound in confidence of market participants post the Covid crash. Business reopening after lockdown, expected better corporate results and improved economic indicators in 2021 are anticipated to further push the index upward. The Market Risk Department is monitoring the equity position and believes that it has no impact on profit and loss account other than the amounts already provided in the books.

48.1.5 Foreign Exchange Risk

The currency remained largely stable compared to last year, depreciating by a measured ~3.2% to close at 159.83 - as compared to a depreciation of ~11.0% last year. This is mostly attributable to the improvement in the external account position, deferment of debt repayment to G20, and expected inflows with the launch of Roshan Digital Account. The exchange rate is expected to remain stable despite uncertainty around COVID 19. The Bank continuously monitors its Net Open Positions and believes that it has no significant impact on profit and loss account.

48.1.6 Operations

The Bank invoked required actions to ensure safety and security of staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using Virtual Private Network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Bank continues to meet the expectations of their clients as they would in a normal scenario.

48.1.7 Capital Adequacy Ratio

During the year, to provide more headways for banks to focus on responding to the COVID 19 pandemic, the SBP relaxed the Capital Conservation Buffer (CCB) requirements for the banks to 1.5%, resulting in an overall CAR requirement of 11.5%. Furthermore, the regulatory limit for retail financings has also been increased by SBP to Rs. 180 million, which will now result in reduced Risk Weighted Assets (RWA) for some of its financings in this asset class. In addition to the measures by SBP, the senior management of the Bank is continuously monitoring the impacts of various decisions on the Bank's CAR and taking further lending decisions based on the overall impacts on RWA. The Bank also believes that at present it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

48.2 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, Diminishing Musharakah 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:

48.2.1 Due from financial institutions

Credit risk by public / private sector

	Gross Due from Financial Institutions		Non-performing Due from Financial Institutions		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Public/ Government	-	-	-	-	-	-
Private	41,667,552	42,942,400	27,540	30,780	27,540	30,780
	41,667,552	42,942,400	27,540	30,780	27,540	30,780

48.2.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	----- 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	36,070,467	37,870,925	-	-	-	-
Financial	391,071	717,571	21,071	25,571	21,071	25,571
Services	67,897	67,898	67,898	67,898	67,897	67,897
Others	55,134,141	10,527,086	221,250	221,250	-	-
	92,250,799	49,770,703	897,442	901,942	621,191	625,691

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Public/ Government	90,413,927	48,074,227	-	-	-	-
Private	1,836,872	1,696,476	897,442	901,942	621,191	625,691
	92,250,799	49,770,703	897,442	901,942	621,191	625,691

48.2.3 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	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Agriculture, Forestry, Hunting and Fishing	961,614	1,611,671	5,185	117,394	-	32,254
Textile	13,186,883	12,470,145	3,542,040	3,555,353	3,468,320	3,481,634
Chemical and Pharmaceuticals	900,317	1,531,234	817,373	787,386	786,979	786,979
Cement	2,011,013	2,799,427	657,045	665,170	453,523	457,585
Sugar	4,017,496	4,870,079	847,195	847,195	665,195	665,195
Footwear and Leather garments	184,402	1,142,161	2,459	2,459	2,459	2,459
Automobile and transportation equipment	943,228	966,193	112,470	101,872	100,359	100,737
Education	1,353,400	251,427	-	-	-	-
Electronics and electrical appliances	2,128,658	2,440,998	1,397,568	1,397,568	1,397,568	946,784
Construction	1,543,358	2,773,959	758,378	823,378	757,256	822,256
Power (electricity), Gas, Water, Sanitary	11,890,178	16,080,338	3,029	3,029	2,431	2,431
Wholesale and Retail Trade	5,724,940	4,373,493	2,082,827	1,883,832	1,763,381	1,725,941
Exports / Imports	260,756	263,704	32,586	39,586	32,585	25,205
Transport, Storage and Communication	369,722	399,248	165,353	141,828	115,419	141,828
Financial	559,312	619,919	240,400	240,400	240,189	240,189
Services	18,090,881	20,590,508	168,074	96,744	99,659	89,245
Individuals	32,180,544	29,935,293	3,189,014	2,948,294	1,759,444	1,604,440
Food and beverages	34,158,657	24,057,779	2,010,011	430,442	1,544,531	305,370
Packing and Paper products	601,145	545,079	13,000	13,000	13,000	13,000
Others	14,271,543	16,997,782	1,484,748	1,292,794	1,289,310	1,283,448
	145,338,047	144,720,437	17,528,755	15,387,724	14,491,608	12,726,980

Credit risk by public / private sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Public/ Government	52,494,757	44,274,327	-	-	-	-
Private	92,843,290	100,446,110	17,528,755	15,387,724	14,491,608	12,726,980
	145,338,047	144,720,437	17,528,755	15,387,724	14,491,608	12,726,980

48.2.4 Contingencies and Commitments	2020	2019
	----- Rupees in '000 -----	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	65,722	71,395
Mining and Quarrying	-	-
Textile	4,480,411	3,364,681
Chemical and Pharmaceuticals	89,032	134,464
Cement	2,041,238	363,362
Sugar	48,865	48,865
Footwear and Leather garments	120,900	-
Automobile and transportation equipment	2,117,699	2,101,069
Education	4,957	56,319
Electronics and electrical appliances	503,963	41,680
Production and transmission of energy	1,206,909	1,034,583
Construction	2,971,077	1,605,416
Power (electricity), Gas, Water, Sanitary	216,089	1,170,114
Wholesale and Retail Trade	2,020,837	6,769,630
Exports / Imports	221,253	140,688
Transport, Storage and Communication	663,428	337,043
Financial	81,155	129,098
Services	781,934	1,081,363
Individuals	142,961	178,945
Food and beverages	1,307,503	730,726
Manufacturing	1,792,582	1,019,086
Packing and Paper products	103,622	58,537
Others	1,019,167	6,215,014
	<u>22,001,304</u>	<u>26,652,078</u>
Credit risk by public / private sector		
Public/ Government	1,457,024	1,981,189
Private	20,544,280	24,670,889
	<u>22,001,304</u>	<u>26,652,078</u>

48.2.5 Concentration of Financing

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 67,428.914 million (2019: Rs. 65,016.591 million) are as following:

	2020	2019
	----- Rupees in '000 -----	
Funded	62,136,283	55,977,491
Non Funded	5,292,631	9,039,100
Total Exposure	<u>67,428,914</u>	<u>65,016,591</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 76,840 million (2019: Rs. 69,764 million)

48.2.6 Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	----- Rupees in '000 -----			
OAEM	149,428	-	525,244	-
Substandard	485,371	34,915	695,454	76,698
Doubtful	1,947,553	536,216	1,904,229	821,090
Loss	14,946,403	13,920,477	12,262,797	11,829,192
Total	17,528,755	14,491,608	15,387,724	12,726,980

For the purpose of this note, exposure means outstanding funded facilities and utilized non-funded facilities as at the reporting date.

48.2.7 Financing - Province/Region-wise Disbursement & Utilization

Province / Region	Disbursements	2020 Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
		----- Rupees in '000 -----					
Punjab	65,836,547	65,836,547	-	-	-	-	-
Sindh	63,238,832	-	63,238,832	-	-	-	-
KPK including FATA	373,862	-	-	373,862	-	-	-
Baluchistan	138,488	-	-	-	138,488	-	-
Islamabad	4,374,697	-	-	-	-	4,374,697	-
AJK including Gilgit-Baltistan	43,584	-	-	-	-	-	43,584
Total	134,006,010	65,836,547	63,238,832	373,862	138,488	4,374,697	43,584

Province / Region	Disbursements	2019 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

48.3 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.

48.3.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- Rupees in '000 -----						
Cash and balances with treasury banks	22,034,025	-	22,034,025	14,640,163	-	14,640,163
Balances with other banks	12,308,269	-	12,308,269	1,877,508	-	1,877,508
Due from financial institutions	41,640,012	-	41,640,012	42,911,620	-	42,911,620
Investments	95,239,635	-	95,239,635	55,194,471	-	55,194,471
Islamic financings, related assets & advances	130,161,889	-	130,161,889	131,774,504	-	131,774,504
Fixed assets	11,741,506	-	11,741,506	12,717,391	-	12,717,391
Intangible assets	3,108,498	-	3,108,498	3,101,794	-	3,101,794
Deferred tax assets	5,824,886	-	5,824,886	5,621,695	-	5,621,695
Other assets	13,636,969	-	13,636,969	14,655,739	-	14,655,739
Non-current assets held for sale	601,609	-	601,609	601,609	-	601,609
	336,297,298	-	336,297,298	283,096,494	-	283,096,494

48.3.2 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.

	2020				2019			
	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	318,339,017	307,999,799	9,404,748	19,743,966	275,858,598	256,196,852	1,162,379	20,824,125
United States Dollar	16,654,118	7,046,498	(9,435,134)	172,486	6,249,108	6,180,314	(1,192,765)	(1,123,971)
Great Britain Pound	591,273	584,261	-	7,012	386,007	411,042	-	(25,035)
Japanese Yen	17,725	48	-	17,677	7,347	44	-	7,303
Euro	581,385	750,038	30,386	(138,267)	512,759	594,308	30,386	(51,163)
UAE Dirham	26,856	8,782	-	18,074	8,894	7,548	-	1,346
Asian Currency Unit	67,413	-	-	67,413	34,107	-	-	34,107
Swiss Franc	2,680	-	-	2,680	1,217	-	-	1,217
Chinese Yuan	1,913	-	-	1,913	1,854	-	-	1,854
Australian Dollar	6,868	1,994	-	4,874	2,868	1,755	-	1,113
Saudi Riyal	7,727	6,076	-	1,651	33,329	3,848	-	29,481
Canadian Dollar	223	4,629	-	(4,406)	285	4,451	-	(4,166)
Turkish Lira	100	-	-	100	121	-	-	121
	336,297,298	316,402,125	-	19,895,173	283,096,494	263,400,162	-	19,696,332

2020		2019	
Banking book	Trading book	Banking book	Trading book

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

Impact of 1% change in foreign exchange rates on				
- Profit and loss account	(1,512)	-	11,278	-
- Other comprehensive income	-	-	-	-

48.3.3 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.

2020		2019	
Banking book	Trading book	Banking book	Trading book

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

Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	16,755	-	13,920	-

48.3.4 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.

2020		2019	
Banking book	Trading book	Banking book	Trading book

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

Impact of 1% change in interest rates on				
- Profit and loss account	124,889	-	107,904	-
- Other comprehensive income	-	-	-	-

48.3.5 Mismatch of Yield / Profit Rate Sensitive Assets and Liabilities

	Effective Yield / Profit rate	Total	2020										Non-profit bearing financial instruments
			Exposed to Yield / Profit risk										
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
----- Rupees in '000 -----													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks		22,034,025	-	-	-	-	-	-	-	-	-	-	22,034,025
Balances with other banks	1.77%	12,308,269	3,313,151	-	-	-	-	-	-	-	-	-	8,995,118
Due from financial institutions	11.09%	41,640,012	28,508,452	11,634,430	1,497,130	-	-	-	-	-	-	-	-
Investments	11.19%	95,239,635	33,131,063	30,199,688	19,608,653	-	-	-	-	-	-	-	1,994,395
Islamic financing, related assets and advances	10.57%	130,161,889	28,334,517	7,931,116	24,771,832	46,006,108	5,359,580	11,324,771	20,707	310,562	-	-	3,579,385
Other assets		12,624,557	93,287,183	49,765,234	45,877,615	46,006,108	12,829,147	5,359,580	11,324,771	20,707	310,562	-	12,624,557
		314,008,387											49,227,480
Liabilities													
Bills payable		4,949,486	-	-	-	-	-	-	-	-	-	-	4,949,486
Due to financial institutions	6.60%	16,127,616	-	7,642,536	1,499,750	34,933	2,805,692	769,295	3,375,410	-	-	-	-
Deposits and other accounts	4.79%	282,015,950	191,004,296	-	-	-	-	-	-	-	-	-	91,011,654
Subordinated sukuk	12.91%	2,000,000	2,000,000	-	-	-	-	-	-	-	-	-	-
Other liabilities		11,309,073	-	-	-	-	-	-	-	-	-	-	11,309,073
		316,402,125	193,004,296	7,642,536	1,499,750	34,933	2,805,692	769,295	3,375,410	-	-	-	107,270,213
On-balance sheet gap		(2,393,738)	(99,717,113)	42,122,698	44,377,865	45,971,175	10,023,455	4,590,285	7,949,361	20,707	310,562	-	(58,042,733)
Commitments in respect of:													
- forward foreign exchange contracts		(9,404,748)	(9,447,604)	(28,904)	71,760	-	-	-	-	-	-	-	-
Off-balance sheet gap		20,671,111	20,628,255	(28,904)	71,760	-	-	-	-	-	-	-	-
Total Yield/Profit Rate Risk Sensitivity Gap		-	(79,088,858)	42,093,794	44,449,625	45,971,175	10,023,455	4,590,285	7,949,361	20,707	310,562	-	(58,042,733)
Cumulative Yield/Profit Rate Risk Sensitivity Gap		-	(79,088,858)	(36,995,064)	7,454,561	53,425,736	63,449,191	68,039,476	75,988,837	76,009,544	76,320,106	-	18,277,373

Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk							Non-profit bearing financial instruments	
		2019								
		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
----- Rupees in '000 -----										
On-balance sheet financial instruments										
Assets										
Cash and balances with Treasury Banks	14,640,163	-	-	-	-	-	-	-	-	14,640,163
Balances with other Banks	1,877,508	360	-	-	-	-	-	-	-	1,877,148
Due from financial institutions	42,911,620	9,150,860	8,171,560	10,718,594	-	-	-	-	-	-
Investments	55,194,471	1,328,081	35,368,095	7,288,267	-	10,305,836	-	-	-	904,192
Islamic financing, related assets and advances	131,774,504	29,032,560	25,891,264	12,422,169	30,736,877	1,451,842	1,837,104	8,548,205	17,658,810	2,877,342
Other assets	14,141,269	-	-	-	-	-	-	-	-	14,141,269
	260,539,535	39,511,861	69,430,919	34,581,042	41,455,471	1,451,842	12,142,940	8,548,205	17,658,810	34,440,114
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	-	-	-	-	-
Deposits and other accounts	228,826,675	158,293,177	-	-	-	-	-	3,086,794	-	70,533,498
Subordinated sukuk	1,700,000	1,700,000	-	-	-	-	-	-	-	-
Other liabilities	13,148,252	-	-	-	-	-	-	-	-	13,148,252
	262,423,858	165,552,990	4,262,000	1,195,000	1,000,000	-	-	3,086,794	-	87,827,074
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	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	-	-	-	-	-	-	-	-	-
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/Profit Rate Risk Sensitivity Gap	(101,297,731)	(101,297,731)	63,212,554	34,846,602	40,455,471	1,451,842	12,142,940	5,461,411	17,658,810	(52,886,960)
Cumulative Yield/Profit Rate Risk Sensitivity Gap	(101,297,731)	(38,085,177)	(38,085,177)	(3,238,575)	37,216,896	38,668,738	50,811,678	57,591,420	75,250,230	22,363,270

48.4 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.

48.4.1 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.

48.5 Liquidity Risk

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

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

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

Bank calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per SBP Basel III Liquidity Standards issued under BPRD circular no 08 dated June 23, 2016. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile of Bank which requires banks to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days period. As of December 31, 2020, Bank's LCR stood at 213.64% 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 acceptance, 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 trigger 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, behavioural study techniques are also used to determine the behaviour 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 Government of Pakistan 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 62.54% of total deposits, term deposits are 36.48% and acceptance from SBP and financial institutions is 5.72% of total deposits. Moreover the Bank does not rely on top few depositors to meet its funding requirements. This clearly shows that the funding sources for the Bank are well diversified.

Currency Mismatch in the LCR

Currency mismatch is minimal as FCY deposits are 2.97% of Bank's total deposits.

48.5.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2020

	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	22,034,025	-	-	-	-	-	-	-	-
Balances with other banks	12,308,269	-	-	-	-	-	-	-	-
Due from financial institutions	41,640,012	11,634,430	1,497,130	-	-	-	-	-	-
Investments	95,239,635	1,216,453	-	23,168	10,305,836	-	45,168,817	37,897,419	627,942
Islamic financing and related assets and advances	130,161,889	11,445,054	24,777,628	4,632,523	3,618,422	6,883,782	15,885,732	22,366,896	11,709,075
Fixed assets	11,741,505	2,822	9,069	851,363	241,466	374,756	1,738,456	1,860,291	6,657,683
Intangible assets	3,108,497	1,649	31,275	9,389	17,103	14,799	89,985	-	2,944,297
Deferred tax assets	5,824,888	-	-	331,225	1,188,337	441,480	3,863,846	-	-
Other assets	13,636,969	2,577,527	2,942,019	1,024,402	-	-	50,000	-	2,376,066
Non-current assets held for sale	601,609	-	-	601,609	-	-	-	-	-
	336,297,298	27,753,687	29,257,121	7,473,679	15,371,164	7,714,817	66,796,836	62,124,606	24,315,063
Liabilities									
Bills payable	4,949,486	-	-	-	-	-	-	-	-
Due to financial institutions	16,127,616	6,422,800	1,499,750	34,933	2,805,692	769,295	3,375,410	-	1,219,736
Deposits and other accounts	282,015,950	34,186,649	22,450,387	28,525,411	14,407,168	16,442,545	26,607,400	51,986,402	45,629,384
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	2,000,000
Other liabilities	11,309,073	2,836,963	2,478,285	551,051	3,443,873	227,486	993,053	-	-
	316,402,125	49,567,053	41,387,811	29,111,395	20,656,733	17,439,326	30,975,863	51,986,402	48,849,120
Net assets	19,895,173	45,923,272	2,828,699	(21,637,716)	(5,285,569)	(9,724,509)	35,820,973	10,138,204	(24,534,057)
Share capital - net	11,007,991	-	-	-	-	-	-	-	-
Reserves	1,526,894	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	3,030,509	-	-	-	-	-	-	-	-
Unappropriated profit	4,329,779	-	-	-	-	-	-	-	-
	19,895,173	-	-	-	-	-	-	-	-

2019

	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	14,640,163	-	-	-	-	-	-	-	-
Balances with other banks	1,877,508	-	-	-	-	-	-	-	-
Due from financial institutions	42,911,620	9,150,860	14,870,605	10,718,595	-	-	-	-	-
Investments	55,194,471	1,131,457	-	-	-	-	-	-	-
Islamic financing and related assets and advances	131,774,504	34,464,037	12,526,334	6,194,418	102,535	10,353,948	220,000	42,757,714	628,817
Fixed assets	12,717,391	4,495	14,250	1,015,468	288,252	427,720	1,998,599	32,212,004	11,474,935
Intangible assets	3,101,794	-	30,000	9,006	16,406	14,196	86,317	-	2,944,287
Deferred tax assets	5,621,695	-	-	313,803	-	-	-	-	-
Other assets	14,655,739	2,650,022	4,606,155	969,042	1,125,836	418,260	1,133,500	2,630,296	-
Non-current assets held for sale	601,609	-	-	-	-	-	50,000	-	2,277,044
	283,096,494	53,703,748	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	19,452,392	10,800,952	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	4,433,931	676,837	3,873,080	206,684	1,453,017	-	-
	263,400,162	174,570,315	16,429,883	22,254,574	15,589,621	4,505,383	2,494,230	3,143,641	1,700,000
Net assets	19,696,332	(120,866,567)	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								
	19,696,332								

48.5.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

		2020							
		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	22,034,025	-	-	-	-	-	-	-	-
Balances with other banks	12,308,269	-	-	-	-	-	-	-	-
Due from financial institutions	41,640,012	11,634,430	1,497,130	-	-	-	-	-	-
Investments	95,239,635	1,216,453	-	-	23,168	-	45,168,817	37,897,419	-
Islamic financing and related assets and advances	130,161,889	28,842,777	11,445,054	24,777,628	4,632,523	6,883,782	15,885,732	22,366,896	11,709,075
Fixed assets	11,741,505	2,822	5,599	9,069	851,363	374,756	1,738,456	1,860,291	6,657,683
Intangible assets	3,108,497	-	1,649	31,275	9,389	14,799	89,985	-	2,944,297
Deferred tax assets	5,824,888	-	-	-	331,225	441,480	3,863,846	-	-
Other assets	13,636,969	2,577,527	4,666,955	2,942,019	1,024,402	-	50,000	-	2,376,066
Non-current assets held for sale	601,609	-	-	78,808	522,801	-	-	-	-
	336,297,298	95,490,325	27,753,687	29,335,929	7,394,871	7,714,817	66,796,836	62,124,606	23,687,121
Liabilities									
Bills payable	4,949,486	-	-	-	-	-	-	-	-
Due to financial institutions	16,127,616	6,422,800	1,499,750	1,499,750	34,933	769,295	3,375,410	-	1,219,736
Deposits and other accounts	282,015,950	41,770,604	34,196,649	22,450,387	28,525,411	16,442,545	26,607,400	51,986,402	45,629,384
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	2,000,000
Other liabilities	11,309,073	2,836,963	778,362	2,478,285	551,051	227,486	993,053	-	-
	316,402,125	49,557,053	41,397,811	26,428,422	29,111,395	17,439,326	30,975,863	51,986,402	48,849,120
Net assets	19,895,173	45,933,272	(13,644,124)	2,907,507	(21,716,524)	(9,724,509)	35,820,973	10,138,204	(25,161,999)
Share capital - net	11,007,991	-	-	-	-	-	-	-	-
Reserves	1,526,894	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	3,030,509	-	-	-	-	-	-	-	-
Unappropriated profit	4,329,779	-	-	-	-	-	-	-	-
	19,895,173	-	-	-	-	-	-	-	-

2019

Assets	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	-	-	-	10,718,595	-	-	-	-	-
Due from financial institutions	42,911,620	9,150,860	8,171,560	14,870,605	-	-	-	-	-	-
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	-	-	1,133,500	2,630,296	-
Other assets	14,655,739	2,650,022	4,103,476	4,606,155	969,042	1,125,836	418,260	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	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-

48.6 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.

48.7 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.

48.8 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.

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






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

49.4 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassification to report during the year.

50 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on March 03, 2021 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 IN RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020

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					
1	2	3	4	5	6	7	8	9	10	11	12
1	Chaudhry Steel Re-Rolling Mills Ltd 79, Peco Road, Badami Bagh, Lahore	1) Ch. M. Shafique 2) Sarwar Sultana 3) M. Khalid Pervaiz	1) Ch. Noor Muhammad 2) Ch. Muhammad Shafique 3) Abdal Rahim	54,657	9,120	-	63,777	-	9,120	-	9,120
2	M. Iqbal & Sons House No. 15, St. 16, F-7/2 Islamabad	Proprietor Shahzad Iqbal	Muhammad Iqbal Khan	1,000	792	-	1,792	-	792	-	792
3	Ishaq Jamil & Co; 23, Trust Plaza, Model Town, Gujranwala	Sheikh Muhammad Ilyas	Haji Sheikh Muhammad Ishaq	12,946	2,105	-	15,051	-	2,105	-	2,105
4	Gaffar Associates, Channi Bazar, Kahuta, District, Rawalpindi	Reza Arshad Mehmood	Reza Gulzar Ali	2,890	1,998	-	4,888	-	1,998	-	1,998
5	Pzarchia Corporation, A/58 Z Ground Floor, Near Alfalah Bank Building siddar Road, Rawalpindi	Amjad Alaf	Alaf Hussain	15,000	1,146	2,682	18,827	-	1,146	2,682	3,828
6	Bilal Ahmed House no 80 sector F phase 8 sector F- street 39 safari homes bahria town Rawalpindi.	Bilal Ahmed	Jamshed Ahmed	270	749	-	1,019	-	719	-	719
7	Ibrahim House No. C-51, 15th commercial street phase 2 DHA, Karachi.	Ibrahim 42201-9478630-3	Fateh Muhammad Arain	13,994	14,866	-	28,860	-	14,866	-	14,866
8	M. Khalid Rajput House # 727, Block-B, Latifabad & House # 196, Block-B, Latifabad Hyderabad	M. Khalid Rajput 413045988239	Muhammad Hussain	1,691	3,500	-	5,191	-	3,390	-	3,390
9	Swiss Embroidery, Gulberg-II, X, Lahore.	Marrim Aftab 3520224191578	Aftab Ahmed Shaikh	7,241	10,382	-	17,623	-	10,234	-	10,234
10	Marrim Aftab Flat No. 4, Plot No. 112-B, Block-B Near Royalton Event Complex, Sherpa, Lahore	Marrim Aftab 3520224191578	Aftab Ahmed Shaikh	6,698	2,150	-	8,848	-	1,883	-	1,883
11	Nawazish Ali Awan House # 60, Block H-1, Phase I, WAPDA Employees Co-Operative Housing Society Ltd, Lahore.	Nawazish Ali Awan 3410124215627	Muhammad Jamil	11,808	1,506	226	13,540	-	1,506	226	1,732
12	Nawazish Ali Awan Plot # 12, Block-B, Muhammad Ali Johar Town Scheme, Lahore	Nawazish Ali Awan 3410124215627	Muhammad Jamil	24,250	3,888	752	28,890	-	3,888	752	4,640
13	Wishno Mal & Mrs Teena Flat # 201, Measuring 2150 Sq.Fts, 2nd Floor, Plot No. 10, Sheet No. FT-1, Feroz Town Quarters, Karachi.	Wishno Mal & Mrs Teena 4540287287175	Jaiso Mal	19,619	1,044	127	20,790	-	1,042	127	1,169
14	Muhammad Mikaeel Sequeira House # 829, Street # 13, Sector G-11/1, Near Abu Bakr Market, Islamabad.	Muhammad Mikaeel Sequeira 6110195994803	Victor Paul Sequeira	17,771	2,425	398	20,594	-	2,404	398	2,802
15	Fawad Anwar Lodhi & Nanjis Flat # 906, 9th Floor, Euro Regent Park, Plot # D-1, Block-F, KDA Scheme # 2, North Nazimabad, Near Saftee Hospital, Karachi.	Fawad Anwar Lodhi & Nanjis 4210118541427	Anullah Khan Lodhi	3,500	583	187	4,270	-	458	187	645
16	Khalid Salar Butt &/or Waleed Salar House # 19, Street # 11, Eden Palace Villas, Rawand Road, Lahore.	Khalid Salar Butt &/or Waleed Salar 3460114882199	Muhammad Bashir	7,702	1,099	322	9,123	-	949	322	1,271
17	Samina Fatima House # 38/II, 11th Commercial Street, Phase - IV, DHA, Karachi.	Samina Fatima 4220190011382	Syed Hyder Inaam	28,988	2,604	279	31,871	-	1,882	279	2,161
			TOTAL:	230,024	59,881	4,973	294,878	-	58,382	4,973	63,355

* 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 areas follows:

Asset description	Asset Cost	Accumulated depreciation	WDV	Rupees in '000		Gain/(loss) on disposal	Mode of disposal	Particulars of Buyer
				Sale proceeds	Disposal			
Office Equipment	1,285	1,285	-	106	106		Tender	Adnan Traders
Office Equipment	1,285	1,285	-	106	106		Tender	Adnan Traders
Vehicles	3,599	3,062	536	3,064	2,527		Tender	Imran Ibrahim
Building	19,618	1,227	18,391	19,000	609		Tender	Ms. Rukeya
Building	33,700	1,869	31,831	200,000	1,769		Tender	Altaf Hussain Agha
Land	166,400	-	166,400	15,120	-		Tender	Altaf Hussain Agha
Land	15,120	-	15,120	15,120	-		Tender	Saud Rasheed
Computer Hardware	835	327	508	379	(129)		Tender	UBL Insurance
Total	241,842	9,055	232,786	237,775	4,988			



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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 2020, 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 2020, 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.



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Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. 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>COVID-19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Bank to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Bank's accounting policy (refer note 7.4.13 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>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 12.15 and 12.16 to the financial statements.</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; - 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; and - We also assessed adequacy of disclosures as included in note 12 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.



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2. Recoverability of deferred tax assets	
<p>As disclosed in note 15 to the financial statements, as at 31 December 2020, Rs. 5,699.800 million was recorded on the Statement of financial position with respect to deferred tax assets, of which Rs. 2,748.819 million represents carryforward accumulated tax losses.</p> <p>The carryforward 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>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> - We obtained an understanding of the process and controls on this area relevant to our audit; - We evaluated the appropriateness of the components on which the Bank has recognized deferred tax asset in light of the requirements of the Income Tax Ordinance, 2001, considering factors including age and expiry of the deferred tax asset and tax rates enacted. For this purpose, we involved our internal tax specialist to assist us. - We evaluated the Bank's assumptions and estimates in relation to the likelihood of generating future taxable income, principally by performing sensitivity analysis and testing the key assumptions used by the management. <p>We have also assessed the adequacy of the Bank's disclosures in accordance with relevant laws as applicable in Pakistan</p>
3. Impairment testing of goodwill	
<p>As at 31 December 2020, intangible assets include goodwill amounting to Rs. 2,991.308 million acquired as a result of scheme of amalgamation as disclosed in note 14.2 to the financial statements.</p> <p>Goodwill is required to be annually assessed for impairment under IAS 36 "Impairment of Assets". Accordingly, the 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 14.2, 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 review and evaluate management's key assumptions used in 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 in accordance with the appropriate financial reporting standards.</p>



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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.



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- 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 Chughtai.


Chartered Accountants

Place: Karachi




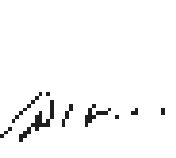

Date: March 4, 2021

Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2020

	Note	2020	2019
		----- Rupees in '000 -----	
ASSETS			
Cash and balances with treasury banks	8	22,034,025	14,640,163
Balances with other banks	9	12,310,472	1,880,592
Due from financial institutions	10	41,640,012	42,911,620
Investments	11	95,622,282	55,806,907
Islamic financing, related assets and advances	12	129,971,889	131,619,725
Fixed assets	13	11,721,873	12,717,885
Intangible assets	14	3,155,509	3,148,805
Deferred tax assets	15	5,699,800	5,566,768
Other assets	16	13,637,939	14,656,497
Assets classified as held for sale	17	2,146,789	1,515,051
Total Assets		337,940,590	284,464,013
LIABILITIES			
Bills payable	18	4,949,486	3,645,324
Due to financial institutions	19	16,127,616	15,103,607
Deposits and other accounts	20	281,311,349	228,556,897
Subordinated Sukuk	21	2,000,000	1,700,000
Other liabilities	22	11,343,041	14,014,986
Liabilities directly associated with assets held for sale	17	1,696,016	989,683
		317,427,508	264,010,497
NET ASSETS		20,513,082	20,453,516
REPRESENTED BY			
Share capital - net	23	11,007,991	11,007,991
Reserves	24	1,526,894	1,187,624
Surplus on revaluation of assets - net of tax	25	3,026,358	4,626,773
Unappropriated profit		4,734,999	3,436,341
		20,296,242	20,258,729
Non-controlling interest		216,840	194,787
		20,513,082	20,453,516
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.




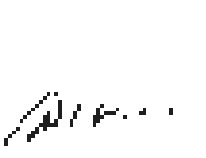

				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Consolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
----- Rupees in '000 -----			
Profit / return earned	27	25,721,150	23,624,544
Profit / return expensed	28	13,229,599	12,832,859
Net Profit / return		<u>12,491,551</u>	<u>10,791,685</u>
OTHER INCOME			
Fee and commission income	29	900,127	617,932
Dividend income		17,391	10,947
Foreign exchange income		364,705	183,612
Gain / (loss) on securities	30	242,433	660,253
Other income	31	110,024	159,178
Total other income		<u>1,634,680</u>	<u>1,631,922</u>
Total Income		<u>14,126,231</u>	<u>12,423,607</u>
OTHER EXPENSES			
Operating expenses	32	8,578,042	7,720,891
Workers welfare fund		55,321	35,904
Other charges	33	130,504	36,511
Total other expenses		<u>8,763,867</u>	<u>7,793,306</u>
Profit before provisions		<u>5,362,364</u>	<u>4,630,301</u>
Provisions and write offs - net	34	2,601,023	2,773,316
Extra ordinary / unusual items		-	-
Share of (loss) / profit from associate - net of tax		(229,789)	11,525
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		<u>2,531,552</u>	<u>1,868,510</u>
Taxation	35	1,056,312	744,000
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		<u>1,475,240</u>	<u>1,124,510</u>
DISCONTINUING OPERATIONS			
Profit / (loss) after taxation from Discontinuing Operations	17.1	92,322	(20,705)
PROFIT AFTER TAXATION		<u>1,567,562</u>	<u>1,103,805</u>
ATTRIBUTABLE TO:			
Equity shareholders of the Bank		1,546,367	1,107,791
Non-controlling interest		21,195	(3,986)
		<u>1,567,562</u>	<u>1,103,805</u>
----- Rupees -----			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank			
Basic and diluted	36	<u>1.3306</u>	<u>1.0963</u>
Earnings per share for profit attributable to the ordinary equity holders of the Bank			
Basic and diluted	36	<u>1.3948</u>	<u>1.0800</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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	----- Rupees in '000 -----	
Profit / (loss) after taxation for the year attributable to:		
Equity shareholders of the Bank	1,546,367	1,107,791
Non-controlling interest	21,195	(3,986)
	<u>1,567,562</u>	<u>1,103,805</u>
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 attributable to:		
Equity shareholders of the Bank	(1,595,284)	2,954,307
Non-controlling interest	858	4,159
	<u>(1,594,426)</u>	<u>2,958,466</u>
Items that may not be reclassified to profit and loss account in subsequent periods		
Re-measurement gain on defined benefit obligations - net of tax	3,280	51,180
Movement in surplus on revaluation of fixed assets - net of tax	58,376	-
Movement in surplus on revaluation of non-banking assets - net of tax	24,774	56,341
	<u>86,430</u>	<u>107,521</u>
Total comprehensive income	<u>59,566</u>	<u>4,169,792</u>
Total comprehensive income attributable to:		
Equity shareholders of the Bank	37,513	4,169,619
Non-controlling interest	22,053	173
	<u>59,566</u>	<u>4,169,792</u>
Total comprehensive income attributable to equity shareholders of the Bank:		
Continuing operations	34,620	4,155,601
Discontinued operations	2,893	14,018
	<u>37,513</u>	<u>4,169,619</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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2020

	Share capital	Discount on Issue of shares	Statutory reserve	Revenue reserve for bad debts & contingencies	Surplus on revaluation of Investments	Fixed / Non Banking Assets	Unappropriated profit	Sub total	Non-controlling interest	Total
Kupees in '000										
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 for the year	-	-	-	-	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 on sale 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	-	-	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
Profit after taxation for the year	-	-	-	-	-	-	1,546,367	1,546,367	21,195	1,567,562
Other comprehensive income for the year	-	-	-	-	(1,595,284)	83,150	3,280	(1,508,854)	858	(1,507,996)
Total comprehensive income for the year	-	-	-	-	(1,595,284)	83,150	1,549,647	37,513	22,053	59,566
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(2,760)	2,760	-	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	(1,863)	1,863	-	-	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(83,658)	83,658	-	-	-
Transfer to statutory reserve	-	-	339,270	-	-	-	(339,270)	-	-	-
Balance as at December 31, 2020	11,087,033	(79,042)	1,276,894	250,000	1,393,859	1,632,499	4,734,999	20,296,242	216,840	20,513,082

The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



CHAIRMAN



DIRECTOR








DIRECTOR

Condensed Interim Consolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Note	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation from Continuing Operations	2,531,552	1,868,510
Profit / (loss) before taxation from Discontinuing Operations	136,335	(23,672)
Less: Dividend Income	(17,391)	(10,947)
Less: Share of loss / (profit) from associate	229,789	(11,525)
	<u>2,880,285</u>	<u>1,822,366</u>
Adjustments for non-cash charges and other items:		
Depreciation on fixed assets	13.2 719,431	710,086
Depreciation on non banking assets	16.1.1 8,715	8,994
Depreciation on right-of-use assets	13.2 809,412	786,150
Amortization	14 65,095	72,360
Depreciation on operating Ijarah assets	12.13 1,112,358	945,762
Finance cost on Ijarah (lease) liabilities	28 389,614	443,605
Provisions and write offs - net	34 2,601,023	2,773,316
Charge for defined benefit plan	32.1 126,159	110,919
Gain on sale of property and equipment	31 (3,613)	(69,124)
Gain on sale of non-banking assets	-	(61,000)
	<u>5,828,194</u>	<u>5,721,068</u>
	<u>8,708,479</u>	<u>7,543,434</u>
(Increase) / decrease in operating assets		
Due from financial institutions	1,271,608	(24,738,116)
Held-for-trading securities	-	144,537
Islamic financing and related assets and advances	(1,694,747)	(16,302,815)
Others assets	(28,610)	(5,298,142)
	<u>(451,749)</u>	<u>(46,194,536)</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,304,162	403,144
Due to financial institutions	1,024,009	7,284,075
Deposits and other accounts	52,754,452	44,127,376
Other liabilities (excluding current taxation)	(2,410,942)	4,133,011
	<u>52,671,681</u>	<u>55,947,606</u>
	<u>60,928,411</u>	<u>17,296,504</u>
Contributions to defined benefit plan	40.7 (100,000)	(81,882)
Income tax paid	(514,336)	(386,100)
Net cash generated from Continuing Operations	<u>60,314,075</u>	<u>16,828,522</u>
Net cash generated / (used) in Discontinuing Operations	<u>74,595</u>	<u>(525,368)</u>
Net cash generated from operating activities	<u>60,388,670</u>	<u>16,303,154</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(41,624,000)	(13,755,165)
Dividend received	17,391	10,947
Payment of ijarah (lease) liability against right-of-use assets	(966,696)	(926,714)
Investments in fixed assets	(475,369)	(3,322,007)
Investments in intangible assets	(71,799)	(47,473)
Proceeds from disposal of fixed assets	255,546	92,796
Net cash used in investing activities	<u>(42,864,928)</u>	<u>(17,947,616)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital (right shares)	-	1,007,912
Proceeds from issuance of subordinated sukuk	300,000	1,700,000
Net cash generated from financing activities	<u>300,000</u>	<u>2,707,912</u>
Increase in cash and cash equivalents	<u>17,823,742</u>	<u>1,063,450</u>
Cash and cash equivalents at the beginning of the year	16,520,755	15,457,305
Cash and cash equivalents at the end of the year	<u>34,344,497</u>	<u>16,520,755</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

FOR THE YEAR ENDED DECEMBER 31, 2020

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 343 branches including 81 sub branches as at December 31, 2020 (2019: 334 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 (PSX).

Based on financial statements of the Holding Company for the year ended December 31, 2020, The Pakistan Credit Rating Agency (Private) Limited (PACRA) has maintained the Holding Company's long-term rating at 'A+' and the short-term rating at 'A1' with a stable outlook.

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.

In the year 2019, the Holding Company decided to sell its investment in BankIslami Modaraba Investments Limited (refer note 17). During the year, the Holding Company has identified a buyer and signed a Share Purchase Agreement with respect to sale of its investment in BankIslami Modaraba Investments Limited. The buyer has made an advance payment of 25% of the sale consideration. Subsequent to the year end, the members of the Holding Company, in an Extraordinary General Meeting (EOGM), passed a resolution to approve the sale of BankIslami Modaraba Investments Limited.

The financial statements of the subsidiary company have been consolidated on the basis of financial information for the half year ended December 31, 2020.

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 Holding Company has control over Modaraba Al-Mali by virtue of management rights. The management of the Holding Company is of the view that consolidated financial statements are required to be prepared only for subsidiaries as defined in the Companies Act, 2017. 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 Act, 2017. Hence, the financial statements of Modaraba Al-Mali are not required to be consolidated in the Holding Company's 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 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 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 had decided to sell its investment in BIPL Securities Limited (refer Note 17).

The financial statements of the subsidiary company have been consolidated on the basis of financial information for the year ended December 31, 2020.

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 - (Indirect 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 (2020: 22.88%, 2019: 22.88%). The following table summarizes key information relevant to the BIPL Securities Limited.

	2020	2019
	-----Rupees in '000-----	
Operating fixed assets	47,438	56,588
Investments	296,017	361,377
Advances, deposits, prepayments and other receivables	1,258,770	1,045,517
Deferred tax asset - net	51,253	70,159
Taxation - net	118,028	123,494
Cash and Bank balances	909,207	238,825
Total Assets	2,680,713	1,895,960
Long-term loan	154,233	159,889
Short term financing-secured	47,810	6,485
Trade and other payables	1,696,472	976,191
Total Liabilities	1,898,515	1,142,565
Net Assets	782,198	753,395
Accumulated non-controlling interests of the subsidiary	178,967	172,377
Profit / (loss) after tax of the subsidiary company	94,000	(11,942)
Intra-group eliminations	1,197	4,801
	95,197	(7,141)
Profit / (loss) allocated to non-controlling interest	21,781	(1,634)

2 BASIS OF PREPARATION

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 7.4 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 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 Holding Company commences until the date that control ceases. The financial statements of the subsidiary companies, other than those classified as 'Held for Sale' (refer note 17), 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 Holding Company has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Holding Company has joint control established by contractual agreement. Associates and joint ventures are accounted for using the equity method.

- 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 consolidated 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 to the extent of Banking segment of the Holding Company. 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 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 SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. 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 carry forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The Holding Company awaits further instructions and issuance of guidelines from SBP for applicability of IFRS 9 on the Banking segment of the Holding Company.

- 3.4 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in these financial statements.

4 CHANGES IN REPORTING STANDARDS AND INTERPRETATIONS

4.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period

There are certain interpretations and amendments that are mandatory for the Holding Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Holding Company's operations and therefore not detailed in these financial statements.

4.1.1 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2021:

Standard, Interpretation or Amendment	Note	Effective date (annual periods beginning on or after)
IFRS 9 'Financial Instruments'	3.3	January 01, 2021
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16		January 01, 2021
Classification of Liabilities as Current or Non-current - Amendments to IAS 1		January 01, 2023
Reference to the Conceptual Framework – Amendments to IFRS 3		January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16		January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37		January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter		January 01, 2022
Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 per cent' test for de-recognition of financial liabilities		January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements		January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28		Not yet finalized

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 International Financial Reporting Standards	July 01, 2009
IFRS 17 – Insurance Contracts	January 01, 2023

5 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 7.3 and 11).
- (b) Provision for non-performing Islamic financing and related assets and Advances (notes 7.4.13 and 12.16).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets and advances (note 12.16.5).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 7.3.5 and 11.6).
- (e) Determination of lease term and incremental borrowing rate for lease contract of various properties used by Holding Company's branches (note 7.5.3, 13 & 22).
- (f) Staff retirement benefits (notes 7.10 and 40).
- (g) Revaluation and depreciation / amortization of fixed assets and intangible assets (notes 7.5, 13.2 and 14).
- (h) Valuation of non-banking assets acquired in satisfaction of claims (note 7.7 and 16.1)
- (i) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 7.6, 15 and 35).
- (j) Estimation of other provisions and contingent liabilities (note 26 and 34).

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.

6 BASIS OF MEASUREMENT

6.1 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 7.10 and 40 to the financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

6.2 Functional and Presentation Currency

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

6.3 Rounding off

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

7 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.

7.1 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.

7.2 Due to / from financial and other institutions

7.2.1 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.

7.3 Investments

7.3.1 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.

7.3.2 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.

7.3.3 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.

7.3.4 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.

7.3.5 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.

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

7.4 Islamic financing and related assets

7.4.1 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.

7.4.2 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.

7.4.3 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.

7.4.4 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.

7.4.5 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).

7.4.6 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.

7.4.7 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.

7.4.8 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.

7.4.9 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.

7.4.10 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).

7.4.11 Running Musharakah

In Running Musharakah financing, the Holding Company enters into financing with the customer based on Shirkat-ul-Aqd (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.

7.4.12 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.

7.4.13 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.

7.5 Fixed assets

7.5.1 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.

7.5.2 Capital work in progress

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

7.5.3 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.

7.5.4 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.

7.5.5 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.

7.6 Taxation

7.6.1 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.

7.6.2 Deferred tax

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.

7.7 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.

7.8 Non current 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.

7.9 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.

7.10 Staff retirement benefits

7.10.1 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, 2020.

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.

7.10.2 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.

7.11 Revenue recognition

7.11.1 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.

7.11.2 Profit from Istisna, Salam and Muswammah (Karoobar 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.

7.11.3 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.

- 7.11.4 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.
- 7.11.5 Profit on Wakalah-tul-Istismar financings is booked on an accrual basis and is adjusted upon declaration of profit by the Wakeel.
- 7.11.6 Profit on Running Musharakah financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- 7.11.7 Profit on classified financing is recognized on a receipt basis.
- 7.11.8 Dividend income is recognized when the right to receive the dividend is established.
- 7.11.9 Gains and losses on sale of investments are recognized in the profit and loss account.
- 7.11.10 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 Holding 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 Holding Company expects to be entitled in exchange for providing the services. The Holding Company recognises fees earned on transaction-based arrangements at a point in time when the Holding 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.
- 7.11.11 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.
- 7.11.12 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 of the Banking segment of the Holding Company in accordance with the recommendation of the Shariah Board of the Holding Company.

7.12 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.

7.13 Financial Instruments

7.13.1 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.

7.13.2 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.

7.13.3 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.

7.14 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.

7.15 Fiduciary assets

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

7.16 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.

7.17 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. The directly related costs comprise of depreciation on ijarah assets, takaful premium. 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 the 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.

Specific Musharakah Pool

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.

Other Specific Musharakah Pool

The other specific musharakah pool assets comprise of consumer housing finance portfolio and the related liability of the pool comprises of musharakah acceptance from a financial institution. This pool is created to fund the housing finance portfolio.

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.

7.18 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.

7.19 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.

7.20 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.

7.20.1 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.

7.20.2 Geographical segment

The Holding Company operates only in Pakistan.

7.21 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	2020	2019
----- Rupees in '000 -----			
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
- local currency		6,153,879	4,578,845
- foreign currency		601,823	449,739
		6,755,702	5,028,584
With the State Bank of Pakistan in:			
- local currency current account	8.1	11,281,084	6,032,362
- foreign currency deposit accounts:			
- Cash Reserve Account	8.2	431,873	369,621
- Special Cash Reserve Account	8.3	522,019	446,116
- US Dollar Clearing Account		21,184	14,450
		975,076	830,187
With National Bank of Pakistan in:			
- local currency current account		2,955,558	2,744,790
National Prize Bonds	8.4	66,605	4,240
		22,034,025	14,640,163

- 8.1** This represents the amount held against Cash Reserve Requirement and Statutory Liquidity Requirement. Balance held under this account is non-remunerative.
- 8.2** 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.
- 8.3** Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. Balance held under this account is non-remunerative.
- 8.4** 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 Holding Company from the Government of Pakistan occurring as a result of Islamic concept of Hawala (assignment of debt) arrangement.

	Note	2020	2019
----- Rupees in '000 -----			
9 BALANCES WITH OTHER BANKS			
In Pakistan:			
- in current accounts		2,356	2,861
- in deposit accounts	9.1	2,577	3,444
		4,933	6,305
Outside Pakistan:			
- in current accounts		8,992,757	1,874,287
- in deposit accounts	9.2	3,312,782	-
		12,310,472	1,880,592

- 9.1 These represent deposits with various Islamic banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements range between 2% to 5.90% (2019: 7.01%) per annum.
- 9.2 These represent deposit placement outside Pakistan with a Islamic banking division of a foreign bank under Wakala arrangements. The expected profit rate on these arrangements is 0.08% per annum.

10 DUE FROM FINANCIAL INSTITUTIONS

Note	2020			2019			
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total	
----- Rupees in '000 -----							
Secured							
Bai Muajjal Receivable							
-from Other Financial Institutions	10.1	16,888,683	-	16,888,683	20,821,525	-	20,821,525
Unsecured							
Wakalah Placement	10.2	-	3,073,290	3,073,290	-	1,316,205	1,316,205
Musharaka Placements	10.3	12,000,000	-	12,000,000	-	-	-
Bai Muajjal Receivable							
-from State Bank of Pakistan	10.4	-	-	-	6,172,475	-	6,172,475
-from Banks	10.4	4,818,345	-	4,818,345	5,942,762	-	5,942,762
-from other financial Institutions	10.1	4,859,694	-	4,859,694	8,658,653	-	8,658,653
Other placements		27,540	-	27,540	30,780	-	30,780
		<u>38,594,262</u>	<u>3,073,290</u>	<u>41,667,552</u>	<u>41,626,195</u>	<u>1,316,205</u>	<u>42,942,400</u>
Provision against placements	10.5	(27,540)	-	(27,540)	(30,780)	-	(30,780)
		<u>38,566,722</u>	<u>3,073,290</u>	<u>41,640,012</u>	<u>41,595,415</u>	<u>1,316,205</u>	<u>42,911,620</u>

- 10.1 The average return on this product ranges between 6.42% to 10.80% (2019: 12.95% to 17.07%) per annum. The balances have maturities ranging between 5 days to 46 days (2019:10 days to 266 days). These Bai Muajjal are secured against Federal Government securities received as collateral and having market value of Rs. 17.309 million as at December 31 2020 (2019:Rs. 22.739 million).
- 10.2 This represents foreign currency placements and the profit rates on these agreements range between 0.10% to 1.25% (2019: 1.70% to 3.40%) per annum. The agreements have maturities ranging from 6 to 180 days (2019: 27 to 106 days).
- 10.3 The profit rate on these agreements range between 7.00% to 7.20% (2019: Nil) per annum and the agreements have maturity ranging from 14 to 60 days(2019: Nil).
- 10.4 The profit rate on Bai Muajjal from banks is 7.06% (2019: 13.60% to 13.75%) per annum and the agreements have maturities ranging from 47 to 48 days (2019: 6 to 94 days).

10.5 Category of classification

	2020		2019	
	Classified Placements	Provision held	Classified Placements	Provision held
----- Rupees in '000 -----				
Loss	27,540	27,540	30,780	30,780

- 10.5.1 The Holding Company does not hold overseas classified placements.

11 INVESTMENTS

	Note	2020	2019
		----- Rupees in '000 -----	
Investments - Islamic	11.1	95,044,607	55,229,232
Investments - Conventional (relating to amalgamated entity)	11.2	577,675	577,675
		<u>95,622,282</u>	<u>55,806,907</u>

11.1 Islamic Investments by type

	Note	2020				2019			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----									
Available for sale securities									
Federal Government Securities		54,812,890	-	(9,222)	54,803,668	10,305,836	-	-	10,305,836
Non Government Shariah compliant Securities		36,852,598	(35,880)	2,078,535	38,895,253	38,875,056	(35,880)	4,565,437	43,404,613
Mutual fund units		-	-	-	-	21	-	42	63
Shares / Modaraba certificates		332,869	(79,244)	81,472	335,097	332,863	(87,094)	32,573	278,342
		<u>91,998,357</u>	<u>(115,124)</u>	<u>2,150,785</u>	<u>94,034,018</u>	<u>49,513,776</u>	<u>(122,974)</u>	<u>4,598,052</u>	<u>53,988,854</u>
Associates	11.9.1	1,010,589	-	-	1,010,589	1,240,378	-	-	1,240,378
Total Islamic investments		<u>93,008,946</u>	<u>(115,124)</u>	<u>2,150,785</u>	<u>95,044,607</u>	<u>50,754,154</u>	<u>(122,974)</u>	<u>4,598,052</u>	<u>55,229,232</u>

11.2 Conventional Investments by type*

Available for sale securities									
Non Government Debt Securities		263,710	(263,710)	-	-	268,210	(268,210)	-	-
Shares		1,189,030	(611,355)	-	577,675	1,189,030	(611,355)	-	577,675
		<u>1,452,740</u>	<u>(875,065)</u>	<u>-</u>	<u>577,675</u>	<u>1,457,240</u>	<u>(879,565)</u>	<u>-</u>	<u>577,675</u>
Held to maturity securities									
Non Government Debt Securities		321,601	(321,601)	-	-	321,601	(321,601)	-	-
Associates	11.9.1	1,032,746	(1,032,746)	-	-	1,032,746	(1,032,746)	-	-
Total conventional investments		<u>2,807,087</u>	<u>(2,229,412)</u>	<u>-</u>	<u>577,675</u>	<u>2,811,587</u>	<u>(2,233,912)</u>	<u>-</u>	<u>577,675</u>

11.3 Islamic Investments by segments

		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----									
Federal Government Securities									
GOP Ijarah Sukuks		44,507,054	-	(9,222)	44,497,832	-	-	-	-
Bai Muajjal		10,305,836	-	-	10,305,836	10,305,836	-	-	10,305,836
		<u>54,812,890</u>	<u>-</u>	<u>(9,222)</u>	<u>54,803,668</u>	<u>10,305,836</u>	<u>-</u>	<u>-</u>	<u>10,305,836</u>
Non Government Shariah compliant Securities									
Pakistan Energy Sukuk-I	11.3.1	27,503,500	-	1,925,245	29,428,745	30,535,000	-	4,564,983	35,099,983
Pakistan Energy Sukuk-II	11.3.2	2,000,000	-	12,000	2,012,000	-	-	-	-
Other sukuk certificates-unlisted		7,349,098	(35,880)	141,290	7,454,508	8,340,056	(35,880)	454	8,304,630
		<u>36,852,598</u>	<u>(35,880)</u>	<u>2,078,535</u>	<u>38,895,253</u>	<u>38,875,056</u>	<u>(35,880)</u>	<u>4,565,437</u>	<u>43,404,613</u>
Mutual fund units									
Units of open-end mutual funds		-	-	-	-	21	-	42	63
Shares									
Ordinary shares of listed companies		332,869	(79,244)	81,472	335,097	332,863	(87,094)	32,573	278,342
Associates - Unlisted									
Shakarganj Food Products Limited	11.9.1	1,010,589	-	-	1,010,589	1,240,378	-	-	1,240,378
		<u>93,008,946</u>	<u>(115,124)</u>	<u>2,150,785</u>	<u>95,044,607</u>	<u>50,754,154</u>	<u>(122,974)</u>	<u>4,598,052</u>	<u>55,229,232</u>

* These assets are related to amalgamated entity. These investments are either fully provided or in the process of conversion / liquidation / disposal.

11.3.1 These represents Holding Company's investment 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 carrying profit rate at 6 months KIBOR + 80bps.

11.3.2 These represents Holding Company's investment in Pakistan Energy Sukuk-II 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 carrying profit rate at 6 months KIBOR -10bps.

11.4 Conventional Investments by segments*

Note	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
Non Government Debt Securities								
Listed	85,888	(85,888)	-	-	90,388	(90,388)	-	-
Unlisted	499,423	(499,423)	-	-	499,423	(499,423)	-	-
	585,311	(585,311)	-	-	589,811	(589,811)	-	-
Shares								
Unlisted Companies	11.7.4.2	33,680	(33,680)	-	33,680	(33,680)	-	-
Foreign Securities								
Equity Securities	11.7.5	1,155,350	(577,675)	-	577,675	1,155,350	(577,675)	-
Associates - Unlisted								
KASB Capital Limited	11.9.1	41,867	(41,867)	-	-	41,867	(41,867)	-
KASB Funds Limited	11.9.1	432,302	(432,302)	-	-	432,302	(432,302)	-
New Horizon Exploration & Production Limited	11.9.1	558,577	(558,577)	-	-	558,577	(558,577)	-
		1,032,746	(1,032,746)	-	-	1,032,746	(1,032,746)	-
		2,807,087	(2,229,412)	-	577,675	2,811,587	(2,233,912)	-
								577,675

* These assets are related to amalgamated entity. These investments are either fully provided or in the process of conversion / liquidation / disposal.

11.5	Investments given as collateral	Note	2020		2019	
			----- Rupees in '000 -----			
	Federal Government Securities		5,000,000		5,000,000	
11.6	Provision for diminution in value of investments					
11.6.1	Opening balance		2,356,886		2,440,469	
	Charge / (reversals)					
	Charge for the year		-		12,850	
	Reversals for the year		(12,350)		(46,657)	
	Provision for diminution in value of investments - net		(12,350)		(33,807)	
	Transfer to non-current assets held for sale		-		(49,776)	
	Closing Balance	11.6.1.1	2,344,536		2,356,886	

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

Investments - Islamic	115,124	122,974
Investments - Conventional	2,229,412	2,233,912
	2,344,536	2,356,886

11.6.2 Particulars of provision against debt securities

Category of classification	2020		2019	
	Non-performing investments	Specific Provision	Non-performing investments	Specific Provision
----- Rupees in '000 -----				
Domestic				
Loss	897,442	621,191	901,942	625,691
Total	897,442	621,191	901,942	625,691

11.6.2.1 The Holding Company does not hold overseas classified debt securities.

11.7	Quality of Available for Sale Securities	2020	2019
		Cost ----- Rupees in '000 -----	

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

11.7.1 Federal Government Securities - Government guaranteed

GOP Ijarah Sukuks	44,507,054	-
Bai Muajjal	10,305,836	10,305,836
	54,812,890	10,305,836

11.7.2 Non Government Debt Securities*

Listed

Unrated	29,503,500	30,535,000
---------	------------	------------

Unlisted

AAA	6,097,536	7,184,941
AA+	442,000	-
AA	100,000	100,000
AA-	150,000	50,000
A+	27,431	424,535
A-	220,000	220,000
Unrated	575,841	628,789
	7,612,808	8,608,265

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

11.7.3 Mutual Funds

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

11.7.4 Shares (Equity Securities)

11.7.4.1 Listed Companies

- Meezan Bank Limited (Islamic Bank)	190,997	190,990
- KASB Modaraba	91,675	91,675
- Agritech Limited	50,197	50,198
	332,869	332,863

11.7.4.2 Unlisted Companies

Note	As at	2020		2019	
		Cost	Breakup value	Cost	Breakup value
		----- Rupees in '000 -----			
		-	-	-	-
	June 30, 2010	5,680	0.50	5,680	0.50
	June 30, 2020	28,000	(150.36)	28,000	5.53
11.4		33,680	(149.86)	33,680	6.03

	Note	2020	2019
		Cost	
		----- Rupees in '000 -----	
11.7.5 Foreign Securities			
Equity Securities			
Unlisted			
Evolve Capital Limited - Incorporated in British Virgin Islands	11.4	1,155,350	1,155,350
11.8 Particulars relating to Held to Maturity securities are as follows:			
<u>Non Government Debt Securities</u>			
Unlisted			
- Unrated		321,601	321,601
11.8.1 The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Nil (December 31, 2019: Nil).			
11.9 Reconciliation of investments in associates			

Particulars	2020				Total
	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited*	Shakarganj Food Products Limited	
	----- Rupees in '000 -----				
As at January 1, 2020	41,867	432,302	558,577	1,240,378	2,273,124
Recognised in the profit and loss account	-	-	-	(229,789)	(229,789)
As at December 31, 2020	41,867	432,302	558,577	1,010,589	2,043,335
Provision for diminution in the value of investment	(41,867)	(432,302)	(558,577)	-	(1,032,746)
As at December 31, 2020	-	-	-	1,010,589	1,010,589

Particulars	2019				Total
	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited*	Shakarganj Food Products Limited	
	----- Rupees in '000 -----				
As at January 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)	-	(1,032,746)
As at December 31, 2019	-	-	-	1,240,378	1,240,378

* Share of profit or loss has not been recognised, as this is fully provided in the books.

11.9.1 Summary of Associates

Details of investment in associates	As at	Holding %	Country of incorporation	2020		Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
				Assets	Liabilities			
Rupees in '000								
Unlisted Islamic								
Shakarganj Food Products Limited	September 30, 2020	36.38	Pakistan	10,607,110	7,563,554	15,383,420	(885,568)	(873,485)
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	43.89	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.

12 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES

	Note	2020	2019
----- Rupees in '000 -----			
Islamic financing and related assets - net	12.1	129,706,587	131,316,791
Advances (relating to amalgamated entity) - net	12.2	265,302	302,934
		129,971,889	131,619,725

Note	Performing		Non Performing		Total		
	2020	2019	2020	2019	2020	2019	
----- Rupees in '000 -----							
12.1 ISLAMIC FINANCING AND RELATED ASSETS							
In Pakistan							
- Running Musharakah	12.11	39,189,963	35,522,924	1,668,510	-	40,858,473	35,522,924
- Diminishing Musharakah financing and related assets - Others	12.3	28,745,891	26,457,083	1,491,171	1,241,965	30,237,062	27,699,048
- Diminishing Musharakah - Housing		13,446,210	14,286,913	1,631,646	1,446,812	15,077,856	15,733,725
- Diminishing Musharakah financing and related assets - Auto		14,336,290	11,037,846	223,763	102,992	14,560,053	11,140,838
- Istisna financing and related assets	12.5 & 12.10	11,397,127	13,625,060	1,022,049	858,108	12,419,176	14,483,168
- Musawamah financing and related assets / Karobar financing	12.4	8,380,530	11,176,623	3,024,150	2,806,150	11,404,680	13,982,773
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000	6,250,000
- Murabahah financing and related assets	12.6 & 12.9	3,496,899	6,634,565	440,795	664,272	3,937,694	7,298,837
- Ijarah financing under IFAS 2 and related assets	12.7	1,573,616	3,094,951	186,736	187,321	1,760,352	3,282,272
- Qardh e Hasana		946	2,081	541,060	552,330	542,006	554,411
- Musharakah financing		280,000	280,000	-	-	280,000	280,000
- Net investment in Ijarah financing in Pakistan	12.12	143,162	35,242	-	-	143,162	35,242
- Salam	12.8	109,900	100,000	-	337	109,900	100,337
- Murabahah against Bills		72,092	166,338	892	892	72,984	167,230
- Housing finance portfolio - others		33,897	33,786	-	-	33,897	33,786
- Past Due Acceptance		29,153	239,534	-	-	29,153	239,534
- Financing against Bills		23,236	59,173	-	-	23,236	59,173
Gross financing and related assets		127,508,912	129,002,119	10,230,772	7,861,179	137,739,684	136,863,298
Less: Provision against non-performing Islamic financing and related assets							
- Specific	12.16	-	-	(7,231,104)	(5,208,752)	(7,231,104)*	(5,208,752)
- General	12.16	(801,993)	(337,755)	-	-	(801,993)	(337,755)
		(801,993)	(337,755)	(7,231,104)	(5,208,752)	(8,033,097)	(5,546,507)
Islamic financing and related assets - net of provisions		126,706,919	128,664,364	2,999,668	2,652,427	129,706,587	131,316,791
12.2 ADVANCES							
Loans, cash credits, running finances, etc. - In Pakistan*		110,380	175,815	6,009,473	6,229,714	6,119,853	6,405,529
Net investment in finance lease - In Pakistan	12.12	-	-	582,185	582,185	582,185	582,185
Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan		-	-	706,325	714,646	706,325	714,646
Advances - gross		110,380	175,815	7,297,983	7,526,545	7,408,363	7,702,360
Provision against advances							
- Specific	12.16	-	-	(7,260,504)	(7,518,228)**	(7,260,504)*	(7,518,228)
- General	12.16	(55)	(57)	-	-	(55)	(57)
		(55)	(57)	(7,260,504)	(7,518,228)**	(7,260,559)	(7,518,285)
Advances - net of provision		110,325	175,758	37,479	8,317	147,804	184,075
Fair Value adjustment	12.17	-	-	117,498	118,859	117,498	118,859
Advances - net of provision and fair value adjustment		110,325	175,758	154,977	127,176	265,302	302,934

* This includes non-interest bearing performing financing facilities amounting to Rs. 106.507 million (2019: Rs. 121.991 million).

	Note	2020	2019
		----- Rupees in '000 -----	
12.3 Diminishing Musharakah financing and related assets - Others			
Diminishing Musharakah financing		29,990,621	27,666,337
Advance against Diminishing Musharakah financing		246,441	32,711
		<u>30,237,062</u>	<u>27,699,048</u>
12.4 Musawamah financing and related assets / Karobar financing			
Musawamah financing		8,036,816	10,543,334
Advance against Musawamah financing		205,000	1,619
Musawamah inventories		3,162,864	3,437,820
		<u>11,404,680</u>	<u>13,982,773</u>
12.5 Istisna financing and related assets			
Istisna financing		4,131,021	8,771,480
Advance against Istisna financing		8,254,755	5,711,688
Istisna inventories		33,400	-
		<u>12,419,176</u>	<u>14,483,168</u>
12.6 Murabahah financing and related assets			
Murabahah financing		2,292,974	5,364,666
Deferred murabahah income		71,613	185,009
Advances against Murabaha financing		252,008	252,766
Murabaha Inventories		1,321,099	1,496,396
		<u>3,937,694</u>	<u>7,298,837</u>
12.6.1 Murabaha receivable - gross	12.6.2	2,364,587	5,549,675
Less: Deferred murabaha income	12.6.4	(56,097)	(88,968)
Profit receivable		(15,516)	(96,041)
Murabaha financing		<u>2,292,974</u>	<u>5,364,666</u>
12.6.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		5,549,675	8,265,383
Sales during the year		13,004,482	16,935,256
Received during the year		(16,189,570)	(19,650,964)
Closing balance		<u>2,364,587</u>	<u>5,549,675</u>
12.6.3 Murabahah sale price (for transactions during the year)		13,004,482	16,935,256
Murabahah Purchase price (for transactions during the year)		(12,572,837)	(16,215,498)
		<u>431,645</u>	<u>719,758</u>

	Note	2020	2019
----- Rupees in '000 -----			
12.6.4	Deferred Murabahah income		
	Opening balance	88,968	123,982
	Arising during the year	431,645	719,758
	Recognized during the year	(464,516)	(754,772)
	Closing balance	<u>56,097</u>	<u>88,968</u>
12.7	Ijarah financing under IFAS 2 and related assets		
	Net book value of assets under IFAS 2	1,759,670	3,281,590
	Advance against Ijarah financing	682	682
		<u>1,760,352</u>	<u>3,282,272</u>
12.8	Salam		
	Salam financing	-	55,337
	Advance against Salam	109,900	45,000
		<u>109,900</u>	<u>100,337</u>
12.9	Murabahah financing and related assets includes financing amounting to Rs. 139.750 million (2019: Rs. 994 million) and advance amounting to Rs. 80 million (2019: Rs. 741 million) under Islamic Export Refinance Scheme.		
12.10	Istisna financing and related assets include financing amounting to Rs. 154.188 million (2019: Rs. 1,209.817 million) and advance amounting to Rs. 1,580 million (2019: Rs. 147 million) under Islamic Export Refinance Scheme.		
12.11	Running musharakah financing and related assets include financing amounting to Rs. 1,492 million (2019: Rs. 993.187 million) under Islamic Export Refinance Scheme.		
12.12	Break up of net investment in Ijarah financing and Finance lease		
		2020	2019
----- Rupees in '000-----			
	Islamic financing and related assets	143,162	35,242
	Advances	582,185	582,185
		<u>725,347</u>	<u>617,427</u>

12.12.1 Net investment in Ijarah financing in Pakistan and finance lease

	2020				2019			
	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	677,779	-	-	677,779	572,228	-	-	572,228
Residual value	91,814	-	-	91,814	89,445	-	-	89,445
Minimum Ijarah payments	769,593	-	-	769,593	661,673	-	-	661,673
Profit for future periods	(44,246)	-	-	(44,246)	(44,246)	-	-	(44,246)
Present value of minimum Ijarah payments	725,347	-	-	725,347	617,427	-	-	617,427

12.13 Ijarah Assets

	2020							
	Cost		Accumulated depreciation			Book value as at December 31, 2020	Rate of Depreciation %	
	As at January 01, 2020	Addition/ (deletions)	As at December 31, 2020	As at January 01, 2020	Charge / (deletions)			As at December 31, 2020
	----- Rupees in '000 -----							
Plant and Machinery	2,054,737	-	1,994,099	640,115	686,221	1,290,620	703,479	20-33.33
		(60,638)			(35,716)			
Vehicles	4,143,207	-	2,934,790	2,276,239	426,363	1,878,599	1,056,191	20-33.33
		(1,208,417)			(824,003)			
	6,197,944	-	4,928,889	2,916,354	1,112,584	3,169,219	1,759,670	
		(1,269,055)			(859,719)			

	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	2,054,737	1,148,409	260,266	640,115	1,414,622	20-33.33
		(845,390)			(768,560)			
Vehicles	6,219,976	10,322	4,143,207	3,050,968	685,496	2,276,239	1,866,968	20-33.33
		(2,087,091)			(1,460,225)			
	8,080,103	1,050,322	6,197,944	4,199,377	945,762	2,916,354	3,281,590	
		(2,932,481)			(2,228,785)			

12.13.1 Future Ijarah payments receivable

	2020				2019			
	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	1,474,156	168,432	-	1,642,588	1,859,213	517,180	-	2,376,393

	2020	2019
	----- Rupees in '000-----	
12.14 Particulars of Islamic financing and related assets and advances - gross		
In local currency	143,965,752	141,996,084
In foreign currency	1,182,295	2,569,574
	<u>145,148,047</u>	<u>144,565,658</u>

12.15 Islamic financing and related assets and advances include Rs. 17,528.755 million (2019: Rs. 15,387.724 million) which have been placed under non-performing status as detailed below:

Category of classification

	2020		2019	
	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	149,428	-	525,244	-
Substandard	485,371	34,915	695,454	76,698
Doubtful	1,947,553	536,216	1,904,229	821,090
Loss	14,946,403	13,920,477	12,262,797	11,829,192
Total	<u>17,528,755</u>	<u>14,491,608</u>	<u>15,387,724</u>	<u>12,726,980</u>

12.15.1 The Holding Company does not hold overseas classified non performing Islamic financing, related assets and advances.

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

	2020			2019		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	12,726,980	337,812	13,064,792	10,932,951	230,642	11,163,593
Charge for the period / year	2,181,260	464,236	2,645,496	2,798,104	107,170	2,905,274
Reversals for the period / year	(416,632)	-	(416,632)	(884,736)	-	(884,736)
	1,764,628	464,236	2,228,864	1,913,368	107,170	2,020,538
Amount written off	-	-	-	(119,339)	-	(119,339)
Closing balance	<u>14,491,608</u>	<u>802,048</u>	<u>15,293,656</u>	<u>12,726,980</u>	<u>337,812</u>	<u>13,064,792</u>
12.16.1 Islamic	7,231,104	801,993	8,033,097	5,208,752	337,755	5,546,507
Conventional	7,260,504	55	7,260,559	7,518,228	57	7,518,285
	<u>14,491,608</u>	<u>802,048</u>	<u>15,293,656</u>	<u>12,726,980</u>	<u>337,812</u>	<u>13,064,792</u>

	Note	2020	2019
		----- Rupees in '000 -----	
12.16.2 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account			
Gross reversals for the period / year		416,632	884,736
Charge for the period / year		(2,645,496)	(2,905,274)
		<u>(2,228,864)</u>	<u>(2,020,538)</u>
Fair value adjusted - net		(1,361)	(37,601)
Net (charged) / reversals taken to the profit and loss account	34	<u>(2,230,225)</u>	<u>(2,058,139)</u>

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

	2020			2019		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	14,491,608	802,048	15,293,656	12,726,980	337,812	13,064,792
In foreign currency	-	-	-	-	-	-
	<u>14,491,608</u>	<u>802,048</u>	<u>15,293,656</u>	<u>12,726,980</u>	<u>337,812</u>	<u>13,064,792</u>

12.16.4 The Holding Company maintains general reserve (provision) amounting to Rs. 352.048 million (2019: 337.812 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing. In addition, the Holding Company carries general provision of Rs. 450 million (December 31, 2019: Nil) as a matter of prudence based on management estimate.

12.16.5 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, 2020 amounts to Rs. 890.288 million (2019: Rs. 345.792 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 543.076 million (2019: Rs. 210.933 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

12.17 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.

	2020	2019
	----- (Rupees in '000) -----	
12.18 Particulars of write-offs		
Against provisions	-	119,339
Directly charged to the profit and loss account	-	-
	<u>-</u>	<u>119,339</u>
Write-offs Rs. 500,000 and above	-	119,339
Write-offs below Rs. 500,000	-	-
	<u>-</u>	<u>119,339</u>

12.18.1 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.

12.19 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	2020	2019
----- (Rupees in '000) -----			
Balance at the beginning of the year		2,888,625	2,603,451
Financing granted during the year		1,168,453	1,281,863
Payments received during the year		(962,003)	(996,689)
Balance at the end of the year	12.19.1	3,095,075	2,888,625

12.19.1 This includes Rs. 2.361 million (2019: Rs. 5.397 million) as Qardh e Hasana to employees under the Holding Company's Human Resource Policy.

12.20 Total gross financing and related assets includes financing amounting to Rs. 2,805.692 million, Rs. 31.895 million and Rs. 3.038 million, under "Islamic refinance scheme for payment of wages and salaries", "Islamic refinance scheme for combating COVID (IRFCC)" and "Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)", respectively.

	Note	2020	2019
----- (Rupees in '000) -----			
13 FIXED ASSETS			
Capital work-in-progress	13.1	179,270	382,346
Property and equipment	13.2	8,555,964	8,790,507
Right of use assets	13.2	2,986,639	3,545,032
		11,721,873	12,717,885

13.1 Capital work-in-progress

Advances to suppliers and contractors	138,670	341,746
Advance for acquiring properties:		
- Office premises	762,503	762,503
	901,173	1,104,249
Provision for impairment against advance for acquiring floor / office premises	(721,903)	(721,903)
	179,270	382,346

13.2 Property and Equipment

	2020						Total
	Freehold/ Lease hold land	Freehold/ Lease hold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	
----- Rupees in '000 -----							
At January 1, 2020							
Cost / Revalued amount	3,434,712	4,152,765	2,370,464	3,236,158	64,461	4,331,182	17,589,742
Accumulated depreciation	-	(373,059)	(1,532,290)	(2,538,618)	(24,086)	(786,150)	(5,254,203)
Net book value	3,434,712	3,779,706	838,174	697,540	40,375	3,545,032	12,335,539
Year ended December 2020							
Opening net book value	3,434,712	3,779,706	838,174	697,540	40,375	3,545,032	12,335,539
Additions	-	-	328,759	398,801	11,287	251,019	989,866
Disposals	(181,520)	(53,318)	(213,108)	(13,255)	(5,239)	-	(466,440)
Write-Offs	-	-	(55,627)	-	-	-	(55,627)
	(181,520)	(53,318)	(268,735)	(13,255)	(5,239)	-	(522,067)
Movement in surplus on assets revalued during the year							
Movement in surplus on assets revalued during the year	57,620	2,520	-	-	-	-	60,140
	57,620	2,520	-	-	-	-	60,140
Depreciation charge							
Depreciation charge	-	(151,402)	(255,183)	(299,872)	(12,972)	(809,412)	(1,528,843)
Reversal of Depreciation on disposal	-	3,033	187,895	12,303	4,737	-	207,968
	-	(148,369)	(67,288)	(287,569)	(8,235)	(809,412)	(1,320,875)
Closing net book value	3,310,812	3,580,539	830,910	795,517	38,188	2,986,639	11,542,603
At December 31, 2020							
Cost / Revalued amount	3,310,812	4,101,967	2,430,488	3,621,704	70,509	4,582,201	18,117,681
Accumulated depreciation	-	(521,428)	(1,599,578)	(2,826,187)	(32,321)	(1,595,562)	(6,575,078)
Net book value	3,310,812	3,580,539	830,910	795,517	38,188	2,986,639	11,542,603
Depreciation rate / *years	-	2	10	15-25	20	*1-5	

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	14,207,203
Accumulated depreciation	-	(254,640)	(1,323,549)	(2,318,211)	(20,569)	-	(3,916,969)
Net book value	1,539,209	3,437,969	914,201	661,988	42,657	3,694,210	10,290,234
Year ended December 2019							
Opening net book value	1,539,209	3,437,969	914,201	661,988	42,657	3,694,210	10,290,234
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)
Transfer to Assets classified as held for sale							
Cost / Revalued amount	-	(46,095)	(25,436)	(105,296)	(4,292)	-	(181,119)
Accumulated depreciation	-	29,751	22,191	85,960	2,916	-	140,818
	-	(16,344)	(3,245)	(19,336)	(1,376)	-	(40,301)
Depreciation charge							
Depreciation charge	-	(148,305)	(238,781)	(310,156)	(12,844)	(786,150)	(1,496,236)
Reversal of Depreciation on revaluation	-	-	-	-	-	-	-
Reversal of Depreciation on disposal	-	135	7,849	3,789	6,411	-	18,184
	-	(148,170)	(230,932)	(306,367)	(6,433)	(786,150)	(1,478,052)
Closing net book value	3,434,712	3,779,706	838,174	697,540	40,375	3,545,032	12,335,539
At December 31, 2019							
Cost / Revalued amount	3,434,712	4,152,765	2,370,464	3,236,158	64,461	4,331,182	17,589,742
Accumulated depreciation	-	(373,059)	(1,532,290)	(2,538,618)	(24,086)	(786,150)	(5,254,203)
Net book value	3,434,712	3,779,706	838,174	697,540	40,375	3,545,032	12,335,539
Depreciation rate / *years	-	2	10	15-25	20	*1-5	

13.2.1 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'.

13.3 Cost of fully depreciated properties and equipment that are still in the Holding Company's use, as at December 31, 2020, amounted to Rs. 2,718.778 million (2019: Rs. 2,460.778 million).

13.4 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, 2020 would have been as follows:

	Rupees in '000
Land	3,044,311
Building	1,404,941
	<u>4,449,252</u>

14 INTANGIBLE ASSETS

	2020				
	Computer software	Core deposits	Customer list	Goodwill (note 14.2)	Total
	----- Rupees in '000 -----				
At January 1, 2020					
Cost	586,698	39,747	7,799	2,991,308	3,625,552
Accumulated amortization and impairment	(457,958)	(10,990)	(7,799)	-	(476,747)
Net book value	<u>128,740</u>	<u>28,757</u>	<u>-</u>	<u>2,991,308</u>	<u>3,148,805</u>
Year ended December 2020					
Opening net book value	128,740	28,757	-	2,991,308	3,148,805
Additions:					
- directly purchased	71,799	-	-	-	71,799
Disposals	-	-	-	-	-
Amortization charge	(62,817)	(2,278)	-	-	(65,095)
Closing net book value	<u>137,722</u>	<u>26,479</u>	<u>-</u>	<u>2,991,308</u>	<u>3,155,509</u>
At December 31, 2020					
Cost	658,497	39,747	7,799	2,991,308	3,697,351
Accumulated amortization and impairment	(520,775)	(13,268)	(7,799)	-	(541,842)
Net book value	<u>137,722</u>	<u>26,479</u>	<u>-</u>	<u>2,991,308</u>	<u>3,155,509</u>
Rate of amortization (percentage)	<u>20</u>	<u>5.5-20</u>	<u>10</u>	<u>-</u>	
Useful life (years)	<u>5</u>	<u>5 - 18</u>	<u>10</u>	<u>-</u>	

	2019				Total
	Computer software	Core deposits	Customer list	Goodwill (note 14.2)	
----- Rupees in '000 -----					
At January 1, 2019					
Cost	534,450	40,600	7,799	2,991,308	3,574,157
Accumulated amortization and impairment	(387,876)	(8,712)	(7,799)	-	(404,387)
Net book value	146,574	31,888	-	2,991,308	3,169,770
Year ended December 2019					
Opening net book value	146,574	31,888	-	2,991,308	3,169,770
Additions:					
- directly purchased	52,248	-	-	-	52,248
Other adjustments / transfers	-	(853)	-	-	(853)
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	2,991,308	3,625,552
Accumulated amortization and impairment	(457,958)	(10,990)	(7,799)	-	(476,747)
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	-	-

14.1 The cost of fully amortized intangible assets that are still in the Holding Company's use, as at December 31, 2020 amounted to Rs. 382.537 million (2019: Rs. 241.319 million).

14.2 This represents goodwill recognized upon acquisition of KASB Bank Undertakings based on fair values of assets and liabilities. The Holding Company carried out goodwill impairment testing as at December 31, 2020.

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	%
	15.84
Terminal growth rate	5.00

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 exceeds its carrying amount by approximately Rs. 6,555.163 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	4.53
Terminal growth rate	(7.76)

14.3 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.

15 DEFERRED TAX ASSETS

		2020			
		At January 1, 2020	Recognised in P&L & Unappropriated profit	Recognised in OCI	At December 31, 2020
		----- Rupees in '000 -----			
Deductible Temporary Differences on:					
Accumulated tax losses	15.1	3,299,042	(550,223)	-	2,748,819
Tax credit against minimum tax		269,938	(269,938)	-	-
Provision for diminution in the value of investments		201,160	-	-	201,160
Provision against non-performing Islamic financing, related assets and advances		3,785,670	12,212	-	3,797,882
Provision for gratuity		21,253	(21,253)	-	-
Ijarah financing and related assets		218,663	(11,583)	-	207,080
Accelerated tax depreciation		16,377	45,514	-	61,891
Others		310,989	(47,746)	-	263,243
		8,123,092	(843,017)	-	7,280,075
Taxable Temporary Differences on:					
Fair value adjustments relating to net assets acquired upon amalgamation		(229,846)	38,628	-	(191,218)
Accelerated tax depreciation		-	-	-	-
Surplus on revaluation of fixed assets	25	(623,385)	2,367	(881)	(621,899)
Surplus on revaluation of non-banking assets	25	(12,172)	1,003	(3,214)	(14,383)
Surplus on revaluation of available for sale securities	25	(1,609,318)	-	856,543	(752,775)
Net investment in finance lease		(81,603)	81,603	-	-
		(2,556,324)	123,601	852,448	(1,580,275)
		5,566,768	(719,416)	852,448	5,699,800
		----- Rupees in '000 -----			
		At January 1, 2019	Recognised in P&L & Unappropriated profit	Recognised in OCI	At December 31, 2019
Deductible Temporary Differences on:					
Accumulated tax losses		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, related assets and advances		4,061,794	(276,124)	-	3,785,670
Provision for gratuity		21,261	(8)	-	21,253
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		(640,023)	16,638	-	(623,385)
Surplus on revaluation of non-banking assets		(22,212)	13,349	(3,309)	(12,172)
Surplus on revaluation of available for sale securities		(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

15.1 The Holding Company has aggregate tax losses of Rs. 7,853.768 million as at December 31, 2020 (2019: Rs. 9,425.835 million) which includes tax losses of the 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. 2,748.819 million (2019: Rs. 3,299.042 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 realisability of the deferred tax asset.

	2020	2019
Note	----- (Rupees in '000) -----	
16 OTHER ASSETS		
Profit / return accrued in local currency	8,121,506	7,483,719
Profit / return accrued in foreign currency	7,772	12,132
Advances, deposits, advance rent and other prepayments	952,136	468,630
Non-banking assets acquired in satisfaction of claims	2,149,758	2,075,858
Branch Adjustment Account	-	46,064
Defined Benefit Plan assets	-	-
Takaful / insurance claim receivable	30,985	23,996
Receivable against First WAPDA Sukuk	16.2 50,000	50,000
Trade debts	532	532
Acceptances	2,392,561	4,347,956
Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts	60,489	-
Amount held with financial institution	26.3.1.4 814,546	738,477
Other receivables	419,497	461,129
	<u>14,999,782</u>	<u>15,708,493</u>
Less: Provision held against other assets	16.3 (1,588,151)	(1,253,182)
Other Assets (net of provision)	<u>13,411,631</u>	<u>14,455,311</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	226,308	201,186
Total other assets	<u>13,637,939</u>	<u>14,656,497</u>
16.1 Market value of non-banking assets acquired in satisfaction of claims	<u>1,671,387</u>	<u>1,572,365</u>

The properties of the Holding Company have been revalued by independent professional valuers as at 31 December 2020. 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. 27.988 million.

Impairment against non-banking assets acquired in satisfaction of claims amounting to Rs. 704.679 million (2019: Rs. 704.679 million) is included in provision held against other assets.

16.1.1 Non-banking assets acquired in satisfaction of claims

	2020	2019
	-----Rupees in '000-----	
Opening Balance	1,572,365	2,317,671
Additions	79,750	-
Disposals	-	(500,000)
Revaluation	27,988	63,707
Depreciation	(8,716)	(8,994)
Impairment	-	(160,019)
General provision	-	(140,000)
Closing Balance	<u>1,671,387</u>	<u>1,572,365</u>

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

Sale Proceeds	-	561,000
Less: Carrying Value	-	(500,000)
Gain / (loss) on disposal	<u>-</u>	<u>61,000</u>

16.2 The Holding Company 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 Holding Company has not recognized any provision in respect of the above amount as it is fully secured through a lien over a deposit account.

	Note	2020	2019
		----- (Rupees in '000) -----	
16.3 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	704,679
Amount held with financial institution	26.3.1.4	719,218	369,239
Others		137,562	152,572
	16.3.1	<u>1,588,151</u>	<u>1,253,182</u>
16.3.1 Movement in provision held against other assets			
Opening balance		1,253,182	682,950
Charge for the year		369,238	699,688
Reversals for the year		(34,269)	(5,266)
Adjustment for the year		-	(124,190)
Closing balance		1,588,151	1,253,182

17 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On April 25, 2019, the Board of Directors of the Holding Company announced their decision on Pakistan Stock Exchange to explore and evaluate the strategic options including divestment of shares held by the Holding company in one or more associated and subsidiary companies. Subsequently, after following a detailed process, the Holding company has identified buyers and signed a Share Purchase Agreement with respect to sale of its subsidiaries, BankIslami Modaraba Investment Limited and BIPL Securities Limited. The buyers have made payment of 25% of the sale consideration in advance (refer note 22). Currently, the Holding company and respective buyers are in the process of arranging regulatory approvals. The Holding company expects the completion of sale transactions in the upcoming year. Accordingly, these subsidiaries have been classified as held for sale.

	Note	2020	2019
----- (Rupees in '000) -----			
Assets classified as held for sale			
Bankislami Modaraba Investments Limited		4,701	20,032
BIPL Securities Limited		2,142,088	1,495,027
		<u>2,146,789</u>	<u>1,515,059</u>
Liabilities directly associated with assets held for sale			
Bankislami Modaraba Investments Limited		1,953	431
BIPL Securities Limited		1,694,063	989,461
		<u>1,696,016</u>	<u>989,892</u>
Net assets directly associated with disposal groups		<u>450,773</u>	<u>525,167</u>

17.1 STATEMENT OF FINANCIAL POSITION

	2020
-- (Rs in 000) --	
ASSETS	
Balances with other banks	251,191
Investments - net	414,943
Fixed assets	63,447
Intangible assets	4,091
Deferred tax assets	52,722
Other assets - net	1,360,395
Assets held for sale	<u>2,146,789</u>
LIABILITIES	
Accrued expenses	32,314
Sundry creditors	1,659,772
Others	3,929
Liabilities directly associated with assets held for sale	<u>1,696,016</u>
PROFIT AND LOSS ACCOUNT	
Profit / return earned	79,660
Profit / return expensed	2,222
Net Profit / return	<u>77,438</u>
OTHER INCOME	
Fee and commission income	389,249
Dividend income	1,640
Gain on securities	11,597
Other income	1,568
Total other income	404,054
Total Income	<u>481,492</u>
OTHER EXPENSES	
Operating expenses	346,595
Workers Welfare Fund	2,817
Total other expenses	349,412
Profit before provisions	<u>132,080</u>
Reversal of provisions and write offs - net	(4,255)
Extraordinary / unusual items	-
PROFIT BEFORE TAXATION	<u>136,335</u>
Taxation	(44,013)
PROFIT AFTER TAXATION	<u>92,322</u>

18 BILLS PAYABLE	Note	2020	2019
----- (Rupees in '000) -----			
In Pakistan		4,949,486	3,645,324
Outside Pakistan		-	-
		4,949,486	3,645,324

19 DUE TO FINANCIAL INSTITUTIONS

Secured

Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	19.1	3,622,550	3,816,813
Acceptances from State Bank of Pakistan for financial assistance	19.2	3,375,410	3,086,794
Refinance facility of Islamic mortgage	19.3	1,989,031	1,000,000
Islamic refinance scheme for payment of wages and salaries	19.4	2,805,692	-
Islamic refinance scheme for combating COVID (IRFCC)	19.4	31,895	-
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)	19.4	3,038	-
Total secured		11,827,616	7,903,607

Unsecured

Wakalah Acceptance	19.5	4,300,000	4,000,000
Musharakah Acceptance		-	3,200,000
Total unsecured		4,300,000	7,200,000
		16,127,616	15,103,607

- 19.1** 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 (2019: 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, 2020.
- 19.2** 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.
- 19.3** The agreements are on a profit and loss sharing basis and are secured against housing portfolio. The profit rate on these agreements is ranging from 5.33% to 7.79% (December 31, 2019: 12.97%) per annum.
- 19.4** These acceptance are on profit and loss sharing basis which have been invested in general pool of the Holding Company and are secured against demand promissory notes executed in favor of SBP.
- 19.5** The profit rate on this agreement is 6.35% (2019: 11.5%) per annum and has maturity in 181 days (2019: 6 days).

19.6 Particulars of due to financial institutions with respect to currencies	2020	2019
----- (Rupees in '000) -----		
In local currency	16,127,616	15,103,607
In foreign currencies	-	-
	16,127,616	15,103,607

20 DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000-----						
Customers						
Current deposits	87,643,313	3,068,383	90,711,696	64,907,052	2,728,254	67,635,306
Savings deposits	74,101,851	3,615,238	77,717,089	55,379,811	3,120,219	58,500,030
Term deposits	91,499,914	1,630,147	93,130,061	87,652,008	1,303,894	88,955,902
Others	2,701,340	56,786	2,758,126	2,673,856	19,555	2,693,411
	255,946,418	8,370,554	264,316,972	210,612,727	7,171,922	217,784,649
Financial Institutions						
Current deposits	285,829	3,880	289,709	197,102	7,673	204,775
Savings deposits	6,961,168	-	6,961,168	7,337,933	-	7,337,933
Term deposits	9,743,500	-	9,743,500	3,229,540	-	3,229,540
	16,990,497	3,880	16,994,377	10,764,575	7,673	10,772,248
	272,936,915	8,374,434	281,311,349	221,377,302	7,179,595	228,556,897

	2020	2019
	----- Rupees in '000 -----	
20.1 Composition of deposits		
Individuals	75,345,432	60,267,699
Government (Federal and Provincial)	5,799,902	5,570,891
Public Sector Entities	9,775,722	9,482,568
Banking Companies	86,498	426,545
Non-Banking Financial Institutions	17,612,480	10,615,481
Private Sector	172,691,315	142,193,713
	281,311,349	228,556,897

20.2 Total Deposits includes eligible deposits under deposit protection mechanism amounting to Rs. 133,539.972 million (2019: Rs. 103,293.988 million).

21 SUBORDINATED SUKUK

The Holding Company has issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of sukus 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.

21.1 Salient features of the ADT-1 sukuk are as follows:

Amount	Rs. 2,000 million.
Issue Date	April 21, 2020
Tenor	Perpetual (i.e. no fixed or final redemption date)
Security	Unsecured
Expected Profit Rate	The Sukuks carries profit at the rate of 3 Months KIBOR + 2.75%. The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Holding Company inline with SBP's guidelines of pool management.
Instrument Rating	PACRA has rated this sukuk at 'A-' (A minus).
Profit payment frequency	Profit shall be payable monthly in arrears, on a non-cumulative basis
Call option	The Holding Company may, at its sole discretion, call the sukuks, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in clause	Profit on the sukuks shall only be paid from the current year's earnings and if the Holding Company is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements.
Loss absorbency clause	The sukuks shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written-off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel-III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013.

21.2 The funds raised through this instrument are being utilized towards the Holding Company's General Pool, that is, financing and investment activities as permitted by Holding Company's Memorandum and Articles of Association. With permission of Sukuk holders, the proceeds of this issue have been commingled with other funds of the depositors (which may include Holding Company's own equity) i.e. invested in General Pool of the Holding Company.

	Note	2020	2019
----- (Rupees in '000) -----			
22 OTHER LIABILITIES			
Profit / return payable in local currency		1,733,615	2,012,348
Profit / return payable in foreign currencies		14,583	16,216
Accrued expenses		894,463	678,551
Deferred Murabahah Income - Financing and IERS		104,322	138,841
Payable to defined benefit plan		4,677	4,677
Payable to defined contribution plan		2,877	2,656
Defined Benefit Plan liabilities		131,738	110,626
Security deposits against Ijarah		1,122,685	1,453,252
Ijarah (lease) Liability		3,455,874	3,781,937
Provision against off-balance sheet obligations	22.1	85,975	85,975
Acceptances		2,392,561	4,347,956
Receipt appropriation account		6,638	195,818
Current taxation (provisions less payments)		188,797	146,616
Provision against other tax liabilities		148,305	55,334
Sundry creditors		190,839	175,312
Unrealized loss on Shariah compliant alternative of forward foreign exchange contracts		-	33,978
Charity payable	22.2	14,712	21,605
Retention money payable		10,167	17,499
Provision for Workers' Welfare Fund	22.3	123,164	67,843
Branch adjustment account		30,867	-
Rental received in advance		348,243	563,555
Advance against disposal of Non current asset held for sale		188,303	-
Others		149,636	104,391
		11,343,041	14,014,986
22.1 Provision against off-balance sheet obligations			
Opening balance		85,975	129,093
Reversals		-	(43,118)
Closing balance		85,975	85,975

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

22.2 Charity payable	Note	2020	2019
		-----Rupees in '000-----	
Opening balance		21,605	12,966
Additions during the year			
- Received from customers on account of delayed payment		38,904	29,248
- Shariah non-compliant income		7,495	4,727
- Profit on charity saving account		371	964
		46,770	34,939
Distribution of Charity			
- Education		(1,500)	(1,000)
- Health		(42,163)	(18,300)
- Islamic microfinance program		(1,000)	(1,000)
- Community development		(9,000)	(6,000)
	22.2.1	(53,663)	(26,300)
Closing balance		14,712	21,605
22.2.1 Charity was paid to the following:			
Indus Hospital		20,500	15,000
Bait us Salam Welfare Trust		9,500	2,000
Saylani Welfare International Trust		8,000	-
Akhuwat Corona Imdad Fund		4,000	-
Akhuwat Foundation		1,000	1,000
Alamgir Welfare Trust International		1,000	2,000
Field Isolation Centre Karachi		1,000	-
IBA - Center For Excellence In Islamic Finance		1,000	-
Transparent Hands		1,000	-
Ration Bags to Deserving Persons Affected by COVID		963	-
Shaukat Khanum Memorial Trust		750	500
Aga Khan Hospital & Medical College Foundation		700	500
Autism Care & Rehabilitation Organization		500	500
Center for Development of Social Services		500	-
Institute of Public Health		500	-
Pakistan Red Crescent Sindh		500	-
Society of Advancement of Health		500	-
The Citizens Foundation		500	1,000
The Society for the Rehabilitation of Special Children		500	-
Women Islamic Lawyers Forum		500	-
Afzaal Memorial Thalassemia Foundation		250	-
Caravan Of Life		-	500
Future Trust		-	2,000
Ghousia Free Dispensary		-	300
Pink Ribbon Pakistan		-	1,000
		53,663	26,300

22.2.2 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.

22.3 The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by Federal Government by Finance Act, 2008 for the levy of Workers Welfare Fund (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. A legal advice was obtained by the Pakistan Banking Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the Holding Company has not reversed the Workers Welfare Fund (WWF) provided in the earlier audited financial statements.

23 SHARE CAPITAL - NET

	2020	2019		2020	2019
	----- Number of Shares -----			----- Rupees in '000 -----	
23.1 Authorised capital					
	1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000
23.2 Issued, subscribed and paid up capital					
	1,108,703,299	1,007,912,090	Ordinary shares of Rs 10 each	11,087,033	10,079,121
	-	100,791,209	Fully paid in cash	-	1,007,912
	-	-	Issued during the year - right issue	(79,042)	(79,042)
	1,108,703,299	1,108,703,299	Less: Discount on issue of shares	11,007,991	11,007,991

	Note	2020	2019
		----- Rupees in '000 -----	
24 RESERVES			
Statutory Reserves	24.1	1,276,894	937,624
Reserve for bad debts and contingencies		250,000	250,000
		1,526,894	1,187,624
24.1			
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.			

	Note	2020	2019
		----- Rupees in '000 -----	
25 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of:			
Available for sale securities	11.1	2,150,785	4,598,052
Fixed Assets		2,042,473	2,072,001
Non-banking assets acquired in satisfaction of claims		226,308	201,186
		4,419,566	6,871,239
Deferred tax liability on surplus on revaluation of:	15		
Available for sale securities		(751,909)	(1,604,750)
Fixed Assets		(621,899)	(623,385)
Non-banking assets acquired in satisfaction of claims		(14,383)	(12,172)
		(1,388,191)	(2,240,307)
Total surplus on revaluation of assets- net of tax		3,031,375	4,630,932
Less: Share of non-controlling interest		(5,017)	(4,159)
Holding Company's share		3,026,358	4,626,773

	2020	2019
	----- Rupees in '000 -----	
25.1 Surplus on revaluation of fixed assets		
Freehold / Leasehold Land		
Surplus on revaluation of fixed assets at January 1	290,901	290,901
Surplus recognised during the year	57,620	-
Surplus transferred to non-banking assets during the year	(82,020)	-
	<u>266,501</u>	<u>290,901</u>
Building on leasehold land		
Surplus on revaluation of fixed assets at January 1	1,781,100	1,828,638
Surplus recognised during the year	1,638	-
Surplus on revaluation of fixed assets sold during the year	(1,638)	(16,619)
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(2,760)	(14,281)
Related deferred tax liability on surplus realized on disposal	(882)	(8,948)
Related deferred tax liability in respect of incremental depreciation charged during the year	(1,486)	(7,690)
	<u>(5,128)</u>	<u>(30,919)</u>
	1,775,972	1,781,100
Related deferred tax liability on surplus as at January 1	(623,385)	(640,023)
Related deferred tax liability on surplus arising during the year	(882)	-
Related deferred tax on surplus on revaluation of fixed assets sold during the year	882	8,948
Related deferred tax liability in respect of incremental depreciation charged during the year	1,486	7,690
	<u>(621,899)</u>	<u>(623,385)</u>
	<u>1,154,073</u>	<u>1,157,715</u>
	<u>1,420,574</u>	<u>1,448,616</u>
25.2 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	110,113	263,592
Surplus recognised during the year	18,805	42,662
Surplus transferred to unappropriated profit on disposal	-	(196,141)
	<u>128,918</u>	<u>110,113</u>

Note	2020	2019
	----- Rupees in '000 -----	
Building on leasehold land		
Surplus on revaluation of Non Banking Assets at January 1	91,073	119,764
Surplus recognised during the year	9,183	21,045
Surplus transferred to unappropriated profit on disposal	-	(31,353)
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(1,863)	(976)
Related deferred tax liability on surplus realized on disposal	-	(16,882)
Related deferred tax liability in respect of incremental depreciation charged during the year	(1,003)	(525)
	(2,866)	(18,383)
	<u>97,390</u>	<u>91,073</u>
Related deferred tax liability on surplus as at January 1	(12,172)	(22,213)
Related deferred tax liability on surplus arising during the year	(3,214)	(7,366)
Related deferred tax liability on surplus on revaluation transferred to unappropriated profit	-	16,882
Related deferred tax liability in respect of incremental depreciation charged during the year	1,003	525
	(14,383)	(12,172)
	<u>83,007</u>	<u>78,901</u>
	<u>211,925</u>	<u>189,014</u>

26 CONTINGENCIES AND COMMITMENTS

- Guarantees	26.1	10,342,243	10,629,042
- Commitments	26.2	10,298,481	13,618,551
- Other contingent liabilities	26.3	1,360,580	2,404,485
		<u>22,001,304</u>	<u>26,652,078</u>

26.1 Guarantees:

Financial guarantees	782,961	80,182
Performance guarantees	5,888,773	8,290,906
Other guarantees	3,670,509	2,257,954
	<u>10,342,243</u>	<u>10,629,042</u>

	Note	2020 ----- Rupees in '000 -----	2019 ----- Rupees in '000 -----
26.2 Commitments:			
Documentary credits and short-term trade-related transactions - letters of credit		12,003,211	10,938,636
Commitments in respect of: - Shariah compliant alternative of forward foreign Exchange contracts	26.2.1	(9,435,135)	(1,162,379)
Commitments for acquisition of: - operating fixed assets - intangible assets		232,703 15,559	219,931 38,037
Other commitments	26.2.2	7,482,143	3,584,326
		<u>10,298,481</u>	<u>13,618,551</u>
26.2.1 Commitments in respect of Shariah compliant alternative of forward foreign exchange contracts			
Purchase		11,389,226	12,252,861
Sale		(20,824,361)	(13,415,240)
		(9,435,135)	(1,162,379)
26.2.2 Other commitments			
Bills for collection		<u>7,482,143</u>	<u>3,584,326</u>

26.2.2.1 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	2020 ----- Rupees in '000 -----	2019 ----- Rupees in '000 -----
26.3 Other contingent liabilities			
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Holding Company has not acknowledged as debt	26.3.1	11,200	11,200
Tax Contingencies	26.3.2	1,349,380	2,393,285
		<u>1,360,580</u>	<u>2,404,485</u>

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

26.3.1.1 These are court cases, which represent counter claims filed by the customers / 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.

- 26.3.1.2** 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 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.
- 26.3.1.3** 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.
- 26.3.1.4** The Holding Company 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 Holding Company's respective clearing account (refer note 16). 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. Subsequently, 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. In addition, the Holding Company has filed an application in the Court, seeking Court directions to local settlement bank to place the deducted funds with the Court office, for further investing in US Dollar account of a reputed Islamic bank till adjudication of the Suit. 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.

During the year 2020, the international payment scheme has filed a Civil Case against the Holding Company in the District Court of California, USA claiming the payment of USD 6.2 million in lieu of cybercrime incident plus assessments representing interest, costs, fees etc. in the amount of USD 7.3 million. The international payment scheme has not shared the basis of calculation of assessments of USD 7.3 million. The Holding Company has engaged legal counsel based in United States to defend the Holding Company against the subject case. On July 13, 2020, the Holding Company filed counterclaims against the international payment scheme seeking a declaratory judgment that the international payment scheme's imposition of assessments on the Holding Company is unenforceable and that the Holding Company is exonerated to the international payment scheme as an indemnitor, as well as a claim for breach of contract seeking damages of no less than USD 6.2 million plus interest. During the proceedings, the Judge of California Court advised the parties to go through the negotiation process before The Magistrate Judge of California Court for the amicable settlement. The negotiation process held before the Magistrate Judge was successful in arriving at an in-principle settlement which now requires certain steps to be negotiated in order to be fully executed and then implemented. The parties are now in the process of completing the legal formalities to implement the negotiated settlement. The Holding Company has made an adequate provision covering the probable liability on its account.

26.3.2 Tax Contingencies

- 26.3.2.1** The income tax returns of the Holding Company have been filed up to tax year 2020 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 2020 are treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.
- 26.3.2.2** 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.
- 26.3.2.3** 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.
- 26.3.2.4** 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.
- 26.3.2.5** 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 had filed an appeal against the said decision before CIRA. However, the tax authorities have filed an appeal before the ATIR which is pending adjudication.

- 26.3.2.6** 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 Holding Company 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 Holding Company had filed an appeal against the said decision before CIRA. During the year the CIRA passed an order in favour of the Holding Company. However, the tax authorities have filed an appeal before the ATIR which is pending adjudication.
- 26.3.2.7** During the year the learned Deputy Commissioner Inland Revenue (DCIR) passed amended assessment order under section 122(1) in respect of tax year 2014 and 2015 (relating to defunct KASB Bank Limited) by imposing minimum tax on turnover disregarding gross loss position of the Holding Company. As a result, a tax demand of Rs. 53.770 million and Rs.61.780 million was created for the tax year 2014 and 2015 respectively. Against the treatment meted out by the DCIR, an appeal has been filed before the CIRA which is pending adjudication.

26.3.3 Other Contingencies

Structured Venture (Private) Limited (SVPL) has given advance of Rs. 375 million to Noor Developers (Pvt) Ltd (NDPL), against purchase of property which was being developed as a housing scheme. NDPL issued provisional booking to SVPL but then cancelled it. Mr. Arif Ali Shah Bukhari is majority shareholder of NDPL. Therefore, SVPL filed Suit No. 1087/2015 against NDPL, Mr. Bukhari & others for specific performance, declaration, injunction, partition and damages in the Sindh High Court. In addition, SVPL filed a criminal complaint against NDPL etc. with NAB. In response to the above said Suit & Complaint with NAB, Mr. Bukhari & NDPL have filed Suit No. 714/2018 against BIPL Securities & others inter-alia for cancellation of the Sale Agreement of the afore stated property and for recovery of Rs. 275 million along with special damages of Rs. 4.355 billion and general damages of Rs. 4 billion. As per the opinion of the legal counsel, the assertions made by Arif Ali Shah Bukhari in the Suit is not likely to be upheld by the Court and the management based on the opinion of its legal counsel is confident that the Suit will be dismissed by the Honourable Court in favour of BIPL Securities.

	2020	2019
	----- Rupees in '000 -----	
27	PROFIT / RETURN EARNED	
Profit earned on:		
Financing	14,258,217	13,716,204
Investments	5,130,579	6,273,086
Placements	6,212,606	3,529,489
Others	119,748	105,765
	<u>25,721,150</u>	<u>23,624,544</u>
28	PROFIT / RETURN EXPENSED	
Deposits and other accounts	11,754,773	11,658,353
Due to financial institutions	821,929	671,444
Cost of foreign currency swaps against foreign currency deposits	23,577	37,738
Finance cost on ijarah (lease) liabilities	389,614	443,605
Additional Tier-1 sukuk	239,706	21,719
	<u>13,229,599</u>	<u>12,832,859</u>

	Note	2020	2019
		----- Rupees in '000 -----	
29	FEE AND COMMISSION INCOME		
	Branch banking customer fees	56,743	43,742
	Commission on bancatakaful	100,898	83,328
	Card related fees	275,891	137,509
	Financing related fees	-	-
	Commission on arrangement with financial institutions	68,006	36,906
	Consumer finance related fees	32,061	29,470
	Commission on guarantees	49,180	46,412
	Investment banking fees	126,114	63,893
	Commission on cash management	4,823	3,620
	Commission on remittances including home remittances	32,531	46,907
	Commission on trade	140,762	118,683
	Others	13,118	7,462
		<u>900,127</u>	<u>617,932</u>
30	GAIN ON SECURITIES		
	Realized gain	30.1 <u>242,433</u>	<u>660,253</u>
		<u>242,433</u>	<u>660,253</u>
30.1	Realized gain on:		
	Federal Government Securities	1,771	(4,148)
	Non-Government Shariah compliant Securities	240,617	658,674
	Shares / Mutual Funds Units	45	5,727
		<u>242,433</u>	<u>660,253</u>
31	OTHER INCOME		
	Rent on property	11,483	8,417
	Gain on termination of financing	84,931	69,124
	Gain on sale of property and equipment	3,613	10,244
	Gain on sale of non-banking assets	-	61,000
	Recoveries against previously expensed items	4,249	9,544
	Others	5,748	849
		<u>110,024</u>	<u>159,178</u>

32 OPERATING EXPENSES

	Note	2020	2019
----- Rupees in '000 -----			
Total compensation expense		3,619,430	3,094,560
Property expense			
Rent & taxes		84,606	89,012
Takaful / insurance		2,931	1,897
Utilities cost		353,128	344,953
Security (including guards)		367,958	323,447
Repair & maintenance (including janitorial charges)		172,754	147,902
Depreciation	13.2	343,977	329,345
Depreciation on right-of-use assets	13.2	809,412	786,150
Others		30	1,582
		2,134,796	2,024,288
Information technology expenses			
Software maintenance		245,222	155,114
Hardware maintenance		120,245	139,799
Depreciation	13.2	198,402	195,582
Amortisation	14	62,817	70,082
Network charges		178,810	145,090
		805,496	705,667
Other operating expenses			
Directors' fees and allowances		9,860	8,025
Fees and allowances to Shariah Board		15,646	12,982
Legal & professional charges		139,504	181,482
Travelling & conveyance		39,109	47,540
NIFT clearing charges		29,115	20,403
Depreciation	13.2	177,052	185,159
Depreciation on non banking assets	16.1.1	8,715	8,994
Entertainment expense		57,432	75,466
Training & development		8,379	10,581
Postage & courier charges		68,509	38,255
Communication		66,775	49,998
Marketing, advertisement & publicity		193,099	151,669
Repairs and maintenance		130,510	88,037
Takaful, tracker and other charges on car Ijarah		100,032	145,016
Stationery & printing		182,426	150,599
Takaful / Insurance		316,510	286,678
Fee and subscription		186,561	143,161
Vehicle running and maintenance		129,512	131,433
Donation	32.2	5,841	-
Auditors' remuneration	32.3	17,507	18,739
Amortization	14	2,278	2,278
CDC and share registrar services		9,424	11,983
Brokerage and commission		30,152	20,350
Stamp duty, registration & verification charges		15,915	43,353
Others		78,457	64,195
		2,018,320	1,896,376
		8,578,042	7,720,891

	Note	2020	2019
		----- Rupees in '000 -----	
32.1 Total compensation expense			
Managerial remuneration			
(i) Fixed		1,487,190	1,270,493
(ii) Variable - Cash bonus / awards		10,889	24,207
Provision for bonus to employees		125,000	100,000
Charge for defined benefit plan	40.8.1	126,159	110,919
Contribution to defined contribution plan	41	119,903	92,035
Rent & house maintenance allowance		655,272	557,758
Utilities allowance		145,612	123,911
Medical allowance		138,040	147,316
Car maintenance allowance		194,466	171,031
Conveyance allowance		2,262	6,830
Fuel allowance		11,240	11,026
Sports & welfare		2,272	2,131
Staff life takaful		67,702	33,083
Overtime allowance		974	2,524
Increment		9,998	50,576
Special allowance		110,958	74,922
Phone banking allowance		2,046	813
Relocation allowance		200	409
Sales commission		204,842	111,008
Contract staff cost		202,760	202,060
Others		1,645	1,508
Sub-total		3,619,430	3,094,560
Grand Total		3,619,430	3,094,560
32.2 Details of donations			
Indus Hospital		3,400	-
Support For Prime Minister's Corona Relief Fund-Covid 19		1,000	-
Al-Naseer Charitable Trust		600	-
Fakhir E Imdad Foundation		500	-
Ration bags to deserving persons affected by COVID		241	-
Fakhir Foundation		100	-
		5,841	-
32.3 Auditors' remuneration			
Audit fee		7,532	7,640
Fee for the review of half yearly financial statements		2,225	1,906
Fee for other statutory certifications		2,414	2,175
Special certifications and sundry advisory services		2,968	6,033
Tax services		1,622	377
Out-of-pocket expenses		746	608
		17,507	18,739
33 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		130,504	36,511

	Note	2020	2019
----- Rupees in '000 -----			
34 PROVISIONS AND WRITE OFFS - NET			
Provision / (reversal of provision) for diminution in value of investments and due from financial institutions		(15,590)	10,474
Provision against Islamic financing and related assets and advances - net	12.16.2	2,230,225	2,058,139
Other provisions / write offs - net		386,388	704,703
		2,601,023	2,773,316

35 TAXATION

Current	430,687	442,722
Prior years	(23,632)	-
Deferred	649,257	301,278
	1,056,312	744,000

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 amalgamated entity.

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.

	Note	2020	2019
----- Rupees in '000 -----			
36 BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation for the year from continuing operations (Attributable to equity shareholders of the Holding Company)		1,475,240	1,124,510
Profit / (Loss) after taxation for the year from discontinuing operations (Attributable to equity shareholders of the Holding Company)		71,127	(16,719)
Profit after taxation for the year (Attributable to equity shareholders of the Holding Company)		1,546,367	1,107,791
----- Number of shares -----			
Weighted average number of ordinary shares in issue		1,108,703,299	1,025,766,071
----- Rupees -----			
Earnings per share - basic / diluted from continuing operations		1.3306	1.0963
Earnings per share - basic / diluted from discontinuing operations		0.0642	(0.0163)
Earnings per share - basic / diluted	36.1	1.3948	1.0800

36.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2020 and December 31, 2019.

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, 2020:

- (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 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 other specific musharakah pool assets comprise of consumer housing finance portfolio and the related liability of the pool comprises of musharakah acceptance from a financial institution. This pool is created to fund the housing finance portfolio.

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.

2020									
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	9.86%	50.00%	50.00%	2,418,530	3.98%	17.82%	430,866	
USD Pool	Monthly	0.80%	50.00%	50.00%	12,952	0.52%	31.97%	4,140	
GBP Pool	Monthly	0.57%	50.00%	50.00%	785	0.38%	34.41%	270	
EURO Pool	Monthly	0.24%	50.00%	50.00%	280	0.15%	16.07%	21	

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 Refinance (IERS) Pool	Monthly	6.14%	53.35%	46.65%	3,159,337	1.92%	0.00%	-	
Pakistan Mortgage Refinance Company (PMRC)	Monthly	10.67%	99.00%	1.00%	1,335	10.59%	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 Mudarib share transferred through Hiba to special remunerative deposits
					(Rupees in '000)			
(i) Special Pool PKR	Monthly	10.79%	77.68%	22.32%	1,305,352	9.11%	25.60%	334,233
(ii) 1-3 Years Term Deposits	Monthly	9.43%	86.94%	13.06%	451,614	8.70%	42.18%	190,492
(iii) Special Pool USD	Monthly	2.04%	80.00%	20.00%	3,790	1.88%	42.23%	1,601
(iv) Special Pool GBP	Monthly	0.90%	80.00%	20.00%	13	0.90%	38.87%	5
(v) Special Pool Euro	Monthly	1.38%	80.00%	20.00%	807	1.17%	24.68%	211

(vi) In addition to the above, 246 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	2020 ----- Rupees in '000 -----	2019 ----- Rupees in '000 -----
38 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	8	22,034,025	14,640,163
Balances with other banks	9	12,310,472	1,880,592
		34,344,497	16,520,755
39 STAFF STRENGTH		Number of employees	
Permanent		2,767	2,672
Contractual basis		838	920
Total staff strength		3,605	3,592

40 DEFINED BENEFIT PLAN

40.1 General description

The Holding Company 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 2,599 (2019: 2,527). The latest actuarial valuation of the Holding Company's gratuity scheme was carried out as at December 31, 2020 and BankIslami Modaraba Investments Limited as at June 30, 2020. 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:

	2020	2019
- Valuation Discount rate	10.25%	11.75%
- Salary Increase Rate	10.25%	11.75%
- Expected Return on Plan Assets	10.25%	11.75%

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	2020	2019
		----- 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		457,379	368,209
Fair value of plan assets		(324,314)	(256,256)
		<u>133,065</u>	<u>111,953</u>
40.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		368,209	381,928
Current service cost		119,750	104,721
Return expense		39,271	42,120
Benefits paid by the Group		(53,159)	(81,882)
Re-measurement gain		(16,692)	(78,678)
Obligations at the end of the year		<u>457,379</u>	<u>368,209</u>
40.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		256,256	302,155
Return earned on plan assets		32,862	35,922
Contribution by the Group - net		100,000	-
Benefits Paid		(53,159)	(81,882)
Re-measurement (loss) / gain			
over return expense	40.8.2	(11,645)	61
Fair value at the end of the year		<u>324,314</u>	<u>256,256</u>
40.7 Movement in payable under defined benefit schemes			
Opening balance		111,953	79,773
Charge for the year		126,159	110,919
Contribution by the Group		(100,000)	-
Re-measurement gain recognized in OCI during the year	40.8.2	(5,047)	(78,739)
Closing balance		<u>133,065</u>	<u>111,953</u>

	Note	2020	2019
		----- Rupees in '000 -----	
40.8 Charge for defined benefit plans			
40.8.1 Cost recognized in profit and loss			
Current service cost		119,750	104,721
Net financial charges		6,409	6,198
		<u>126,159</u>	<u>110,919</u>
40.8.2 Re-measurements recognized in OCI during the year			
Gain on obligation			
- Demographic assumptions		-	-
- Financial assumptions		(3,012)	(3,266)
- Experience adjustment		(13,680)	(75,412)
Loss / (gain) on plan assets		11,645	(61)
Total re-measurements		<u>(5,047)</u>	<u>(78,739)</u>
Deferred tax impact		1,766	27,559
Total re-measurements recognized in OCI		<u>(3,281)</u>	<u>(51,180)</u>
40.9 Components of plan assets			
Bank balance		213,406	199,470
Units of mutual funds		110,908	56,786
		<u>324,314</u>	<u>256,256</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:

	2020	2019
	----- Rupees in '000 -----	
1% increase in discount rate	395,753	326,514
1% decrease in discount rate	501,844	413,949
1 Year increase in Life expectancy / Withdrawal rate	444,272	366,500
1 Year decrease in Life expectancy / Withdrawal rate	444,273	366,501

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
40.11 Expected contributions to be paid to the funds in the next financial year	<u>119,108</u>
40.12 Expected charge for the next financial year	<u>126,558</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, 2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
Gratuity	20,014	22,781	73,425	2,024,598	2,140,818

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. 126.558 million as per the actuarial valuation report of the Holding Company as of December 31, 2020.

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. Rs. 119.903 million (2019: Rs. 92.035 million) each.

42 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense of the Holding Company

2020							
Items	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
----- Rupees in '000 -----							
Fees and Allowances etc.	1,500	-	6,100	1,500	-	-	-
Managerial Remuneration							
Fixed	-	-	-	7,527	29,273	65,317	38,499
Rent & house maintenance	-	-	-	-	-	29,392	17,325
Utilities	-	-	-	-	-	6,532	3,850
Medical	-	-	-	-	-	6,532	3,850
Conveyance	-	-	-	1,707	-	16,181	8,141
Shariah Board allowance	-	-	-	4,893	-	-	-
Others	-	-	-	29	19,123	4,094	360
Total	1,500	-	6,100	15,656	48,396	128,048	72,025
Number of Persons	1	-	6	3	1	15	14
----- Rupees in '000 -----							
2019							
Items	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
----- Rupees in '000 -----							
Fees and Allowances etc.	2,100	-	5,550	1,125	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	6,384	25,455	62,823	27,144
of which							
a) Cash Bonus / Awards	-	-	-	-	-	-	-
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

42.1.1 The President / CEO has been provided with the holding company's maintained cars.

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

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

2020

Sr. No.	Name of Director	Meeting Fees and Allowances Paid							Total Amount Paid
		For Board Meetings	For Board Committees					Board Remuneration Committee	
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board IT Committee			
Rupees '000									
1	Mr. Ali Hussain	1,500	-	-	-	-	-	1,500	
2	Mr. Fawad Anwar	400	-	-	-	-	-	400	
3	Dr. Amjad Waheed	1,400	-	-	-	-	-	1,400	
4	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	-	-	-	-	-	-	-	
5	Mr. Noman Yakoob	300	-	-	-	-	-	300	
6	Mr. Siraj Ahmed Dadabhoy	100	-	-	-	-	-	100	
7	Mr. Muhammad Nadeem Farooq	400	-	-	-	-	-	400	
8	Mr. Haider Ali Hilaly	1,000	-	-	-	-	-	1,000	
9	Dr. Lalarukh Ejaz	1,000	-	-	-	-	-	1,000	
10	Mr. Sulaiman Sadruddin Mehdi	1,000	-	-	-	-	-	1,000	
11	Mr. Sved Ali Hasham	500	-	-	-	-	-	500	
Total Amount Paid		7,600	-	-	-	-	-	7,600	

2019

Sr. No.	Name of Director	Meeting Fees and Allowances Paid							Total Amount Paid
		For Board Meetings	For Board Committees					Board Remuneration Committee	
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board IT 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	

42.3 Remuneration paid to Shariah Board Members

2020

2019

Items	2020			2019		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Rupees in '000						
a. Meeting Fees and Allowances	-	-	1,500	-	-	1,125
b. Managerial remuneration & allowances	10,534	3,622	-	8,975	2,883	-
Total Amount	10,534	3,622	1,500	8,975	2,883	1,125
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 Holding Company 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:

2020			
Level 1	Level 2	Level 3	Total

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

On balance sheet financial instruments

Financial assets - measured at fair value

Investments

Shares	335,097	-	-	335,097
GOP Ijara Sukuk	-	44,497,832	-	44,497,832
Non-Government Shariah compliant Securities	31,440,745	7,454,508	-	38,895,253
Units of open ended mutual funds	-	-	-	-

Non-Financial Assets - measured at fair value

Fixed assets - Land and building	-	-	6,891,351	6,891,351
Non-banking assets	-	-	1,671,387	1,671,387

Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	-	11,246,372	-	11,246,372
Shariah compliant alternative of forward sale of foreign exchange	-	20,631,765	-	20,631,765

2019			
Level 1	Level 2	Level 3	Total

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

On balance sheet financial instruments

Financial assets - measured at fair value

Investments

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-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

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
GOP Sukuks	The fair value of GOP Ijarah Sukuk are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from six different pre-defined / approved dealers / brokers.
WAPDA Sukuks	Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
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 Holding Company'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

	2020				Total
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	
	----- Rupees in '000 -----				
Profit & Loss					
Net profit / return	8,972,401	(7,333,737)	10,970,557	(117,670)	12,491,551
Inter segment revenue - net	(7,550,229)	18,398,941	(10,558,297)	(290,415)	-
Total other income	692,536	587,810	329,244	(112,377)	1,497,213
Total Income	2,114,708	11,653,014	741,504	(520,462)	13,988,764
Segment direct expenses	71,344	4,573,564	258,759	3,860,200	8,763,867
Inter segment expense allocation	172,453	2,623,860	961,887	(3,758,200)	-
Total expenses	243,797	7,197,424	1,220,646	102,000	8,763,867
Provisions / (reversals)	(15,590)	147,487	2,089,139	379,988	2,601,023
Profit / loss before tax	1,886,501	4,308,103	(2,568,281)	(1,002,450)	2,623,874

	2020				Total
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	
	----- Rupees in '000 -----				
Balance Sheet					
Assets					
Cash & Bank balances	23,783,594	10,560,903	-	-	34,344,497
Investments	95,622,282	-	-	-	95,622,282
Net inter segment placements	-	232,280,586	-	2,801,703	235,082,289
Due from financial institutions	41,640,012	-	-	-	41,640,012
Islamic financing and related assets					
- performing	-	24,718,161	99,428,978	2,887,371	127,034,510
- non-performing	-	1,265,885	1,555,851	115,643	2,937,379
Others	1,171,691	5,271,853	5,430,218	24,488,148	36,361,910
Total Assets	162,217,579	274,097,388	106,415,047	30,292,865	573,022,879
Liabilities					
Due to financial institutions	7,675,409	1,989,031	6,463,176	-	16,127,616
Subordinated sukuk	-	-	-	2,000,000	2,000,000
Deposits & other accounts	15,987,163	265,324,186	-	-	281,311,349
Net inter segment acceptances	137,226,368	-	97,855,921	-	235,082,289
Others	133,484	6,784,172	2,437,698	8,633,189	17,988,543
Total liabilities	161,022,424	274,097,389	106,756,795	10,633,189	552,509,797
Equity	-	-	-	20,513,082	20,513,082
Total Equity & liabilities	161,022,424	274,097,389	106,756,795	31,146,271	573,022,879
Contingencies & Commitments	(9,435,135)	-	22,345,454	9,090,985	22,001,304

2019

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
Profit & Loss					
Profit / return earned	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)	-
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	220,074	6,748,874	868,865	(44,507)	7,793,306
Provisions / (reversals)	35,680	88,915	1,960,790	687,931	2,773,316
Profit before tax	1,066,190	4,425,561	(2,975,707)	(668,239)	1,847,805

2019

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
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					
Borrowings	10,286,794	4,816,813	-	-	15,103,607
Subordinated debt	-	-	-	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

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	
		2020	2019	2020	2019
				-----Rupees in '000-----	
Insurance Companies	Sukuks	8	3	286,000	529,500
Asset Management Companies	Sukuks	41	30	2,806,030	2,624,530
Employee Funds / NGO's	Sukuks	8	7	135,000	51,000
Individuals	Sukuks	2	2	144,470	144,470
Others	Sukuks	19	14	2,561,500	2,583,500
		78	56	5,933,000	5,933,000

Category	Type	No. of IPS account		Face Value	
		2020	2019	2020	2019
				-----Rupees in '000-----	
Insurance Companies	Sukuk / Islamic Commercial Paper	2	4	60,000	235,000
Asset Management Companies	Sukuk / Islamic Commercial Paper	60	33	12,584,900	10,211,700
Employee Funds / NGO's	Sukuk / Islamic Commercial Paper	7	8	350,800	320,000
Individuals	Sukuk / Islamic Commercial Paper	4	4	49,300	49,300
Others	Sukuk / Islamic Commercial Paper	2	4	550,000	1,075,000
		75	53	13,595,000	11,891,000

46 RELATED PARTY TRANSACTIONS

The Holding Company has related party transactions with its associates, employee benefit plans and its directors and Key Management Personnel.

The Holding Company 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 period, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2020				2019			
	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 period / year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period / 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	22,538	194,707	525,179	1,193,862	25,280	284,740	392,853	461,667
Addition during the period / year	-	180,438	92,048	3,216,340	-	67,350	887,767	2,871,793
Repaid during the period / year	(3,299)	(66,942)	(127,550)	(3,404,528)	(2,742)	(51,589)	(755,441)	(2,299,598)
Transfer in / (out) - net	-	(2,600)	-	(509,282)	-	(105,794)	-	160,000
Closing balance	19,239	305,603	489,677	496,392	22,538	194,707	525,179	1,193,862
Provision held against								
Islamic financing and related assets	-	-	-	-	-	-	-	-
Other Assets								
Profit receivable on financings	812	167	1,626	3,153	116	68	7,392	33,659
Subordinated debt								
Opening balance	-	10,000	-	-	-	-	-	-
Issued / Purchased during the period / year	-	15	-	-	-	10,000	-	-
Redemption / Sold during the period / year	-	(9,000)	-	-	-	-	-	-
Closing balance	-	1,015	-	-	-	10,000	-	-
Deposits and other accounts								
Opening balance	3,534	6,260	82,086	1,062,262	3,696	46,092	80,269	1,232,106
Received during the period / year	96,690	694,472	1,641,620	8,820,606	224,391	271,707	3,265,405	8,151,896
Withdrawn during the period / year	(81,169)	(675,522)	(1,638,684)	(8,711,343)	(224,553)	(270,748)	(3,263,588)	(8,321,740)
Transfer in / (out) - net	(168)	-	120	4	-	(40,791)	-	-
Closing balance	18,887	25,210	85,142	1,171,529	3,534	6,260	82,086	1,062,262
Other Liabilities								
Profit / return payable	2	160	689	7,141	1	138	18	10,786
Meeting Fee / Remuneration payable	2,260	-	-	-	1,300	-	-	-
Contingencies and Commitments								
Other contingencies	-	-	-	279,802	-	-	49,406	50,957
Rupees in '000								
	2020				2019			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Income								
Profit / return earned	2,413	8,171	30,499	55,236	2,283	4,663	53,241	106,363
Advisory Fee	-	-	-	-	-	-	-	-
Other income	-	3,649	-	-	-	1,068	-	-
Expense								
Profit / return expensed	22	373	1,338	107,125	30	250	1,229	108,734
Other administrative expenses	86	2,209	-	6,710	6,936	4,577	92	1,679
Meeting Fee / Remuneration	9,860	186,976	-	-	8,025	162,495	-	-
Contribution to employees provident fund	-	-	-	119,903	-	-	-	92,035
Contribution to employees gratuity fund	-	-	-	126,159	-	-	-	110,919

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 60% from CET 1 capital as at 31 December 2020.

	2020	2019
	----- Rupees in '000 -----	
Minimum Capital Requirement (MCR):	11,007,991	11,007,991
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,877,167	14,090,734
Eligible Additional Tier 1 (ADT 1) Capital	2,007,989	1,706,990
Total Eligible Tier 1 Capital	15,885,156	15,797,724
Eligible Tier 2 Capital	4,972,587	4,453,551
Total Eligible Capital (Tier 1 + Tier 2)	20,857,743	20,251,275
Risk Weighted Assets (RWAs):		
Credit Risk	107,957,298	119,531,402
Market Risk	1,020,400	935,200
Operational Risk	20,552,900	15,621,900
Total	129,530,598	136,088,502
Common Equity Tier 1 Capital Adequacy ratio	10.71%	10.35%
Tier 1 Capital Adequacy Ratio	12.26%	11.61%
Total Capital Adequacy Ratio	16.10%	14.88%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
CCB (Consisting of CET 1 only)	1.50%	2.50%
Total Capital plus CCB	11.50%	12.50%

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.

	2020	2019
	----- Rupees in '000 -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	15,885,156	15,797,724
Total Exposures	369,368,591	313,347,566
Leverage Ratio	4.30%	5.04%
Liquidity Coverage Ratio (LCR)*:		
Total High Quality Liquid Assets	66,806,359	52,694,993
Total Net Cash Outflow	33,817,378	33,979,271
Liquidity Coverage Ratio	210.41%	162.60%
Net Stable Funding Ratio (NSFR)*:		
Total Available Stable Funding	282,534,177	230,215,305
Total Required Stable Funding	112,435,298	115,685,066
Net Stable Funding Ratio	251.29%	199.00%

* 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 Holding Company follows effective risk governance which commensurate well with its current size and structure.

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 Holding Company'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 Holding Company;
- 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 Holding Company.

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 COVID - 19

48.1.1 Risk management in the current economic scenario

The coronavirus outbreak has severely affected global economy. Various businesses are facing different issues with a certain degree of losses on account of decrease in demand, disruptions in supply chain, raw material shortage, and transportation disruptions, among others. To counter these challenges, regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate COVID-19 impact.

Likewise, the State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit for retail asset classification by 44 percent to Rs.180 million, thus resulting in reduced risk weighted assets; (iii) relaxing the debt burden ratio for consumer financings from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on financing obligations by one year; and (v) relaxing regulatory criteria for restructured / rescheduled financings for borrowers who require relief beyond the extension of principal repayment for one year.

COVID 19 has impacted the banks in Pakistan from various facets which include increase in overall credit risk pertaining to financings and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate financings, debt and capital advisory services etc. Major aspects of COVID 19 on the Holding Company are discussed below:

48.1.2 Assets quality and credit risk

As the current economic crisis unfolds against the backdrop of a public health emergency, the disruption to economic activity put strain on the solvency of customers and companies. A large number of distressed customers sought help for financial hardships across consumer and commercial lending / financing portfolios. The Risk Management Group of the Holding Company is monitoring the situation to identify and support customers / borrowers operating in various sectors which are most affected.

Many of the COVID-19 affected borrowers availed the SBP enabled deferment / restructuring and rescheduling relief. The full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Keeping in view the prevailing uncertainty, the Holding Company has re-assessed its credit book as at December 31, 2020 for subjective downgrading and maintaining additional general reserve against potential delinquencies.

The Holding Company has further strengthened its credit review procedures in the light of COVID 19. The Holding Company conducted various stress tests on the credit portfolio and is confident that the CAR currently maintained is sufficient to adhere all regulatory and business needs.

48.1.3 Liquidity management

The Holding Company has provided customers with relief measures such as payment deferrals and financing restructuring / re-scheduling. Such interventions, while necessary to provide temporary relief to customers, also accompanied enhanced risk management actions on liquidity of the Holding Company. The Asset and Liability Committee (ALCO) of the Holding Company is monitoring the liquidity position and is taking due precautionary measures where needed. The Holding Company has conducted various stress tests on its liquidity ratios and is confident that the liquidity buffer (in terms of liquid assets) currently maintained by the Holding Company is sufficient to cater any adverse movement in cash flow maturity profile.

48.1.4 Equity investments

The KSE -100 index improved 7.4% YoY despite of COVID-19 uncertainties. The index corrected itself from its low of ~27,200 pts in March to end the year at ~43,800 pts; which reflected the rebound in confidence of market participants post the COVID-19 crash. Business reopening after lockdown, expected better corporate results and improved economic indicators in 2021 are anticipated to further push the index upward. The Market Risk Department is monitoring the equity position and believes that it has no impact on profit and loss account other than the amounts already provided in the books.

48.1.5 Foreign Exchange Risk

The currency remained largely stable compared to last year, depreciating by a measured ~3.2% to close at 159.83 - as compared to a depreciation of ~11.0% last year. This is mostly attributable to the improvement in the external account position, deferment of debt repayment to G20, and expected inflows with the launch of Roshan Digital Account. The exchange rate is expected to remain stable despite uncertainty around COVID-19. The Holding Company continuously monitors its Net Open Positions and believes that it has no significant impact on profit and loss account.

48.1.6 Operations

The Holding Company invoked required actions to ensure safety and security of staff and an uninterrupted service to our customers. The senior management of the Holding Company is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Holding Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using Virtual Private Network ("VPN") connections. Further, the Holding Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Holding Company is communicating with its customers on how they can connect with the Holding Company through its full suite of channels including digital and online channels. The Holding Company has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Holding Company continues to meet the expectations of their clients as they would in a normal scenario.

48.1.7 Capital Adequacy Ratio

During the year, to provide more headways for banks to focus on responding to the COVID 19 pandemic, the SBP relaxed the Capital Conversion Buffer (CCB) requirements for the banks to 1.5%, resulting in an overall CAR requirement of 11.5%. Furthermore, the regulatory limit for retail financings has also been increased by SBP to Rs. 180 million, which will now result in reduced Risk Weighted Assets (RWA) for some of its financings in this asset class. In addition to the measures by SBP, the senior management of the Holding Company is continuously monitoring the impacts of various decisions on the Holding Company's CAR and taking further lending decisions based on the overall impacts on RWA. The Holding Company also believes that at present it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

48.2 Credit Risk

The Holding Company 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, Diminishing Musharika, 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 Holding Company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analyzed as follows:

48.2.1 Due from financial institutions

Credit risk by public / private sector

	Gross Due from Financial Institutions		Non-performing Due from Financial Institutions		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Public / Government	-	-	-	-	-	-
Private	41,667,552	42,942,400	27,540	30,780	27,540	30,780
	41,667,552	42,942,400	27,540	30,780	27,540	30,780

48.2.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
----- 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	36,070,467	37,870,925	-	-	-	-
Financial	391,071	717,571	21,071	25,571	21,071	25,571
Services	67,897	67,898	67,898	67,898	67,897	67,897
Others	55,134,141	10,527,086	221,250	221,250	-	-
	92,250,799	49,770,703	897,442	901,942	621,191	625,691

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
----- Rupees in '000 -----						
Public / Government	90,413,927	48,074,226	-	-	-	-
Private	1,836,872	1,696,477	897,442	901,942	621,191	625,691
	92,250,799	49,770,703	897,442	901,942	621,191	625,691

48.2.3 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	
	2020	2019	2020	2019	2020	2019
----- Rupees in '000 -----						
Agriculture, Forestry, Hunting and Fishing	961,614	1,611,671	5,185	117,394	-	32,254
Textile	13,186,883	12,470,145	3,542,040	3,555,353	3,468,320	3,481,634
Chemical and Pharmaceuticals	900,317	1,531,234	817,373	787,386	786,979	786,979
Cement	2,011,013	2,799,427	657,045	665,170	453,523	457,585
Sugar	4,017,496	4,870,079	847,195	847,195	665,195	665,195
Footwear and Leather garments	184,402	1,142,161	2,459	2,459	2,459	2,459
Automobile and transportation equipment	943,228	966,193	112,470	101,872	100,359	100,737
Education	1,353,400	251,427	-	-	-	-
Electronics and electrical appliances	2,128,658	2,440,998	1,397,568	1,397,568	1,397,568	946,784
Construction	1,543,358	2,773,959	758,378	823,378	757,256	822,256
Power (electricity), Gas, Water & Sanitary	11,890,178	16,080,338	3,029	3,029	2,431	2,431
Wholesale and Retail Trade	5,724,940	4,373,493	2,082,827	1,883,832	1,763,381	1,725,941
Exports / Imports	260,756	263,704	32,586	39,586	32,586	25,205
Transport, Storage and Communication	369,722	399,248	165,353	141,828	115,419	141,828
Financial	369,312	465,140	240,400	240,400	240,189	240,189
Services	18,090,881	20,590,508	168,074	96,744	99,659	89,245
Individuals	32,180,544	29,935,293	3,189,014	2,948,294	1,759,444	1,604,440
Food and beverages	34,158,657	24,057,779	2,010,011	430,442	1,544,531	305,370
Packing and Paper products	601,145	545,079	13,000	13,000	13,000	13,000
Others	14,271,543	16,997,782	1,484,748	1,292,794	1,289,309	1,283,448
	145,148,047	144,565,658	17,528,755	15,387,724	14,491,608	12,726,980

Credit risk by public / private sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Provision held	
	2020	2019	2020	2019	2020	2019
----- Rupees in '000 -----						
Public / Government	52,494,757	44,274,327	-	-	-	-
Private	92,653,290	100,291,331	17,528,755	15,387,724	14,491,608	12,726,980
	145,148,047	144,565,658	17,528,755	15,387,724	14,491,608	12,726,980

48.2.4 Contingencies and Commitments	2020	2019
	----- Rupees in '000 -----	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	65,722	71,395
Textile	4,480,411	3,364,681
Chemical and Pharmaceuticals	89,032	134,464
Cement	2,041,238	363,362
Sugar	48,865	48,865
Footwear and Leather garments	120,900	-
Automobile and transportation equipment	2,117,699	2,101,069
Education	4,957	56,319
Electronics and electrical appliances	503,963	41,680
Production and transmission of energy	1,206,909	1,034,583
Construction	2,971,077	1,605,416
Power (electricity), Gas, Water & Sanitary	216,089	1,170,114
Wholesale and Retail Trade	2,020,837	6,769,630
Exports / Imports	221,253	140,688
Transport, Storage and Communication	663,428	337,043
Financial	81,155	129,098
Services	781,934	1,081,363
Individuals	142,961	178,945
Food and beverages	1,307,503	730,726
Manufacturing	1,792,582	1,019,086
Packing and Paper products	103,622	58,537
Others	1,019,167	6,215,014
	22,001,304	26,652,078
Credit risk by public / private sector		
Public / Government	1,457,024	1,981,189
Private	20,544,280	24,670,889
	22,001,304	26,652,078

48.2.5 Concentration of Financing

The Holding Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 67,428.914 million (2019: Rs. 65,016.591 million) are as following:

	2020	2019
	----- Rupees in '000 -----	
Funded	62,136,283	55,977,491
Non Funded	5,292,631	9,039,100
Total Exposure	67,428,914	65,016,591

The sanctioned limits against these top 10 exposures aggregated to Rs. 76,840 million (2019: Rs. 69,764 million)

48.2.6 Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	----- Rupees in '000 -----			
OAEM	149,428	-	525,244	-
Substandard	485,371	34,915	695,454	76,698
Doubtful	1,947,553	536,216	1,904,229	821,090
Loss	14,946,403	13,920,477	12,262,797	11,829,192
Total	17,528,755	14,491,608	15,387,724	12,726,980

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

48.2.7 Financing - Province / Region-wise Disbursement & Utilization

Province / Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000						
Punjab	65,836,547	65,836,547	-	-	-	-	-
Sindh	63,238,832	-	63,238,832	-	-	-	-
KPK including FATA	373,862	-	-	373,862	-	-	-
Balochistan	138,488	-	-	-	138,488	-	-
Islamabad	4,374,697	-	-	-	-	4,374,697	-
AJK including Gilgit-Baltistan	43,584	-	-	-	-	-	43,584
Total	134,006,010	65,836,547	63,238,832	373,862	138,488	4,374,697	43,584

Province / Region	2019						
	Disbursements	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

48.3 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 Holding Company 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 Holding Company to estimate changes in the value of the portfolio, if exposed to various risk factors.

Moreover, since the Holding Company does not deal in interest based products, the impact of the above risks will be very minimal. The Holding Company 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.

48.3.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	22,034,025	-	22,034,025	14,640,163	-	14,640,163
Balances with other banks	12,310,472	-	12,310,472	1,880,592	-	1,880,592
Due from financial institutions	41,640,012	-	41,640,012	42,911,620	-	42,911,620
Investments	95,622,282	-	95,622,282	55,806,907	-	55,806,907
Islamic financings, related assets & advances	129,971,889	-	129,971,889	131,619,725	-	131,619,725
Fixed assets	11,721,873	-	11,721,873	12,717,885	-	12,717,885
Intangible assets	3,155,509	-	3,155,509	3,148,805	-	3,148,805
Deferred tax assets	5,699,800	-	5,699,800	5,566,768	-	5,566,768
Other assets	13,637,939	-	13,637,939	14,656,497	-	14,656,497
Non-current assets held for sale	2,146,789	-	2,146,789	1,515,051	-	1,515,051
	337,940,590	-	337,940,590	284,464,013	-	284,464,013

48.3.2 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 Holding Company 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 Holding Company to foreign exchange risk. To control this risk, the Holding Company primarily uses notional principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Holding Company. The Holding Company also strictly adheres to all associated regulatory limits.

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

	2020			Net foreign currency exposure	2019			Net foreign currency exposure
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items		Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	
	Rupees in '000							
Pakistan Rupee	319,982,309	309,025,182	9,404,748	19,743,968	277,226,117	256,807,187	1,162,379	21,581,309
United States Dollar	16,654,118	7,046,498	(9,435,134)	172,486	6,249,108	6,180,314	(1,192,765)	(1,123,971)
Great Britain Pound	591,273	584,261	-	7,012	386,007	411,042	-	(25,035)
Japanese Yen	17,725	48	-	17,677	7,347	44	-	7,303
Euro	581,385	750,038	30,386	(138,267)	512,759	594,308	30,386	(51,163)
UAE Dirham	26,856	8,782	-	18,074	8,894	7,548	-	1,346
Asian Currency Unit	67,413	-	-	67,413	34,107	-	-	34,107
Swiss Franc	2,680	-	-	2,680	1,217	-	-	1,217
Chinese Yuan	1,913	-	-	1,913	1,854	-	-	1,854
Australian Dollar	6,868	1,994	-	4,874	2,868	1,755	-	1,113
Saudi Riyal	7,727	6,076	-	1,651	33,329	3,848	-	29,481
Canadian Dollar	223	4,629	-	(4,406)	285	4,451	-	(4,166)
Turkish Lira	100	-	-	100	121	-	-	121
	337,940,590	317,427,508	-	19,895,175	284,464,013	264,010,497	-	20,453,516

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account		(1,512)	11,278	-
- Other comprehensive income		-	-	-

48.3.3 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.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account		-	-	-
- Other comprehensive income		16,755	13,920	-

48.4 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 Holding Company believes that prudence should be lived and breathed through the organizational culture.

At a more formal level, the Holding Company 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 Holding Company'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.

48.4.1 Operational Risk-Disclosures Basel II Specific

The Holding Company 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 Holding Company over the past three years with 15% as per guidelines issued by State Bank of Pakistan.

To reduce losses arising from operational risk, the Holding Company 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.

48.5 Liquidity Risk

Liquidity risk is the potential loss to the Holding Company 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 Holding Company's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Holding Company's activities and in the management of its assets. The Holding Company 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.

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 Holding Company which requires Holding Company to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days period. As of December 31, 2020, Holding Company's LCR stood at 213.64% 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, 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 placement for stop gap funding arrangements but same is less preferred source of liquidity. Within acceptance, sources of funding are also diversified to minimize concentration. Usually interbank placement is for short term. The Holding Company follows centralized funding strategy so as to ensure achievement of strategic and business objectives of the Holding Company.

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, the Holding Company 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 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 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. The Holding Company has taken Cash & treasury balances, Investments in Government of Pakistan 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 Holding Company has been continuously improving upon its ratio of core deposits. Current and Saving accounts consist of 63.52% of total deposits, term deposits are 36.48% and acceptance from SBP and financial institutions is 5.72% 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 2.97% of the Holding Company 's total deposits.

48.5.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Holding Company

2020

	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	22,034,025	-	-	-	-	-	-	-	-	-
Balances with other banks	12,310,472	12,310,472	-	-	-	-	-	-	-	-
Due from financial institutions	41,640,012	28,508,452	11,634,430	1,497,130	-	-	-	-	-	-
Investments	95,622,282	1,216,449	-	-	405,816	10,305,836	-	45,159,831	37,906,408	627,942
Islamic financing, related assets and advances	129,971,889	28,842,777	11,445,054	24,777,628	4,442,523	3,618,422	6,883,782	15,885,732	22,366,896	11,709,075
Fixed assets	11,721,873	2,822	5,599	9,069	831,731	241,466	374,756	1,738,456	1,860,291	6,657,683
Intangible assets	3,155,509	-	1,650	31,275	56,400	17,103	14,799	89,985	-	2,944,297
Deferred tax assets	5,699,800	-	-	-	206,137	1,188,337	441,480	3,863,846	-	-
Other assets	13,637,939	2,577,527	4,666,955	2,942,019	1,025,372	-	-	50,000	-	-
Non-current assets held for sale	2,146,789	-	-	-	2,146,789	-	-	-	-	2,376,066
	337,940,590	95,492,524	27,753,688	29,257,121	9,114,768	15,371,164	7,714,817	66,787,850	62,133,595	24,315,063
Liabilities										
Bills payable	4,949,486	4,949,486	-	-	-	-	-	-	-	-
Due to financial institutions	16,127,616	-	6,422,800	1,499,750	34,933	2,805,692	769,295	3,375,410	-	1,219,736
Deposits and other accounts	281,311,349	41,780,604	34,186,649	22,450,387	27,820,810	14,407,168	16,442,545	26,607,400	51,986,402	45,629,384
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	-	2,000,000
Other liabilities	11,343,041	2,836,963	778,362	2,478,285	585,019	3,443,873	227,486	993,053	-	-
Liabilities classified as held for sale	1,696,016	-	-	-	1,696,016	-	-	-	-	-
	317,427,508	49,567,053	41,387,811	26,428,422	30,136,778	20,656,733	17,439,326	30,975,863	51,986,402	48,849,120
Net assets	20,513,082	45,925,471	(13,634,123)	2,828,699	(21,022,010)	(5,285,569)	(9,724,509)	35,811,987	10,147,193	(24,534,057)
Share capital- net	11,007,991	-	-	-	-	-	-	-	-	-
Reserves	1,526,894	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	4,734,999	-	-	-	-	-	-	-	-	-
Unappropriated profit	3,026,358	-	-	-	-	-	-	-	-	-
Non controlling interest	216,840	-	-	-	-	-	-	-	-	-
	20,513,082	45,925,471	(13,634,123)	2,828,699	(21,022,010)	(5,285,569)	(9,724,509)	35,811,987	10,147,193	(24,534,057)

2019

	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	14,640,163	-	-	-	-	-	-	-	-	-
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, related assets and advances	131,619,725	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	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	-	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	-
Non-current assets held for sale	1,515,051	-	-	-	-	-	-	-	1,515,051	-
	284,464,013	53,707,590	46,749,647	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	2,562,000	1,195,000	1,000,000	-	-	-	3,086,794	-	-
Deposits and other accounts	228,556,897	19,452,392	10,800,952	20,577,737	11,581,652	4,163,810	1,041,213	56,847	-	-
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	4,433,931	676,837	3,751,674	206,861	1,453,081	-	-	-
	264,010,497	174,580,534	22,713,891	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	-	-	-	-	-	-	-	-	-
	20,453,516	-	-	-	-	-	-	-	-	-

48.5.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Holding Company

	2020								
	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
Total									
----- Rupees in '000 -----									
Assets									
Cash and balances with treasury banks	22,034,025	-	-	-	-	-	-	-	-
Balances with other banks	12,310,472	-	-	-	-	-	-	-	-
Due from financial institutions	41,640,012	11,634,430	1,497,130	-	-	-	-	-	-
Investments	95,622,282	1,216,449	-	405,816	10,305,836	-	45,159,831	37,906,408	627,942
Islamic financing and related assets and advances	129,971,889	28,842,777	24,777,628	4,442,523	3,618,422	6,883,782	15,885,732	22,366,896	11,709,075
Fixed assets	11,721,873	2,822	9,069	831,731	241,466	374,756	1,738,456	1,860,291	6,657,683
Intangible assets	3,155,509	-	31,275	56,400	17,103	14,799	89,985	-	2,944,297
Deferred tax assets	5,699,800	-	-	206,137	1,188,337	441,480	3,863,846	-	-
Other assets	13,637,939	2,577,527	2,942,019	1,025,372	-	-	50,000	-	2,376,066
Non-current assets held for sale	2,146,789	-	-	2,146,789	-	-	-	-	-
	337,940,590	95,492,524	27,753,688	9,114,768	15,371,164	7,714,817	66,787,850	62,133,595	24,315,063
Liabilities									
Bills payable	4,949,486	-	-	-	-	-	-	-	-
Due to financial institutions	16,127,616	6,422,800	1,499,750	34,933	2,805,692	769,295	3,375,410	-	1,219,736
Deposits and other accounts	281,311,349	34,196,649	22,450,387	27,820,810	14,407,168	16,442,545	26,607,400	51,986,402	45,629,384
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	2,000,000
Other liabilities	11,343,041	778,362	2,478,285	585,019	3,443,873	227,486	993,053	-	-
Liabilities classified as held for sale	1,696,016	-	-	1,696,016	-	-	-	-	-
	317,427,508	49,557,053	41,397,811	30,136,778	20,656,733	17,439,326	30,975,863	51,986,402	48,849,120
Net assets	20,513,082	45,935,471	(13,644,123)	2,828,699	(21,022,010)	(9,724,509)	35,811,987	10,147,193	(24,534,057)
Share capital-net	11,007,991								
Reserves	1,526,894								
Surplus on revaluation of assets	3,026,358								
Unappropriated profit	4,734,999								
Non controlling interest	216,840								
	20,513,082								

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
Non-current assets 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										
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	-	-	-	-	-	-	-	-	-
	20,453,516	-	-	-	-	-	-	-	-	-

48.6 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.

48.7 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.

48.8 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.

48.9 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, 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 These consolidated financial statements are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.






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

49.4 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassification to report during the year.

50 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on March 03, 2021 by the Board of Directors of the Holding Company.

				
PRESIDENT / CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF IN RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020

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					
1	2	3	4	5	6	7	8	9	10	11	12
1	Chaudhry Steel Re-Rolling Mills Ltd 79, Peco Road, Badami Bagh, Lahore	1) Ch. M. Shafique 2) Sarwar Sultana 3) M. Khalid Pervaiz	1) Ch. Noor Muhammad 2) Ch. Muhammad Shafique 3) Abdal Rahim	54,657	9,120	-	63,777	-	9,120	-	9,120
2	M. Iqbal & Sons House No. 15, St. 16, F-7/2 Islamabad	Proprietor Shahzad Iqbal	Muhammad Iqbal Khan	1,000	792	-	1,792	-	792	-	792
3	Ishaq Jamil & Co; 23, Trust Plaza, Model Town, Gujranwala	Sheikh Muhammad Ilyas	Haji Sheikh Muhammad Ishaq	12,946	2,105	-	15,051	-	2,105	-	2,105
4	Gaffar Associates, Channi Bazar, Kahuta, District, Rawalpindi	Reza Arshad Mehmood	Reza Gulzar Ali	2,890	1,998	-	4,888	-	1,998	-	1,998
5	Pzarchia Corporation, A/58 Z Ground Floor, Near Alfalah Bank Building siddar Road, Rawalpindi	Amjad Altaf	Altaf Hussain	15,000	1,146	2,682	18,827	-	1,146	2,682	3,828
6	Bilal Ahmed House no 80 sector F phase 8 sector F- street 39 safari homes habria town Rawalpindi.	Bilal Ahmed	Jamshed Ahmed	270	749	-	1,019	-	719	-	719
7	Ibrahim House No. C-51, 15th commercial street phase 2 DHA, Karachi.	Ibrahim 42201-9478630-3	Fateh Muhammad Arain	13,994	14,866	-	28,860	-	14,866	-	14,866
8	M. Khalid Rajput House # 727, Block-B, Latifabad & House # 196, Block-B, Latifabad Hyderabad	M. Khalid Rajput 413045988239	Muhammad Hussain	1,691	3,500	-	5,191	-	3,390	-	3,390
9	Swiss Embroidery, Gulberg-II, X, Lahore.	Marrim Altaf 3520224191578	Aftab Ahmed Shaikh	7,241	10,382	-	17,623	-	10,234	-	10,234
10	Marrim Altaf Flat No. 4, Plot No. 112-B, Block-B Near Royalton Event Complex, Sherpa, Lahore	Marrim Altaf 3520224191578	Aftab Ahmed Shaikh	6,698	2,150	-	8,848	-	1,883	-	1,883
11	Nawazish Ali Awan House # 60, Block H-1, Phase I, WAPDA Employees Co-Operative Housing Society Ltd, Lahore.	Nawazish Ali Awan 3410124215627	Muhammad Jamil	11,808	1,506	226	13,540	-	1,506	226	1,732
12	Nawazish Ali Awan Plot # 12, Block-B, Muhammad Ali Johar Town Scheme, Lahore	Nawazish Ali Awan 3410124215627	Muhammad Jamil	24,250	3,888	752	28,890	-	3,888	752	4,640
13	Wishno Mal & Mrs Teena Flat # 201, Measuring 2150 Sq.Fts, 2nd Floor, Plot No. 10, Sheet No. FT-1, Feroz Town Quarters, Karachi.	Wishno Mal & Mrs Teena 4540287287175	Jaiso Mal	19,619	1,044	127	20,790	-	1,042	127	1,169
14	Muhammad Mikaeel Sequeira House # 829, Street # 13, Sector G-11/1, Near Abu Bakr Market, Islamabad.	Muhammad Mikaeel Sequeira 6110195994803	Victor Paul Sequeira	17,771	2,425	398	20,594	-	2,404	398	2,802
15	Fawad Anwar Lodhi & Nanjis Flat # 906, 9th Floor, Euro Regent Park, Plot # D-1, Block-F, KDA Scheme # 2, North Nazimabad, Near Saftee Hospital, Karachi.	Fawad Anwar Lodhi & Nanjis 4210118541427	Anullah Khan Lodhi	3,500	583	187	4,270	-	458	187	645
16	Khalid Salar Butt &/or Waleed Salar House # 19, Street # 11, Eden Palace Villas, Rawand Road, Lahore.	Khalid Salar Butt &/or Waleed Salar 3460114882199	Muhammad Bashir	7,702	1,099	322	9,123	-	949	322	1,271
17	Samina Fatima House # 38/II, 11th Commercial Street, Phase - IV, DHA, Karachi.	Samina Fatima 4220190011382	Syed Hyder Inaam	28,988	2,604	279	31,871	-	1,882	279	2,161
			TOTAL:	230,024	59,881	4,973	294,878	-	58,382	4,973	63,355

* 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 areas follows:

Asset description	Asset Cost	Accumulated depreciation	WDV	Rupees in '000		Gain/(loss) on disposal	Mode of disposal	Particulars of Buyer
				Sale proceeds	Disposal			
Office Equipment	1,285	1,285	-	106	106		Tender	Adnan Traders
Office Equipment	1,285	1,285	-	106	106		Tender	Adnan Traders
Vehicles	3,599	3,062	536	3,064	2,527		Tender	Imran Ibrahim
Building	19,618	1,227	18,391	19,000	609		Tender	Ms. Rukeya
Building	33,700	1,869	31,831	200,000	1,769		Tender	Altaf Hussain Agha
Land	166,400	-	166,400	15,120	-		Tender	Altaf Hussain Agha
Land	15,120	-	15,120	15,120	-		Tender	Saud Rasheed
Computer Hardware	835	327	508	379	(129)		Tender	UBL Insurance
Total	241,842	9,055	232,786	237,775	4,988			

Pattern of Shareholdings

AS AT DECEMBER 31, 2020

No. of Shareholders	Shareholdings' Slab			Total Shares Held
614	1	to	100	13,780
14479	101	to	500	6,886,066
3114	501	to	1000	2,354,769
1752	1001	to	5000	3,487,191
249	5001	to	10000	1,998,880
84	10001	to	15000	1,058,531
67	15001	to	20000	1,267,910
50	20001	to	25000	1,187,596
31	25001	to	30000	892,282
25	30001	to	35000	831,383
20	35001	to	40000	778,247
9	40001	to	45000	395,990
34	45001	to	50000	1,696,400
7	50001	to	55000	378,000
4	55001	to	60000	235,656
4	60001	to	65000	253,639
8	65001	to	70000	539,904
3	70001	to	75000	221,000
5	75001	to	80000	390,500
7	80001	to	85000	581,950
3	85001	to	90000	270,000
3	90001	to	95000	276,900
19	95001	to	100000	1,891,614
1	100001	to	105000	101,983
4	105001	to	110000	433,202
3	110001	to	115000	338,500
3	115001	to	120000	359,913
4	120001	to	125000	494,873
3	130001	to	135000	392,829
1	135001	to	140000	139,392
2	140001	to	145000	286,000
5	145001	to	150000	745,500
3	150001	to	155000	455,798
2	155001	to	160000	318,000
1	165001	to	170000	170,000
3	185001	to	190000	565,937
2	190001	to	195000	387,500
10	195001	to	200000	2,000,000
1	200001	to	205000	203,000
1	220001	to	225000	222,500
1	225001	to	230000	229,053

No. of Shareholders	Shareholdings' Slab			Total Shares Held
1	230001	to	235000	232,000
6	245001	to	250000	1,498,500
2	255001	to	260000	516,050
1	265001	to	270000	268,000
1	270001	to	275000	274,000
3	295001	to	300000	898,500
1	310001	to	315000	315,000
1	315001	to	320000	318,100
1	325001	to	330000	328,500
1	330001	to	335000	335,000
4	345001	to	350000	1,400,000
1	355001	to	360000	359,000
2	365001	to	370000	734,051
3	395001	to	400000	1,200,000
2	415001	to	420000	838,000
1	420001	to	425000	425,000
1	455001	to	460000	455,850
1	475001	to	480000	475,175
8	495001	to	500000	3,999,600
1	515001	to	520000	519,900
1	520001	to	525000	525,000
2	530001	to	535000	1,063,505
1	550001	to	555000	551,000
1	595001	to	600000	600,000
1	640001	to	645000	645,000
1	695001	to	700000	700,000
1	725001	to	730000	725,150
1	765001	to	770000	768,500
1	830001	to	835000	831,462
1	865001	to	870000	865,500
1	870001	to	875000	871,500
1	895001	to	900000	900,000
1	930001	to	935000	930,177
1	970001	to	975000	973,000
3	995001	to	1000000	3,000,000
1	1040001	to	1045000	1,043,000
2	1095001	to	1100000	2,200,000
1	1115001	to	1120000	1,119,800
1	1135001	to	1140000	1,139,500
2	1150001	to	1155000	2,301,500
1	1250001	to	1255000	1,250,500
1	1395001	to	1400000	1,400,000
1	1495001	to	1500000	1,500,000
1	1910001	to	1915000	1,910,600
1	2175001	to	2180000	2,176,000

No. of Shareholders	Shareholdings' Slab			Total Shares Held
1	2465001	to	2470000	2,465,476
1	2635001	to	2640000	2,635,500
2	2995001	to	3000000	6,000,000
1	3045001	to	3050000	3,050,000
1	3240001	to	3245000	3,243,281
1	3995001	to	4000000	4,000,000
1	4075001	to	4080000	4,080,000
1	4095001	to	4100000	4,100,000
1	4410001	to	4415000	4,414,399
1	4860001	to	4865000	4,861,000
1	4955001	to	4960000	4,958,500
1	4995001	to	5000000	5,000,000
1	5700001	to	5705000	5,702,050
1	5995001	to	6000000	6,000,000
1	6175001	to	6180000	6,175,500
1	6265001	to	6270000	6,266,100
1	6600001	to	6605000	6,603,975
1	6900001	to	6905000	6,905,000
1	7045001	to	7050000	7,045,200
1	7195001	to	7200000	7,197,500
1	7200001	to	7205000	7,203,637
1	7250001	to	7255000	7,255,000
1	7765001	to	7770000	7,770,000
1	8995001	to	9000000	9,000,000
1	9565001	to	9570000	9,568,500
1	13330001	to	13335000	13,332,705
1	13495001	to	13500000	13,500,000
1	15875001	to	15880000	15,876,127
1	17385001	to	17390000	17,386,781
1	17875001	to	17880000	17,875,500
1	50290001	to	50295000	50,293,194
1	59020001	to	59025000	59,023,638
1	99020001	to	99025000	99,023,638
1	144200001	to	144205000	144,200,144
1	219890001	to	219895000	219,893,560
1	235680001	to	235685000	235,684,306
20750				1,108,703,299

Category Wise List of Shareholders

AS AT DECEMBER 31, 2020

Categories of Shareholders	Share holders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
ALI HUSSAIN	1	219,893,560	19.83
SIRAJ AHMED DADABHOY	1	5,500	0.00
SULAIMAN SADRUDDIN MEHDI	1	1,000	0.00
HAIDER ALI HILALY	1	1,000	0.00
Dr. AMJAD WAHEED	1	550	0.00
SYED ALI HASHAM	1	501	0.00
Dr. LALARUKH EJAZ	1	500	0.00
SUB-TOTAL	7	219,902,611	19.83
ASSOCIATED COMPANIES, UNDERTAKINGS AND REALATED 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	59,023,638	5.32
SAJ CAPITAL MANAGEMENT LTD	1	50,293,194	4.54
SUB-TOTAL	5	588,224,920	53.06
EXECUTIVES	1	92,400	0.01
PUBLIC SECTOR COMPANIES AND CORPORATIONS	2	5,000,190	0.45
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS	15	15,793,439	1.42
MUTUAL FUNDS			
CDC - TRUSTEE UTP GROWTH FUND	1	250	0.00
CDC - TRUSTEE MEEZAN BALANCED FUND	1	831,462	0.07
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	3,050,000	0.28
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	4,861,000	0.44
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	7,197,500	0.65
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	1,910,600	0.17
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	455,850	0.04
MC FSL - TRUSTEE JS GROWTH FUND	1	400,000	0.04
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	200,000	0.02
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	768,500	0.07
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	200,000	0.02
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	1	368,000	0.03
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	50,000	0.00
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	1	100,000	0.01
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	645,000	0.06
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	500,000	0.05
MCBFSL - TRUSTEE AKD ISLAMIC STOCK FUND	1	1,119,800	0.10
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	1	69,500	0.01
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	1	318,100	0.03
SUB-TOTAL	19	23,045,562	2.08

Categories of Shareholders	Share holders	Shares Held	Percentage
GENERAL PUBLIC			
a. LOCAL	20,509	193,065,078	17.41
b. FOREIGN	18	4,248,332	0.38
FOREIGN COMPANIES	1	5,702,050	0.51
OTHERS	173	53,628,717	4.84
TOTALS	20,750	1,108,703,299	100.00

Share holders holding 5% or more	Shares Held	Percentage
ALI HUSSAIN	219,893,560	19.83
JAHANGIR SIDDIQUI & CO.LTD.	235,684,306	21.26
DUBAI BANK PJSC	144,200,144	13.01
SHABIR AHMED RANDEREE	99,023,638	8.93
AHMED G. M. RANDEREE	59,023,638	5.32

Notice Of Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Tuesday, March 30, 2021 at 10:30 AM to transact the following business. The meeting will be held via Zoom and shareholders are encouraged to attend the meeting via Zoom facility. Shareholders who elect to attend the AGM in person can assemble at 10th Floor Progressive Square, Shahra-e-Faisal, Karachi.

ORDINARY BUSINESS

1. To confirm (a) minutes of the 16th Annual General Meeting of the Bank held on March 25, 2020; (b) Minutes of Extraordinary General Meeting of the Bank held on May 07, 2020 and (c) Minutes of Extraordinary General Meeting of the Bank held on February 11, 2021.
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, 2020 together with the Auditors' and Directors' Report and Chairman's Review thereon.
3. To appoint Auditors of the Bank for the year ending December 31, 2021 and to fix their remuneration. KPMG Taseer Hadi & Co., Chartered Accountants, offer themselves for appointment as auditors for the year ending December 31, 2021.

SPECIAL BUSINESS

4. **To consider and, if thought fit, to pass the following resolutions, with or without modification, as Ordinary Resolutions:**

RESOLVED THAT approval of the Members of BankIslami be and is hereby accorded in terms of Section 183 of the Companies Act and other applicable legal provisions, and BankIslami be and is hereby authorized to dispose-off 77,117,500 shares in BIPL Securities Limited ('BIPLS'), representing 77.12% of the issued and paid up ordinary share capital of BIPLS and 100% of BankIslami's shareholding in BIPLS, to M/s. AKD Securities Limited for a total consideration of PKR 663,210,500/- (Pakistani Rupees Six Hundred and Sixty Three Million, Two Hundred and Ten Thousand and Five Hundred Only), calculated at a value of PKR 8.60 per share, subject to completion of the tender process and receipt of all regulatory approvals, including the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Competition Commission of Pakistan and/or any other relevant authority.

FURTHER RESOLVED THAT the any two of (i) President & Chief Executive, (ii) Chief Financial Officer and (iii) Company Secretary (the "Authorized Representatives") of the Bank, be and are hereby jointly (any two)empowered and authorized to take all steps, necessary, ancillary and incidental to the above, and are further authorized to sign, execute and deliver all necessary documents, agreements and letters on behalf of the Bank including filing of applications to the regulators or authorities (including the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Competition Commission of Pakistan), as may be deemed appropriate and as may be required for the purposes of abovementioned resolution."

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.

Venue of Annual General Meeting (AGM) and Participation of Shareholders through Electronic means:

In the wake of the current situation related to Corona virus and in the light of the relevant guidelines issued by Securities & Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange Limited, vide their Circular no. 5 of 2020 dated March 17, 2020 and Circular no. PSX/N-372 dated March 19, 2020 and SECP Circular No. 4 of 2021 dated February 15, 2021 respectively, the following arrangements have been made by the Bank for the participation of Shareholders:

- The Directors/Management of the Bank will be present at the Bank’s Registered Office at 11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton Block-4, Karachi, to coordinate with the shareholders and consolidate the proxies to ensure the quorum.
- 10th Floor Progressive Square, Shakra-e-Faisal, Karachi will be the venue for the shareholders who elect to attend the meeting physically. As per SECP instructions given in the Circular No. 4 of 2021 dated February 15, 2021 shareholders who intends to participate physically in the general meeting will be allowed to participate keeping in view the COVID-19 related SOP's issued by the Provincial and / or the Federal Government.
- The Shareholders are encouraged to participate in the AGM through Zoom facility organized by the Bank. In order to attend the AGM through Zoom facility, the shareholders are requested to get themselves registered with the Company Secretary at least 24 hours before the time of AGM at the following e-mail address: agm2021@bankislami.com.pk
- The shareholders are requested to provide the information as per below format. The details of the Zoom facility will be sent to the shareholders on the email address provided in the below table:

Sr. No.	Name of the shareholder	CNIC Number	Folio Number	Cell Number	Email address

The login facility will be opened at 10:15 A.M. on 30-03-2021 enabling the participants to join the proceedings which will start at 10:30 A.M. sharp.

By order of the Board



Muhammad Shoaib
Company Secretary

Dated: March 09, 2021

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 30, 2021.

Disposal of BIPL Securities Limited:

BIPL Securities Limited ('BIPLS') is a subsidiary of the Bank, holding 77.12% shares of BIPLS. BIPLS was incorporated on October 24, 2000 under the repealed Companies Ordinance, 1984 (replaced now with Companies Act, 2017) and commenced its operations effective January 1, 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). BIPLS is licensed as a brokerage company by the Securities and Exchange Commission of Pakistan and provides brokerage services in respect of equities, money market, forex and commodities, forex services corporate finance and advisory services, and research services.

The Board of Directors of the Bank, subject to the provisions of Section 183 of the Companies Act, 2017 and all other applicable provisions of the law, approved the disposal of BIPLS and the process of due diligence of the disinvestment and sale of BIPLS. After conducting extensive due diligence process and running a competitive bidding process in which three parties had participated, M/s AKD Securities Limited being the highest bidder has been selected as the potential buyer for the purposes of the sale transaction. M/s AKD Securities Limited has a market leading position in brokerage and investment banking activities. It is a TREC holder of the PSX and a pioneer in online brokerage trading.

M/s AKD Securities Limited, a leading brokerage company, has, by virtue of the share purchase agreement executed with the Bank, agreed to purchase the Bank's entire shareholding (i.e. 77.12% shares) in BIPLS for a total consideration of PKR 663,210,500/- (*Pakistani Rupees Six Hundred and Sixty Three Million, Two Hundred and Ten Thousand and Five Hundred Only*) calculated at a per share price of PKR 8.60, subject to applicable corporate and regulatory consents and approvals, including that of the Members, the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Competition Commission of Pakistan. Insofar as M/s. AKD Securities Limited will be acquiring more than fifty (50%) percent of BIPLS (a listed company), the sale of the Bank's shares will only be consummated after M/s. AKD Securities Limited has conducted a tender offer in accordance with applicable laws.

Other Considerations

The Directors of the Bank have undertaken that they have carried out necessary due diligence process for the proposed divestment before making recommendation for approval of the Members. In this regard, the Bank appointed a professional firm, M/s KPMG Taseer Hadi & Co. as an adviser to conduct valuation of BIPLS, and identify interested parties. A duly signed recommendation of the due diligence report shall be made available for inspection for members in the AGM along with the latest financial statements of BIPLS. Members who would be joining through Zoom facility may request the copies by sending an email at agm2021@bankislami.com.pk.

The Directors of the Bank have no personal interest in above business, save to the extent of their respective shareholding in the Bank and payment of remuneration.

Following is the present shareholding of the Directors of BankIslami Pakistan Limited:

Shares held by Directors and their Spouses of BankIslami Pakistan Limited	As at December 31, 2020
Mr. Ali Hussain*	219,893,560
Dr. Amjad Waheed	550
Mr. Sulaiman Sadruddin Mehdi	1,000
Mr. Haider Ali Hilaly	1,000
Dr. Lalarukh Ejaz	500
Mr. Syed Ali Hasham	501
Mr. Siraj Dadabhoy	5,500
Mr. Syed Amir Ali	-

*Mr. Ali Hussain is beneficial owner of SAJ Capital Management Limited, which holds 50,293,194 shares in BankIslami Pakistan Limited.

The Board of Directors of the Bank have confirmed that the proposed sale of BIPLS is in line with the applicable provisions of the law and regulatory framework. The decision was taken purely on commercial considerations.

Material Facts covering the sale of BIPLS as required under S.R.O. 423(I)/2018 dated April 03, 2018 issued by the Securities & Exchange Commission of Pakistan ("SECP") are as under:

i)	Name of the subsidiary:	BIPL Securities Limited ('BIPLS')
ii)	Cost and book value of investment in subsidiary:	As at September 30, 2020: Cost: PKR 2,395.937 million Net Book Value: PKR 522.801 million
iii)	Total market value of subsidiary based on value of the shares of the subsidiary company: • In case of listed subsidiary company: quoted price of shares of subsidiary on day of decision of the board for disposal • in case of unlisted subsidiary: value determined by a registered valuer, who is eligible to carry out such valuation along with name of the valuer	As at April 24, 2019: Market value per share: PKR 3.83/- Market value of 77,117,500 shares: PKR 295,360,025/-
iv)	Net worth of subsidiary as per latest audited financial statements and subsequent interim financial statements, if available:	Net worth of 77.12% shares As at December 31, 2020: PKR 603,212 million As at September 30, 2020: PKR 599.990 million As at December 31, 2019: PKR 580.999 million
v)	Total consideration for disposal of investment in subsidiary, basis of determination of the consideration and its utilization:	PKR 663.211 million. Price determined on the basis of highest bid submitted as part of the bidding process and in light of due diligence and quoted price. Further, it will provide additional liquidity to the Bank for the utilization in other profitable business avenues.

vi)	Quantitative and qualitative benefits expected to accrue to the members:	<p>The proposed sale of subsidiary will help the Bank in strengthening its capital base.</p> <p>Further, it will provide additional liquidity to the Bank for the utilization of other profitable business avenues.</p> <p>Further, the Shariah Board of the Bank has advised to dispose-off BIPLS as the large portion of revenue of BIPLS comprises of revenue earned from dealing in shares/securities and other brokerage activities which are not in compliance with Shariah rules. Hence, the subject sale will resolve the observation by the Shariah Board of the Bank.</p>
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BIPLS Securities has a subsidiary, Structure Venture (Private) Limited (SVPL), who has given advance of Rs.375 million to Noor Developers (Pvt) Ltd (NDPL), against purchase of property which was being developed as a housing scheme. NDPL issued provisional booking to SVPL but then cancelled. Mr. Arif Ali Shah Bukhari is majority shareholder of NDPL. Therefore, SVPL filed Suit No. 1087/2015 against NDPL, Mr. Bukhari & others. This is Suit for specific performance, declaration, injunction, partition and damages in the Sindh High Court. In addition, SVPL filed a criminal complaint against NDPL with NAB.

In response to the above mentioned Suit & complaint with NAB, Mr. Bukhari & NDPL has filed Suit No. 714/2018 against BIPL Securities & others. This Suit is basically a counterblast to the above said civil and criminal proceedings initiated by SVPL against NDPL and Mr. Bukhari. The Suit 714/2018 is inter-alia for cancellation of the Sale Agreement of afore stated property and for recovery of Rs. 275 million along with special damages of Rs. 4.355 billion and general damages of Rs. 4 billion. Subsequently, Mr. Bukhari filed Suit No.1829 of 2019 against BIPLS and Pakistan Stock Exchange alleging that BIPLS has not disclosed Suit No.714 as contingent liability in its financials, since required in terms of IAS 37. In the Suit No.1829, the Honourable Court ordered on 24.02.2020 that BIPLS must comply with all the formalities of the relevant laws. Furthermore, the Honourable Court has ordered on 2nd March, 2021 that the matter of sale of shares of BIPLS is to be placed in the meeting of the Board of Directors of BankIslami Pakistan Limited and the AGM subject to disclosure of pendency of Suit No.1829 & Suit No.714 again in the meeting of Board of Directors to be held and in subsequent meetings also.

The matter is therefore, hereby disclosed, as such.

Notes:

- 1 The Members' Register will remain closed from March 24, 2021 to March 30, 2021 (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, 2020 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.

پراکسی کی تقرری

- i- انفرادی صورت میں کھاتہ دار یا ذیلی کھاتہ دار یا وہ شخص جس کی گروپ کھاتہ میں سیکورٹیز جمع ہوں اور اس کی رجسٹریشن کی تفصیلات شرائط کے مطابق اپ لوڈ کی گئی ہوں، نمائندے کی نامزدگی کا فارم اوپر بیان کردہ لوازمات کے مطابق جمع کرائے گا۔
- ii- فارم پر دو افراد کی گواہی لازمی ہے جن کے نام، پتہ اور شناختی کارڈ نمبر فارم پر لازمی درج ہونا چاہیے
- iii- جینی فیشل اونرز اور پراکسی کی تصدیق شدہ قومی شناختی کارڈ / سہارٹ کارڈ یا پاسپورٹ کی تصدیق شدہ نقول پراکسی فارم کے ہمراہ جمع کرائی جائیں گی۔
- iv- پراکسی اجلاس کے وقت اپنا اصل شناختی کارڈ یا پاسپورٹ پیش کرے گا
- v- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / عہد نامہ نمونہ دستخط بینک کے پراکسی فارم کے ہمراہ جمع کرائی جائے گی۔

5- حصص یافتگان سے درخواست ہے کہ اپنے رجسٹرڈ ڈاک کے پتے میں کسی تبدیلی کے متعلق کمپنی کے شیئرز رجسٹری ڈی وی ڈی سی شیئرز رجسٹر اور سرور لیٹیڈ، سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی۔ ایچ۔ ایس، مین شاہراہ فیصل، کراچی۔ 74400 کو بروقت مطلع کریں۔

6- SECP Notification SRO No. 470 (1) / 2016 dated 31-05-2016 کے تحت دی اجازت کے تحت بینک نے 31 دسمبر، 2020 کو ختم ہونے والے سال کیلئے سالانہ آڈٹ شدہ مالیاتی گوشوارے، آڈیٹر رپورٹ، ڈائریکٹر جائزہ رپورٹ وغیرہ (سالانہ رپورٹ) شیئرز ہولڈرز کو الیکٹرانک ذرائع یعنی ڈی وی ڈی / سی ڈی کے ذریعے ان کے رجسٹرڈ پتے پر ارسال کر دی ہے۔ تاہم ایک شیئرز ہولڈر ڈی وی ڈی / سی ڈی کی بجائے پرنٹڈ کاپی کے حصول کیلئے کمپنی سیکرٹری کو بینک کے رجسٹرڈ آفس واقع 11th فلور، ایگزیکٹو ٹاورز، ڈولن سٹی، میرین ڈرائیو، بلاک چار، گلشن پر درخواست ارسال کر سکتا ہے۔ شیئرز ہولڈر کو یہ کاپی مفت میں اس کے پتے پر ایک ہفتے کے اندر ارسال کر دی جائے گی۔ سالانہ آڈٹ شدہ کھاتوں کی پرنٹڈ کاپیوں کے حصول کیلئے ”سٹیٹمنٹ ریکوسٹ فارم“ بینک کی ویب سائٹ پر رکھ دیا گیا ہے

7- وہ شیئرز ہولڈرز جن کے پاس شیئرز فیزیکل شکل میں موجود ہیں وہ کسی بھی بروکر تاج یا سرمایہ کار اکاؤنٹ (انوٹیسیٹڈ اکاؤنٹ) کے پاس اپنا سی ڈی سی سب اکاؤنٹ کھول سکتے ہیں تاکہ وہ شیئرز کو (سکرپٹ لیس کی شکل میں) منتقل کر سکیں۔ اس عمل سے انہیں بہت سی سہولتیں میسر آئیں گی۔ مثلاً ان کے شیئرز محفوظ ہاتھوں میں ہوں گے اور جب کبھی وہ فروخت کرنا چاہیں تو فروخت کر سکیں گے۔ کیونکہ سٹاک ایکس چینج کے موجودہ قوانین کے مطابق جن شیئرز ہولڈرز کے پاس شیئرز کا نقدی شکل میں موجود ہوں گے (اور وہ کسی اکاؤنٹ میں منتقل نہیں ہوں گے) ان کی خرید و فروخت نہیں کی جاسکتی۔ مزید یہ کہ کمپنیز ایکٹ 2017 کے سیکشن 72 یہ واضح کرتا ہے کہ جن تاریخ سے ای سی ای پی نے اس ایکٹ کا اجرا کیا ہے اس تاریخ سے کوئی بھی کمپنی جو شیئرز کی شکل میں ہے اسے ان شیئرز کو صرف ’بک انٹری کی شکل میں ہی رکھنا چاہیے۔ لہذا اگر موجودہ کمپنی پر لازم ہے کہ وہ اپنے فیزیکل شیئرز کو بک انٹری کی شکل میں اس طرح منتقل کرے جس طرح ایکٹ میں درج ہے۔ یہ بھی ضروری ہے کہ جن تاریخ میں ای سی ای پی نے ایکٹ کا اجرا کیا ہے چند سال کے اندر یہ کام مکمل کر لیا

8- کمپنیز ایکٹ 2017 کے سیکشن 1242 کے مطابق یہ لازمی ہے کہ نقد میں ادا ہونے والے منافع کو صرف الیکٹرانک طریقہ کار سے براہ راست متعلقہ شیئرز ہولڈرز کے متعین کردہ بینک اکاؤنٹ میں منتقل کیا جائے گا۔ ای سی ای سی نے اپنے نوٹیفیکیشن SRO 1145(1)/2017 کے ذریعے کمپنیز (ڈسٹری بیوشن آف ڈیویڈنڈز) قواعد و ضوابط جاری کئے ہیں کہ تمام حصص یافتگان نقد میں ادا ہونے والے منافع کی الیکٹرانک طریقہ کار سے متعین کردہ بینک اکاؤنٹ میں منتقلی کیلئے اپنے متعلقہ بینک اکاؤنٹ کی تفصیلات فراہم کریں۔

اس ضمن میں بینک نے اپنے لیٹرز کے ذریعے شیئرز ہولڈرز کو فرد اور اخبارات کے ذریعے آگاہ کر دیا ہے کہ تمام حصص یافتگان نقد منافع کو الیکٹرانک طریقہ کار سے حاصل کرنے کیلئے اپنے متعلقہ بینک کا IBAN فراہم کریں۔ اس لئے شیئرز ہولڈرز سے درخواست ہے کہ بینک کی ویب سائٹ www.bankislami.com.pk پر دستیاب بینک کے لیٹرز میں مطلوبہ فیلڈز کو پُر کر کے بینک کے ٹرانسفر ایجنٹ کو بھیجیں

(vi) اراکین کو مقدار و معیار کے لحاظ سے حاصل ہونے والے متوقع فوائد ذیلی ادارہ کی فروخت کی تجویز کو اپنے کیمپنل اساس کو مضبوط بنانے میں مدد ملے گی مزید برآں یہ بینک کو دیگر منافع بخش کاروبار میں استعمال کیلئے اضافی لیکویڈیٹی فراہم کرے گا مزید برآں، بینک کے شریبہ بورڈ نے بی آئی پی ایل ایس کی فروخت کی تجویز دی ہے کیونکہ بی آئی پی ایل ایس کے محصولات کا بڑا حصہ حصص اسیکورٹیز اور دیگر بروکرینج کی سرگرمیوں سے نشتے سے حاصل ہونے والی آمدن پر مشتمل ہوتا ہے جو شرعی قوانین کے مطابق نہیں ہے لہذا مذکورہ فروخت بینک کے شریبہ بورڈ کے مشاہدے کو دور کرے گی

بی آئی پی ایل ایس اسیکورٹیز کا ایک ذیلی ادارہ ہے جو سٹرکچرڈ پی اے (پرائیویٹ لمیٹڈ) ایس ڈی ایل کے نام سے ہے جس نے فورڈ ویلرز (پرائیویٹ لمیٹڈ) (این ڈی ایل) کو 375 ملین روپے کا ایک قرض چاہا اور اس کی خریداری کے خلاف دیا ہے جسے ایک رہائشی سکیم کے طور پر تیار کیا جا رہا ہے۔ ایس ڈی ایل کو عارضی بینک جاری کی لیکن بعد میں اسے منسوخ کر دیا۔ مسٹر عارف علی شاہ بخاری این ڈی پی ایل کا اکثریتی حصص کا مالک ہے۔ اس لئے ایس ڈی پی ایل نے این ڈی پی ایل، مسٹر بخاری اور دوسروں کے خلاف مقدمہ نمبر 1087/2015 جو ایک خصوصی کارکردگی، اعلان حکم انتہائی، تقسیم اور ہرجانہ کیلئے سندھ ہائی کورٹ میں درج کرایا۔ اس کے علاوہ ایس ڈی پی ایل نے نیب میں این ڈی پی ایل کے خلاف ایک فوجداری مقدمہ درج کرایا۔

نیب کے اس مذکورہ بالا مقدمہ اور شکایت کے جواب میں مسٹر بخاری اور این ڈی پی ایل نے بی آئی پی ایل ایل اسیکورٹیز اور دیگر کے خلاف مقدمہ نمبر 714/2018 دائر کیا ہے۔ یہ مقدمہ بنیادی طور پر مذکورہ بالا دیوانی اور فوج داری کارروائیوں کے خلاف منہ توڑ جواب ہے جو ایس ڈی پی ایل نے این ڈی پی ایل اور مسٹر بخاری کے خلاف دائر کیا ہے۔ مقدمہ نمبر 714/2018 میں من جملہ مذکورہ بالا جائیداد کی فروخت کو منسوخ کرنا اور 275 ملین روپے کی رقم، 4.355 ملین روپے کا خصوصی ہرجانہ سمیت چار ملین روپے کا عمومی ہرجانہ کی واپسی سے متعلق ہے۔ بعد میں مسٹر بخاری نے بی آئی پی ایل اور پاکستان سٹاک ایکس چینج کے خلاف مقدمہ نمبر 1829/2019 دائر کیا جس میں ان پر الزام لگایا گیا کہ بی آئی پی ایل نے اپنی مالیاتی گوشواروں میں مقدمہ نمبر 714 کو ایک ہنگامی ادا نیگی کی حیثیت سے ظاہر نہیں کیا۔ جو کہ آئی اے ایس 37 کی شرائط کے مطابق لازمی ہیں۔ مقدمہ نمبر 1829 میں معزز عدالت نے 24 فروری، 2020 کو حکم صادر کیا کہ بی آئی پی ایل کو متعلقہ قوانین کی تمام تقاضوں کی پابندی کرنی چاہیے۔ مزید برآں معزز عدالت نے 2 مارچ، 2021 کو حکم جاری کیا کہ بی آئی پی ایل ایس کے حصص کی فروخت کے معاملہ کو بینک اسلامی پاکستان لمیٹڈ کے بورڈ آف گورنرز اور اے جی ایم کے اجلاس میں رکھنا چاہیے تاکہ مقدمہ 1829 از مقدمہ 714 بورڈ آف ڈائریکٹرز کے اجلاس میں دوبارہ زیر التوا کو ظاہر کرنے مشروط ہے لہذا یہ دوبارہ ظاہر کیا جا رہا ہے۔

نوٹس

- 1- اراکین کا رجسٹر 24 مارچ، 2021 سے 30 مارچ، 2021 تک (بشمول دونوں ایام) بند رہے گا۔
- 2- اجلاس میں شریک ہونے اور ووٹ دینے کا حقدار کوئی بھی رکن اجلاس میں حاضر ہونے اور ووٹ دینے کیلئے اپنا ایک پراسی مقرر کر سکتا ہے۔
- 3- پراسی کا تقرر نامہ اجلاس کے انعقاد سے کم از کم ارنالیں (48) گھنٹے پہلے بینک کے رجسٹری آفس کو موصول ہونا چاہیے
- 4- مرکزی ڈیپازٹری کمپنی آف پاکستان ("سی ڈی سی") کے کھاتہ داروں کو نیوکورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کی طرف سے جاری کردہ سرکلر نمبر 1، بتاریخ 26 جنوری، 2000 میں دی گئی گائیڈ لائنز کی تعمیل کرنی ہوگی

اجلاس میں شرکت

- i- انفرادی صورت میں کھاتہ دار یا ذیلی کھاتہ دار یا وہ شخص جس کی گروپ کھاتہ میں سیکورٹیز جمع ہوں اور اس کی رجسٹریشن کی تفصیلات شرائط کے مطابق اپ لوڈ کی گئی ہوں، کی اجلاس کے وقت شناخت اصل کیپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ سے تصدیق کی جائے گی
- ii- کارپوریٹ ادارہ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد یا مختار نامہ دستخط کے نمونے (اگر پہلے فراہم ہیں کی گئی) اجلاس کے وقت فراہم کئے جائیں گے۔

بینک کے ادارہ پیکرز کو بینک میں اپنے مختلف شعبہ سوانڈنگ اور معارف کے علاوہ ذمہ داروں اور اس میں کوئی زائل رکھیں نہیں ہے

بینک اسلامی پاکستان میٹنگ کے ادارہ پیکرز کی موجودہ شیئر ہولڈنگ کی تفصیلات مندرجہ ذیل ہیں

بینک اسلامی پاکستان میٹنگ کے ادارہ پیکرز اور ان کی ازدواجی کیفیت میں 31 دسمبر 2020 کو موجودہ حصص

1-	مسٹر علی حسین	219,893,560
2-	ڈاکٹر امجد	550
3-	سید سلیمان صدرا لوہن سہدی	1,000
4-	سید علی بلال	1,000
5-	ڈاکٹر مہرنا مرزا اعجاز	500
6-	سید علی بیگم	501
7-	سراج وانا بھوسے	5,500

- علی حسین میں اسے ہے کیمپل جینٹل لیٹل کے فیصلے تک ایک ہیں اس کی کیفیت میں بینک اسلامی پاکستان میٹنگ میں 50,293,194 حصص ہیں۔
بینک کے بورڈ آف ڈائریکٹرز اس وقت کی تعداد 11 ہے۔ لی آئی پی ایس کو گورنر اور اس وقت قانونی اعلیٰ عدالتوں کے فیصلے میں ملتا ہے جس کا فیصلہ
تعمیراتی طور پر نہیں رکھ کر دیا گیا ہے۔

بی آئی پی ایس اس کی فروخت سے حاصل ہونے والی رقم جو سیکورٹیز اینڈ ایسٹیمینٹس کمیشن آف پاکستان ("ایس ای پی سی") کی طرف سے چارج کی گئی ہے، اس کے بارے میں 2018/19/4231
تاریخ 3 اپریل 2018 کے تحت مہذب ہیں مندرجہ ذیل ہیں۔

(i) ذیلی ادارہ کا نام بی آئی پی ایس سیکورٹیز لیٹل ("بی آئی پی ایس")

(ii) ذیلی ادارہ کا سربراہ کی گورنری کی مدت 31 دسمبر 2020 تک

گورنری کی مدت: 2,395,937 روپے

گورنری کی مدت: 522,801 روپے

(iii) ذیلی ادارہ کے حصص کے حجم کی بنیاد پر گورنری کی مدت 24 اپریل 2019 کے مطابق

لیٹل ذیلی ادارہ ہونے کی صورت میں تعریف پینلے ہر ذمہ دار کے فیصلے کے دن ذیلی ادارہ کے حصص

کی قیمت 3.83 روپے

کی قیمت

ان لیٹل ذیلی ادارہ ہونے کی صورت میں ایک رجسٹرڈ ویلجیور کے ذریعے قیمت کا تعین

77.12 لاکھ حصص کے 31 دسمبر 2020 تک

31 دسمبر 2020 تک 603,212 روپے

30 دسمبر 2020 تک 599,990 روپے

31 دسمبر 2019 تک 580,999 روپے

(iv) ذمہ دارین کے ذمہ داروں اور گورنری کی مدت کے مطابق

ذیلی ادارہ کے 31 دسمبر کی قیمت، مگر دستیاب ہوں

(v) ذیلی ادارہ میں اورنگی اور تعریف کے تعین کی بنیاد پر ہر ماہ کی کارکن

663,211 روپے قیمت کا تعین سب سے زیادہ ملے گا کہ جس نے اس کی بنیاد پر

تعریف کوئی اورنگی

کمپنیز ایکٹ 2017 کے سکشن (3) 134 کے تحت منیٹنٹ

یہ بیان یہ 30 مارچ، 2021 کو منعقد ہونے والے بینک کھ سالانہ اجلاس عام میں انجام دیے جانے والے خصوصی امور سے متعلق وضاحتی بیان کا احاطہ کرتا ہے

بی آئی پی ایل سیکورٹیز لمیٹڈ کی فروخت

بی آئی پی ایل سیکورٹیز لمیٹڈ (بی آئی پی ایل ایس) بینک کا ایک ذیلی ادارہ ہے اور اس کے پاس بی آئی پی ایل ایس کے 77.12 فی صد حصص ہیں۔ بی آئی پی ایل ایس کو 12 اکتوبر 2000 میں کمپنیز آرڈیننس 1984 کے تحت (جواب کمپنیز ایکٹ، 2017 سے تبدیل ہو گیا ہے) بی آئی پی ایل ایس کو قائم کیا گیا تھا جس نے یکم جنوری 2003 کو اپنے کام کا آغاز کیا جب سندھ ہائی کورٹ کی منظور شدہ انتظامات کی ایک اسکیم کے تحت اس وقت کے خادم علی شاہ بخاری اینڈ کمپنی لمیٹڈ کے سیکورٹیز سے متعلق شعبہ کے اثاثہ جات اور واجب الادا قرضہ جات کے انتقال پر ہوا تھا۔ اس کمپنی کے حصص پاکستان ٹاکس اینڈ چینج لمیٹڈ ((پی ایس ایکس) کی لفظ ہیں۔ بی آئی پی ایل ایس کو سیکورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کی طرف سے بطور بروکج کمپنی لائسنس دیا گیا ہے اور یہ منصفانہ حصص، مالیاتی مارکیٹ، فوریکس اینڈ کموڈٹیز، فوریکس کارپوریٹ سروسز، کارپوریٹ فنانس اور ایڈوائزری اور ریسرچ سروسز کی خدمات کے ضمن حصص کی خرید و فروخت کی خدمات فراہم کرتی ہے۔

بینک کے بورڈ آف ڈائریکٹرز نے کمپنیز ایکٹ 2017 کے سکشن 183 کی شرائط اور قانون کے دوسری تمام قابل اطلاق شقوں کے مطابق بی آئی پی ایل ایس کی فروخت اور بی آئی پی ایل ایس کی سرمایہ کاری ختم کرنے اور فروخت کرنے کی منظوری دی ہے۔ انتہائی احتیاط کے ساتھ عمل اور ایک تقابلی بولی کے عمل کا انتظام کرنے کے بعد جس میں تین فریقوں نے حصہ لیا تھا، میسرز کے ڈی سیکورٹیز کا انتخاب کیا گیا۔ میسرز کے ڈی سیکورٹیز لمیٹڈ بروکج اور انویسٹمنٹ بینکنگ سرگرمیوں میں نمایاں مقام رکھتی ہے۔ یہ بی ایس ایکس کی TREC ہولڈر ہے اور آن لائن بروکج ٹریڈنگ میں سرکردہ کمپنی ہے۔

میسرز کے ڈی سیکورٹیز لمیٹڈ نے جو ایک اہم اور نمایاں بروکج کمپنی ہے بینک کے ساتھ حصص کی خرید سے متعلق معاہدہ کے اعتبار سے بینک کے بی آئی پی ایل ایس میں موجود حصص (یعنی 77.12 فی صد حصص) خریدنے پر رضامندی کا اظہار کیا ہے۔ جس کے لئے 663,210,500 روپے کی مکمل رقم کے حصص کا شمار 8.60 روپے فی حصص کے حساب سے کیا گیا ہے۔ جو قابل اطلاق کارپوریٹ اور قانونی رضامندیوں اور منظور یوں سے مشروط ہے جس میں سٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایکس چینج کارپوریشن آف پاکستان اور کمپنیشن کمیشن آف پاکستان کے اراکین کی طرف سے منظوری شامل ہے۔ اب تک میسرز کے ڈی سیکورٹیز لمیٹڈ بی آئی پی ایل ایس (لفظ کمپنی) کا 50 فیصد سے زائد حصص حاصل کرے گا۔ میسرز کے ڈی سیکورٹیز لمیٹڈ قابل اطلاق قوانین کے مطابق ٹینڈرز کی پیش کش کے بعد ہی بینک کے حصص کو کامل شکل دی جائے گی۔

دیگر امور پر غور

بینک کے ڈائریکٹرز نے اس کام کا عہد کیا ہے کہ اراکین کی منظوری کیلئے سفارشات پیش کرنے سے پہلے انہوں نے مجموعہ سرمایہ کاری ختم کرنے کیلئے ضروری ہتھاطب طریقے سے انجام دیا ہے۔ اس ضمن میں بینک نے ایک پیش ورا نہ فرم میسرز کے ڈی ای ایم جی تاثر ہادی اینڈ کو بطور مشیر مقرر کیا ہے تاکہ وہ بی آئی پی ایل ایس کی مالیت کا اندازہ لگانے اور اس میں دلچسپی رکھنے والے فریقین کی نشاندہی کرے۔ مطلوبہ احتیاط کی دستخط شدہ رپورٹ کی ایک سفارشات اے جی ایم کے اراکین کے جائزہ کیلئے دستیاب کی جائے گی جس کے ساتھ بی آئی پی ایل ایس کے تازہ ترین مالیاتی گوشوارے شامل ہوں گے۔ اراکین جو روم ایپ کی سہولت کے ذریعے شرکت کریں گے وہ ای میل

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دیگر امور

5۔ چیئرمین کی اجازت سے دیگر امور پر فوراً غور کرنا

سالانہ اجلاس عام (ایس جی ایم) کے انعقاد کا مقام اور الیکٹرانک ذرائع سے حصص یافتگان کی شرکت کو روٹاڈامز کی وجہ سے موجودہ صورتحال کے تناظر اور سیکوریز اینڈ ایکس چینج کمیشن آف پاکستان (ایس سی ای پی) اور پاکستان سٹاک ایکس چینج لیویڈ کی طرف سے بذریعہ سرکلر نمبر 5، بتاریخ 17 مارچ، 2020 اور سرکلر نمبر PSX/N-372 بتاریخ 19 مارچ، 2020 اور ایس سی ای پی کے سرکلر نمبر 4 بتاریخ فروری 15، 2021، جاری کردہ گائیڈ لائنز کی روشنی میں حصص یافتگان کی شرکت کیلئے بینک کی جانب سے مندرجہ ذیل انتظامات کیے گئے ہیں

بینک کے ڈائریکٹرز انتظامیہ بینک کے رجسٹرڈ آفس، 11th فلور، ایگزیکٹو ٹاور، ڈولمن سٹی، میرین ڈرائیور، گلشن بلاک 4، کراچی میں موجود ہیں گے تاکہ حصص یافتگان سے رابطہ اور کورم کو یقینی بنانے کیلئے پراسیسوں کو یکجا کیا جائے۔

10th فلور، پروگریسیو سکوآر، شاہراہ فیصل، کراچی میں حصص یافتگان فزیکل شرکت کرنا چاہے ہیں جمع ہو سکتے ہیں۔ ایس سی ای پی کی طرف سے سرکلر نمبر 4 بتاریخ 15 فروری، 2021 میں واضح ہدایات دی گئی ہیں کہ ایسے حصص یافتگان جو فزیکل شرکت کرنا چاہتے ہیں انہیں صوبائی اور یادداشتی حکومت کی طرف سے جاری کردہ ایس او پیز کو مدنظر رکھتے ہوئے اجلاس میں شرکت کی اجازت دی جائے گی۔

حصص یافتگان کی حوصلہ افزائی کی جاتی ہے کہ وہ سالانہ اجلاس عام میں زوم ایپ کے ذریعے شرکت کریں۔ زوم کے ذریعے ایس جی ایم میں شرکت کیلئے خواہشمند حصص یافتگان سے درخواست کی جاتی ہے کہ وہ مندرجہ ذیل ای میل کے ذریعے ایس جی ایم کے وقت سے 24 گھنٹے قبل کمپنی سیکرٹری کے پاس خودی رجسٹریشن کرائیں۔

Email address : agm2021@bankislami.com.pk

حصص یافتگان سے درخواست کی جاتی ہے کہ وہ ذیل میں دئے فارمیٹ کے مطابق معلومات فراہم کریں۔ زوم ایپ کی تفصیلات نیچے دیے گئے جدول میں فراہم کردہ ای میل پر بھیج دی جائیں گی۔

نمبر شمار حصص یافتگان کا نام شناختی کارڈ نمبر فوٹیو نمبر فون نمبر ای میل ایڈریس

زوم ایپ پر لاگ ان کی سہولت صبح 10:15 تا تاریخ 30-03-2021 کو فعال کردی جائے گی تاکہ شرکتی اجلاس کی کارروائیوں کو صبح 10:30 کو شروع ہو جائیں گی میں شریک ہو سکیں

بحکم بورڈ



محمد شعیب
کمپنی سیکرٹری

تاریخ: 9 مارچ، 2021

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 Sa 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 Jiangsu Company Limited Bank of Ruifeng Changshu Rural Commercial Bank China Everbright Bank Harbin Bank Hua Xia Bank Industrial and Commercial Bank of China JPMorgan Chase Bank (China) Company Limited Mizuho Bank (China) Limited Rural Commercial Bank of Zhangjiagang Shengjing Bank Company Limited Taicang Rural Commercial Bank The Export-Import Bank of China Yinzhou Bank Zhejiang Chouzhou Commercial Bank Company Limited Zhejiang Xiaoshan Rural Cooperative Bank Zhongshan Rural Commercial Bank Company Limited

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	Mashreqbank PSC
FINLAND	Danske Bank Sampo Bank
FRANCE	Habib Bank Limited National Bank of Pakistan Union de Banques Arabes et Francaises
GERMANY	Danske Bank Deutsche Bank AG JPMorgan Chase Bank N.A. Landesbank Hessen-Thueringen Girozentrale National Bank of Pakistan Unicredit Bank AG (HYPOVEREINSBANK)
GREECE	EFG Eurobank Ergasias S.A.
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	JPMorgan Chase Bank N.A. PT Bank Mandiri PT Bank Mayapada International PT. Bank Mayora PT Bank Syariah Muamalat Indonesia
IRELAND	National Irish Bank
ITALY	Banco Popolare Society Cooperative Banca Valsabbina S.C.P.A. Banca Popolare Dell'emilia Romagna Banca Monte Dei Paschi Di Siena S.P.A. Banca UBAE Spa Banco Popolare Society Cooperative

COUNTRY	NAME OF BANK
JAPAN	JPMorgan Chase Bank N.A. Korea Exchange Bank National Bank of Pakistan Union de Banques Arabes et Francaises
KENYA	Gulf African Bank Limited Habib Bank AG Zurich Habib Bank Limited Kenya Commercial Bank Limited
KOREA, 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 Sat, The
LEBANON	Bank of Beirut S.A.L Habib Bank Limited
LUXEMBOURG	Danske Bank International S.A.
MALAYSIA	Bank Muamalat Malaysia Berhad JPMorgan Chase Bank Berhad
MAURITIUS	Habib Bank Limited
NEPAL	Himalayan Bank Limited
NIGERIA	Bank PHB PLC
NORWAY	Fokus Bank
OMAN	Habib Bank Oman
PAKISTAN	Albaraka Bank (Pakistan) Limited Allied Bank Limited Askaribank Limited Bank Al Habib Limited Bank Alfalah Limited Bank of China Limited Bank of Khyber, The Bank of Punjab, The 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, The JS Bank Limited

COUNTRY	NAME OF BANK
	<p>MCB Bank Limited</p> <p>MCB Islamic Bank Limited</p> <p>Meezan Bank Limited</p> <p>National Bank of Pakistan</p> <p>Samba Bank Limited</p> <p>Silkbank Limited</p> <p>Sindh Bank Limited</p> <p>Soneri Bank Limited</p> <p>Summit Bank Limited</p> <p>United Bank Limited</p>
POLAND	<p>Bank Zachodni Wbk Sa</p> <p>Danske Bank A/S S.A.</p>
QATAR	<p>Commercial Bank of Qatar Limited</p> <p>Doha Bank</p> <p>Mashreqbank PSC</p> <p>Masraf Al Rayan</p> <p>United Bank Limited</p>
RUSSIAN FEDERATION	<p>Open Joint Stock Company 'RBS'</p>
SAUDI ARABIA	<p>Bank Al-Jazira</p> <p>Emirates NBD P.J.S.C</p> <p>JPMorgan Chase Bank N.A.</p> <p>National Bank of Pakistan</p> <p>National Commercial Bank, The</p>
SINGAPORE	<p>Habib Bank Limited</p> <p>JPMorgan Chase Bank, N.A.</p> <p>Union de Banques Arabes et Francaises</p> <p>Wells Fargo Bank, N.A.</p>
SOUTH AFRICA	<p>Habib Overseas Bank Limited</p> <p>HBZ Bank Limited</p>
SPAIN	<p>Banco Espanol De Credito</p> <p>Banco Santander S.A.</p>
SRI LANKA	<p>Hatton National Bank PLC</p> <p>Sampath Bank Plc-Company</p>
SWEDEN	<p>Danske Bank</p> <p>Svenska Handelsbanken</p>

COUNTRY	NAME OF BANK
SWITZERLAND	Arab Bank (Switzerland) Limited Credit Suisse AG Habib Bank AG Zurich Habibsons Bank Limited Luzerner Kantonalbank United Bank A.G.
TAIWAN	JPMorgan Chase Bank, N.A. Taiwan Shin Kong Commercial Bank Company Limited
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. Odea Bank 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 Bank Alfalah Limited Emirates NBD Bank PJSC Habib Bank AG Zurich Habib Bank Limited Mashreqbank PSC MCB Bank Limited United Bank Limited

COUNTRY	NAME OF BANK
UNITED KINGDOM	Danske Bank Emirates NBD PJSC Habib Bank AG Zurich Habib-UK PLC JPMorgan Chase Bank, N.A. Mashreqbank PSC Northern Bank United National Bank Woori Bank
UNITED STATES	BOKE, NA Deutsche Bank Trust Company Americas Habib American Bank JPMorgan Chase Bank, N.A. Mashreqbank PSC National Bank of Pakistan New York Commercial Bank Saehan Bank Wells Fargo Bank, N.A.
VIETNAM	Asia Commercial Bank Joint Stock Commercial Bank For Foreign Trade of Vietnam Vietnam Asia Commercial Joint-Stock Bank Vinasiam Bank Western Commercial Joint Stock Bank
YEMEN	Saba Islamic Bank United Bank Limited

Branch Network

Serial No.	Location	No of Branches
1	Abbottabad	1
2	Ahmedpur East	1
3	Arifwala	1
4	Attock	2
5	Badin	1
6	Bahawalnagar	1
7	Bahawalpur	2
8	Balakot	1
9	Bannu	1
10	Batagram	1
11	Batkhela	1
12	Beesham	1
13	Booni	1
14	Buner	1
15	Burewala	1
16	Chakwal	1
17	Chaman	1
18	Chichawatni	1
19	Chilas	1
20	Chiniot	1
21	Chitral	1
22	D. G. Khan	1
23	D. I. Khan	1
24	D.G. Khan	0
25	Dadu	1
26	Dargai	1
27	Daulatpur Safan	1
28	Dinga	1
29	Dukki	1
30	Faisalabad	5
31	Fateh Jang	1
32	Gharo	1
33	Ghotki	1
34	Gilgit	1
35	Gojra	1
36	Golarchi	1
37	Gujjar Khan	1
38	Gujranwala	3
39	Gujrat	2
40	Haripur Hazara	1
41	Harnai	1
42	Haroonabad	1
43	Hasan Abdal	1

Serial No.	Location	No of Branches
44	Hazro	1
45	Humak	1
46	Hunza	1
47	Hyderabad	6
48	Islamabad	15
49	Islamgarh	1
50	Jampur	1
51	Jhelum	2
52	Jhuddo	1
53	Jhung	1
54	Kaller Syden	1
55	Kamoki	1
56	Kandhkot	1
57	Karachi	101
58	Kasur	1
59	Khairpur	1
60	Khanewal	1
61	Khanozai	1
62	Khanpur	1
63	Kharian	1
64	Kohat	1
65	Kotri	1
66	Kuchlak	1
67	Lahore	50
68	Lalamusa	1
69	Larkana	1
70	Layya	1
71	Loralai	1
72	Mandi Bahauddin	1
73	Mansehra	1
74	Mardan	1
75	Matiari	1
76	Matta	1
77	Mehar	1
78	Mian Channu	1
79	Mianwali	1
80	Mirpur	0
81	Mirpur Khas	2
82	Mirpur, AJK	2
83	Multan	6
84	Muree	1
85	Muslim Bagh	1
86	Muzzafarabad	1
87	Naran	1
88	Nawabshah	2
89	Nowshera	1

Serial No.	Location	No of Branches
90	Okara	2
91	Pakpattan	1
92	Peshawar	5
93	Pir Mahal	1
94	Pishin	1
95	Qila Saifullah	1
96	Quetta	10
97	Rahim Yar Khan	1
98	Rawalpindi	14
99	Sadiqabad	1
100	Sahiwal	2
101	Sambriyal	1
102	Sanghar	1
103	Sanjavi	1
104	Sargodha	2
105	Sawat	1
106	Sharig	1
107	Sheikhupura	2
108	Shujabad	1
109	Sialkot	3
110	Sibbi	1
111	Skardu	1
112	Sukkur	2
113	Talagang	1
114	Tando Adam	1
115	Tando Allah Yar	1
116	Tatral Kahun	1
117	Taxila	1
118	Thana Bola Khan	1
119	Timargara	1
120	Toba Tek Singh	1
121	Upper Dir	1
122	Vehari	1
123	Wah Cantt.	1
124	Wazirabad	1
125	Zahir Pir	1
126	Zhob	1
	Grand Total	343

Proxy Form

17th 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 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 absence to attend and vote for me / us, and on my / our behalf at the 17th Annual General Meeting of the Bank to be held on Tuesday, March 30, 2021 at 10:30 AM to be held through Zoom and shareholders are encouraged to attend the meeting via Zoom facility. Shareholders who elect to attend the AGM in person can assemble at 10th Floor, Progressive Square, Shahra-e-Faisal, Karachi and at any adjournment thereof.

Signed under my / our hand this _____ day of _____.

Witness 1:

Name: _____

Signature _____

Address: _____

CNIC or Passport No. _____

Please affix
 Rupees Five
 Revenue Stamp

Signature of Member(s)

Witness 2:

Name: _____

Signature _____

Address: _____

CNIC or Passport No. _____

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
Dolphin City, Marine City
Clifton Block - 4,
Karachi, Pakistan

Please affix
Correct
Postage

The Company Secretary

BankIslami Pakistan Limited
11th Floor, Executive Tower
Dolphin City, Marine City
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, Block B, S.M.C.H.S
Main Shahrah-e Faisal,
Karachi - 74400
Tel: (92) 0800-23275
Fax: (92 21) 34326053
URL: www.cdcsrsl.com
info.cdcsrsl.com

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 K (24 digits) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment)
Bank's name	
Branch name and address	
It is stated that the above mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.	
Signature of shareholder Kindly ensure that the title of IBAN/Bank Account must be in your name.	

You are requested to kindly send us this letter immediately duly filled in and signed by you along with legible photocopy of your valid CNIC at our address, CDC Share Registrar Services Limited, CDC House, 99-B, Block B, Main Shahrah-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

یہ ایک نئی آزمائش ہے۔ یہ آئی ہے۔ یہ ہے۔ یہ ہے۔

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Head Office: CDC House,
99 B, Block B, S.M.C.H.S.,
Main Shahr-e Faisal,
Karachi-74400
Tel: (92) 0800 23275
Fax: (92 21) 34326053
URL: www.cdc.sri.com
Email: info@cdcsrsl.com

On behalf of BankIslami Pakistan Limited

**Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)**

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&R/16 dated August 31st, 2017 issued by Central Depository Company of Pakistan Limited in this regard available on website www.cdcpakistan.com

Regards,

M/s. CDC Share Registrar Services Limited
Share Registrar: BANKISLAMIC PAKISTAN LIMITED









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(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 @jamapunji_pk

*Mobile apps are also available for download for android
and ios devices



BankIslami Pakistan Limited
11th Floor, Executive Tower, Dolmen City,
Marine Drive Block-4, Karachi, Pakistan
UAN: (021) - 111 - BIP - 111 - 247 - 111
Fax: (021) - 35378373
E-mail: info@bankislami.com.pk

