

BankIslami Pakistan Limited



CONNECTING Tomorrow Now!

ANNUAL
REPORT | 2018

Vision

The Vision of BankIslami is to be recognized as the leading Authentic Islamic Bank.

Mission

The Mission of BankIslami is to create value for our stakeholders by offering Authentic, Shariah Compliant and Technologically advanced products and services. We differentiate ourselves through:

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

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



Core Values

BankIslami is strongly committed towards its core values of:

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

Connecting Tomorrow Now!

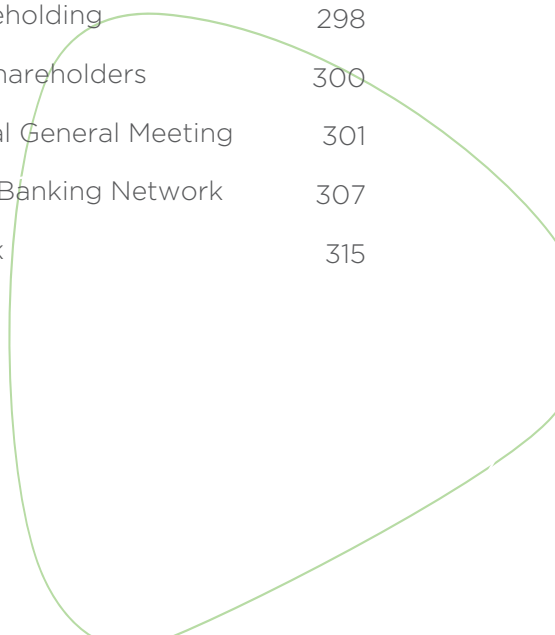
We make choices, most of them are good, but few remain the best because they fulfill your needs and still offer more. Opening an account in **BankIslami** is your ultimate choice, you will get the banking services you need with just your thumb impression.





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



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 subcontinent to Turkey and Arabia, including the two most sacred mosques was opted for. It stands for timeless traditions and values that Muslims in these regions have shared for centuries - trade and commerce included. Ustad Shafiq-uz-Zaman, the only person chosen to do calligraphy in the Masjid-e-Nabwi after 500 years, is behind crafting of the logo.

The Crescent:

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

Corporate Information

Board of Directors

Mr. Ali Hussain
Mr. Fawad Anwar
Mr. Syed Amir Ali
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali
Dr. Amjad Waheed
Mr. Muhammad Nadeem Farooq
Mr. Noman Yakoob
Mr. Siraj Ahmed Dadabhoy

Chairman
Vice Chairman
President & Chief Executive Officer

Sharia'h Supervisory Board

Mufti Irshad Ahmad Aijaz
Mufti Javed Ahmed
Mufti Muhammad Husain

Chairman
Member
Member

Audit Committee

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

Chairman
Member
Member
Member

Risk Management Committee

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

Chairman
Member
Member
Member

Human Resource Management Committee

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali
Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq *
Mr. Siraj Ahmed Dadabhoy
Mr. Syed Amir Ali

Chairman
Member
Member
Member
Member

Board Remuneration Committee

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

Chairman
Member
Member
Member

IT Committee

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

Chairman
Member
Member
Member

Executive Committee

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

Chairman
Member
Member
Member
Member

* Effective from February 28, 2019 Mr. Muhammad Nadeem Farooq appointed as Chairman I.T. Committee, as Member of Audit Committee, Risk Management Committee, Human Resource Management Committee, Board Remuneration Committee and Executive Committee.

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
Bilal Zuberi
Farooq Anwer
Kashif Nisar
Mahmood Rashid
Masood Muhammad Khan
Muhammad Asadullah Chaudhary
Muhammad Irfan Ahmed
Muhammad Shoaib
Muhammad Uzair Sipra
Rizwan Ata
Rizwan Qammar Lari
Saad Ahmed Madani
Sadaruddin Pyar Ali
Sohail Sikandar
Syed Aamir Shamim
Syed Abdul Razzaq
Syed Amir Ali
Syed Ata Hussain Jaffri
Tariq Ali Khan

Head, Distribution Central
Head, Consumer Banking
Head, Distribution South
Head, Operations
Head, Product & Shariah Structuring
Head, Government Relations & Security
Head, Compliance
Head, Human Resources
Head, Shariah Compliance
Company Secretary
Head, Legal
Country Head of Distribution
Head, Internal Audit
Head, Corporate Banking
Head, Administration
Chief Financial Officer
Head, Treasury & Financial Institutions
Head, Risk Management
President & CEO
Head, Information System
Head, Distribution North

Registered Office

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

Share Registrar

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

Public Dealing Timings of Share Registrar

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

Website:

www.bankislami.com.pk

Profile of Shariah Supervisory Board

Mufti Irshad Ahmad Aijaz (Chairman, Shariah Supervisory Board)

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

He currently holds advisory position in following Institutions/ Committees:

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

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

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

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

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

Mufti Javed Ahmad (Resident Shariah Board Member)

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

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

Six Years' Horizontal Analysis

Statement of Financial Position		2018		2017		2016		2015		2014		2013	
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	
Assets													
Cash and balances with treasury banks	14,293	21%	11,784	32%	8,921	-1%	9,036	42%	6,361	30%	4,883	-1%	
Balances with other banks	833	4%	802	-30%	1,140	-36%	1,781	143%	734	-24%	968	20%	
Due from financial institutions - net	18,174	-15%	21,372	-21%	27,219	-32%	39,824	119%	18,144	179%	6,511	-23%	
Investments - net	38,832	-8%	42,092	-9%	46,317	29%	35,886	17%	30,655	-3%	31,610	9%	
Islamic financing and related assets and Advances (net)	118,571	0%	119,155	53%	77,817	13%	68,709	67%	41,097	7%	38,309	40%	
Operating fixed assets	9,784	8%	9,072	-3%	9,348	6%	8,829	161%	3,380	14%	2,958	55%	
Deferred tax assets	7,530	-2%	7,702	30%	5,918	-10%	6,591	0%	-	0%	-	-100%	
Other assets - net	7,726	33%	5,812	0%	5,794	62%	3,575	122%	1,614	0%	1,616	0%	
	<u>215,743</u>	<u>-1%</u>	<u>217,791</u>	<u>19%</u>	<u>182,474</u>	<u>5%</u>	<u>174,231</u>	<u>71%</u>	<u>101,984</u>	<u>17%</u>	<u>86,856</u>	<u>17%</u>	
Liabilities													
Bills payable	3,242	-17%	3,928	34%	2,938	93%	1,524	66%	918	10%	836	-33%	
Due to financial institutions	7,820	-50%	15,570	157%	6,066	90%	3,198	470%	561	-78%	2,538	57%	
Deposits and other accounts	184,693	4%	178,310	16%	153,736	0%	153,058	69%	90,331	20%	75,226	17%	
Deferred tax liabilities	-	0%	-	0%	-	0%	-	-100%	200	14%	176	0%	
Other Liabilities	5,473	-13%	6,307	-13%	7,289	38%	5,265	69%	3,107	69%	1,838	17%	
	<u>201,228</u>	<u>-1%</u>	<u>204,115</u>	<u>20%</u>	<u>170,029</u>	<u>4%</u>	<u>163,045</u>	<u>71%</u>	<u>95,117</u>	<u>18%</u>	<u>80,613</u>	<u>17%</u>	
Net Assets													
	<u>14,515</u>	<u>6%</u>	<u>13,676</u>	<u>10%</u>	<u>12,445</u>	<u>11%</u>	<u>11,186</u>	<u>63%</u>	<u>6,867</u>	<u>10%</u>	<u>6,242</u>	<u>12%</u>	
Represented by													
Share Capital	10,000	0%	10,000	0%	10,000	0%	10,000	76%	5,680	8%	5,280	0%	
Reserves	969	5%	926	51%	614	17%	523	91%	273	30%	210	21%	
Unappropriated profit / (loss)	1,695	15%	1,474	592%	213	-225%	(171)	-164%	267	975%	25	222%	
Surplus on revaluation of assets - net of tax	1,851	45%	1,276	-21%	1,618	94%	834	29%	647	-11%	727	458%	
	<u>14,515</u>	<u>6%</u>	<u>13,676</u>	<u>10%</u>	<u>12,445</u>	<u>11%</u>	<u>11,186</u>	<u>63%</u>	<u>6,867</u>	<u>10%</u>	<u>6,242</u>	<u>12%</u>	
Profit & Loss Account													
Profit / return earned	12,204	18%	10,353	2%	10,127	15%	8,834	13%	7,812	24%	6,289	5%	
Profit / return expensed	(6,170)	-18%	(5,250)	9%	(5,791)	-13%	(5,119)	-15%	(4,459)	-18%	(3,790)	-8%	
Net Spread earned	6,034	18%	5,103	18%	4,336	17%	3,715	11%	3,353	34%	2,500	1%	
Provisions	(37)	-109%	392	-81%	2,030	321%	482	1292%	(40)	68%	(127)	-38%	
Net Spread after provisions	5,997	9%	5,495	-14%	6,366	52%	4,197	27%	3,313	40%	2,373	-1%	
Other income	1,264	31%	964	51%	638	12%	570	-10%	632	39%	454	36%	
Other expenses	(6,859)	-9%	(6,303)	-2%	(6,160)	-22%	(5,039)	-45%	(3,475)	-38%	(2,518)	-11%	
Profit / (loss) before taxation	403	156%	157	-81%	844	410%	(272)	-158%	470	52%	308	-33%	
Taxation	(190)	-114%	1,406	459%	(392)	-616%	76	149%	(156)	-27%	(123)	21%	
Profit / (loss) after taxation	<u>213</u>	<u>-86%</u>	<u>1,563</u>	<u>246%</u>	<u>452</u>	<u>331%</u>	<u>(196)</u>	<u>-162%</u>	<u>314</u>	<u>69%</u>	<u>185</u>	<u>-40%</u>	

Six Years' Vertical Analysis

Statement of Financial Position		2018		2017		2016		2015		2014		2013	
		Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
Assets													
Cash and balances with treasury banks		14,293	7%	11,784	5%	8,921	5%	9,036	5%	6,361	6%	4,883	6%
Balances with other banks		833	0%	802	0%	1,140	1%	1,781	1%	734	1%	968	1%
Due from financial institutions - net		18,174	8%	21,372	10%	27,219	15%	39,824	23%	18,144	18%	6,511	7%
Investments - net		38,832	18%	42,092	19%	46,317	25%	35,886	21%	30,655	30%	31,610	36%
Islamic financing and related assets and Advances (net)		118,571	55%	119,155	55%	77,817	43%	68,709	39%	41,097	40%	38,309	44%
Operating fixed assets		9,784	5%	9,072	4%	9,348	5%	8,829	5%	3,380	3%	2,958	3%
Deferred tax assets		7,530	3%	7,702	4%	5,918	3%	6,591	4%	-	0%	-	0%
Other assets - net		7,726	4%	5,812	3%	5,794	3%	3,575	2%	1,614	2%	1,616	2%
		<u>215,743</u>	<u>100%</u>	<u>217,791</u>	<u>100%</u>	<u>182,474</u>	<u>100%</u>	<u>174,231</u>	<u>100%</u>	<u>101,984</u>	<u>100%</u>	<u>86,856</u>	<u>100%</u>
Liabilities													
Bills payable		3,242	2%	3,928	2%	2,938	2%	1,524	1%	918	1%	836	1%
Due to financial institutions		7,820	4%	15,570	7%	6,066	3%	3,198	2%	561	1%	2,538	3%
Deposits and other accounts		184,693	86%	178,310	82%	153,736	84%	133,058	88%	90,331	89%	75,226	87%
Deferred tax liabilities		-	0%	-	0%	-	0%	-	0%	200	0%	176	0%
Other Liabilities		5,473	3%	6,307	3%	7,289	4%	5,265	3%	3,107	3%	1,838	2%
		<u>201,228</u>	<u>93%</u>	<u>204,115</u>	<u>94%</u>	<u>170,029</u>	<u>93%</u>	<u>163,045</u>	<u>94%</u>	<u>95,117</u>	<u>93%</u>	<u>80,613</u>	<u>93%</u>
Net Assets		<u>14,515</u>	<u>7%</u>	<u>13,676</u>	<u>6%</u>	<u>12,445</u>	<u>7%</u>	<u>11,186</u>	<u>6%</u>	<u>6,867</u>	<u>7%</u>	<u>6,242</u>	<u>7%</u>
Represented by													
Share Capital		10,000	5%	10,000	5%	10,000	5%	10,000	6%	5,680	6%	5,280	6%
Reserves		969	0%	926	0%	614	0%	523	0%	273	0%	210	0%
Unappropriated profit / (loss)		1,695	1%	1,474	1%	213	0%	(171)	0%	267	0%	25	0%
Surplus on revaluation of assets - net of tax		1,851	1%	1,276	1%	1,618	1%	834	0%	647	1%	727	1%
		<u>14,515</u>	<u>7%</u>	<u>13,676</u>	<u>6%</u>	<u>12,445</u>	<u>7%</u>	<u>11,186</u>	<u>6%</u>	<u>6,867</u>	<u>7%</u>	<u>6,242</u>	<u>7%</u>
Profit & Loss Account													
Profit / return earned		12,204	91%	10,353	91%	10,127	94%	8,834	94%	7,812	93%	6,289	93%
Profit / return expensed		(6,170)	-46%	(5,250)	-46%	(5,791)	-54%	(5,119)	-54%	(4,459)	-53%	(3,790)	-56%
Net Spread earned		6,034	45%	5,103	45%	4,336	40%	3,715	40%	3,353	40%	2,500	37%
Provisions		(37)	0%	392	3%	2,030	19%	482	5%	(40)	0%	(127)	-2%
Net Spread after provisions		5,997	45%	5,495	49%	6,366	59%	4,197	45%	3,313	39%	2,373	35%
Other income		1,264	9%	964	9%	638	6%	570	6%	632	7%	454	7%
Other expenses		(6,859)	-51%	(6,303)	-56%	(6,160)	-57%	(5,039)	-54%	(3,475)	-41%	(2,518)	-37%
Profit / (loss) before taxation		403	3%	157	1%	844	8%	(272)	-3%	470	6%	308	5%
Taxation		(190)	-1%	1,406	12%	(392)	-4%	76	1%	(156)	-2%	(123)	-2%
Profit / (loss) after taxation		<u>213</u>	<u>2%</u>	<u>1,563</u>	<u>14%</u>	<u>452</u>	<u>4%</u>	<u>(196)</u>	<u>-2%</u>	<u>314</u>	<u>4%</u>	<u>185</u>	<u>3%</u>

Statement of Value Added

	2018	2017
	Rupees in million	
Value Added		
Net Spread earned	6,034	5,104
Other income	1,264	965
Operating expenses excluding staff cost, depreciation, amortisation, donations, defined benefit plan and defined contribution plan, etc.	(3,368)	(2,815)
Provision against advances, investments & others	(37)	392
Value added available for distribution	3,393	3,646
Distribution of value added		
To Employees		
Remuneration, defined benefit plan and define contribution plan	2,758	2,711
To Government		
Worker welfare fund	8	-
Taxation	190	(1,406)
	198	(1,406)
To Society		
Donations	-	-
To Shareholders		
Depreciation	657	715
Amortisation	67	63
Retained during the year	213	1,563
	937	2,341
	3,893	3,646

Six Years' Financial Summary 2013-2018

Rupees in million

	2018	2017	2016	2015	2014	2013
Profit & Loss Account						
Profit/return Earned	12,204	10,353	10,127	8,834	7,812	6,289
Profit/return Expensed	6,170	5,250	5,791	5,119	4,459	3,790
Net Spread earned	6,034	5,103	4,336	3,715	3,353	2,500
Fee,commission,brokerage & exchange Income	1,073	735	404	490	560	368
Dividend and capital gains	109	151	122	15	32	7
Other Income	82	78	111	65	40	79
Total Other Income	1,264	964	638	570	632	454
Total Income	7,298	6,068	4,973	4,285	3,985	2,953
Other expenses	6,859	6,303	6,160	5,039	3,475	2,518
Profit/(loss) before tax and provisions	439	(235)	(1,187)	(754)	510	435
Provisions	37	(392)	(2,030)	(482)	40	127
Profit/(loss) before tax	403	157	844	(273)	470	308
Profit/(loss) after tax	213	1,563	452	(196)	314	185
Statement of Financial Position						
Paid up capital	10,000	10,000	10,000	10,000	5,680	5,280
Reserves	969	926	614	523	273	210
Unappropriated profit/(loss)	1,695	1,474	213	(171)	267	25
Shareholders' equity	12,664	12,400	10,827	10,352	6,220	5,515
Surplus on revaluation of assets-net of tax	1,851	1,276	1,618	834	647	727
Net Assets	14,515	13,676	12,445	11,186	6,867	6,242
Total Assets	215,743	217,791	182,474	174,231	101,984	86,856
Earning Assets	176,410	183,421	152,493	146,200	90,629	77,398
Gross Financings	129,734	130,829	89,949	82,361	41,698	38,932
Financings-net of provisions	118,571	119,155	77,817	68,709	41,097	38,309
Non-performing Loans (NPLs)	15,403	15,837	14,534	15,684	1,062	1,109
Investments - net	38,832	42,092	46,317	35,886	30,655	31,610
Total Liabilities	201,228	204,115	170,029	163,045	95,117	80,613
Deposits & other accounts	184,693	178,310	153,736	153,058	90,331	75,226
Current & Saving Deposits (CASA)	127,102	134,741	111,037	102,491	55,234	40,556
Borrowing	7,820	15,570	6,066	3,198	561	2,538
Cost bearing Liabilities	132,767	136,010	110,912	110,800	73,688	65,141
Contingencies and commitments	23,135	23,041	25,557	29,022	9,538	10,308
Financial Ratios						
Profit before Tax ratio (PBT/total income)	5.52%	2.58%	16.96%	-6.36%	11.79%	10.43%
Net Spread earned/Profit Earned	49.44%	49.29%	42.82%	42.05%	42.92%	39.74%
Other Income to Total Income	17.32%	15.88%	12.82%	13.30%	15.86%	15.36%
Total income/ Other expense ratio (excl. provisions)	Times	1.06	0.96	0.85	1.15	1.17
Return on Average Equity (ROE)		1.69%	13.46%	4.27%	-2.37%	5.35%
Return on Average Assets (ROA)		0.10%	0.78%	0.25%	-0.14%	0.33%
Return on Capital Employed (ROCE)		0.27%	0.10%	0.68%	-0.22%	0.58%
Earning per Share (EPS after tax)	Rs.	0.2110	1.5509	0.4487	(0.2437)	0.5777
Gross Financings/ Deposit ratio		70.24%	73.37%	58.51%	53.81%	46.16%
Net Financings/ Deposit ratio		64.20%	66.83%	50.62%	44.89%	45.50%
Breakup value per Share (excl.surplus on rev. of assets)	Rs.	12.56	12.30	10.74	10.27	10.80
Breakup value per Share (incl.surplus on rev. of assets)	Rs.	14.40	13.57	12.35	11.10	11.92
Earning Assets to Total Assets ratio		81.77%	84.22%	83.57%	83.91%	88.87%
Earning Assets to Profit bearing Liabilities	Times	1.33	1.35	1.37	1.32	1.23
CASA to Total Deposits		68.82%	75.57%	72.23%	66.96%	61.15%
NPLs to Gross Financings ratio		11.87%	12.11%	16.16%	19.04%	2.55%
Total Assets to Equity	Times	17.04	17.56	16.85	16.83	16.40
Deposit to Shareholders' equity	Times	14.58	14.38	14.20	14.79	14.52
Capital Adequacy Ratio		15.10%	14.68%	13.43%	12.34%	16.70%
Market value per share-Dec 31	Rs.	12.00	9.29	13.36	11.50	9.81
Non Financial Information						
Number of branches		330	330	321	317	213
Total number of employees		3,052	3,350	3,206	2,929	2,150

Chairman's Message

It brings me immense pleasure to present the Annual Report of BankIslami Pakistan Limited (the 'Bank' or 'BankIslami') for the year 2018.

BankIslami initiated its journey in the year 2004 and is on the course of completing its 15 years in 2019 as a full-fledge Islamic Bank in Pakistan, *InshaAllah*. This journey has been filled with both challenges and successes which aimed to provide seamless Shariah compliant financial products and innovative technology based banking solutions for its growing customer base. Likewise, the year 2018 also proved to be another exciting year, wherein your Bank witnessed transition in its leadership with appointment of Syed Amir Ali as the President and CEO. Mr. Amir Ali is a seasoned professional with over 20 years of experience in diversified fields of Corporate Banking, Investment Banking, Oil & Gas and Professional Auditing. His appointment is a testament to Bank's commitment to serve its customers and stakeholders the right way by bringing the best possible people aboard. On behalf of the Board and Shareholders, I would like to thank Mr. Hasan A. Bilgrami for his utmost dedication and passionate contribution towards the growth of the Bank as the founding President and CEO and wish him success for his future endeavors.

With change at the helm of the Organization, the Bank underwent an internal reorganization to optimize its management structure and operational platform. This reorganization was carried out to (i) promote business transformation and innovation, (ii) enhance service and performance standards, (iii) strengthen the Bank's financial profile to counter potential economic shocks, and (iv) generate healthy returns for its stakeholders.

Going forward, we will endeavor to grow the asset base covering all segments, namely Corporate, SME, Agriculture, Consumer and Public Sector. A special focus is being made on growing deposit base through offering innovative products and excellent customer service through its network of 330 branches covering 113 cities. It gives me immense pride to share that during the year, BankIslami was awarded 'Most Innovative Banking Solution Provider - Bio metric' at International Finance Banking Awards 2018, for its Bio Banking service. This service has now been branded as 'One Touch Banking' and formally launched in February 2019, *Alhamdulillah*. The customers of BankIslami can carry out transactions by using their thumb impression.

At BankIslami, the protection of customers' data is our utmost priority. Accordingly, given increasing threats on Cyber Security, the Bank is making substantial investment towards improvement in its information technology and information security structure to ensure safety of its customer's data and financial transactions.

During the outgoing year, the Board carried out formal process of evaluation of its performance and its sub-committees. The overall performance of the Board and its sub-committees measured on the defined parameters was satisfactory. An action plan was also devised to enable the Board and its sub-committees to further improve going forward.

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

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



Ali Hussain
Chairman of the Board of Directors

February 28, 2019

چیرمین کا پیغام

میں بینک اسلامی پاکستان لمیٹڈ (دی "بینک" یا "بینک اسلامی") کی 2018ء کی سالانہ رپورٹ پیش کرتے ہوئے انتہائی خوش محسوس کر رہا ہوں۔

بینک اسلامی نے 2004ء میں اپنے سفر کا آغاز کیا اور 2019ء میں پاکستان میں مکمل طور پر اسلامی بینک ہونے کے حوالے سے اپنے 15 سال مکمل کر رہا ہے، انشاء اللہ۔ اس سفر کے دوران کامیابیوں کے ساتھ ساتھ چیلنجز بھی ہمارے ہم رقبہ رہے، ہمیں اپنے بڑھتے ہوئے صارفین کے لئے نہ صرف جدید ٹیکنالوجی سے آراستہ بینکنگ کی سہولیات فراہم کرنا تھی بلکہ شریعت کے تقاضوں کو مد نظر رکھ کر کام کرنا تھا۔ اسی طرح سال 2018ء ہمارے لئے ایک خوش کن سال ثابت ہوا جب آپ کے بینک میں صدر اداری ای اوسید عامر علی کی تعیناتی سے ایک نئی قیادت سامنے آئی۔ جناب عامر علی کارپوریٹ بینکنگ، انوسٹمنٹ بینکنگ، آئل اور گیس اور پرفیشنل آڈٹنگ کے کثیرالجہتی شعبوں میں 20 سال سے زائد کے پیشہ ورانہ تجربہ کے حامل ہیں۔ ان کی تعیناتی بینک کی طرف سے بہترین افراد کی خدمات حاصل کرنے کے ذریعے اپنے صارفین اور اسٹیک ہولڈرز کو درست سمت میں بہترین خدمات فراہم کرنے کے جذبہ کی عکاسی کرتی ہے۔ میں بورڈ اور شیئر ہولڈرز کی طرف سے جناب حسن اے بگلرامی کا بینک کے بانی صدر اداری ای او کی حیثیت سے بینک کی ترقی کے لئے پرعلم اور بہترین کردار ادا کرنے پر شکریہ ادا کرتا ہوں اور ان کے لئے مستقبل میں نیک خواہشات کا اظہار کرتا ہوں۔

ادارے کی قیادت میں تبدیلی کے ساتھ بینک نے اپنے آپریٹنگ پلٹ فارم اور مینجمنٹ سٹرکچر اور اپنی اندرونی تنظیم نو کی ہے۔ یہ تنظیم نو (i) کاروبار کی منتقلی اور جدت کو ترقی دینے (ii) خدمات اور کارکردگی کے معیارات کو بہتر بنانے (iii) مکمل اقتصادی چیلنجز سے نمٹنے کے لئے بینک کی فنانس پر وقاقل کو مستحکم بنانے اور (iv) اپنے اسٹیک ہولڈرز کے لئے صحت مند فوائد پیدا کرنے کے لئے کی گئی ہے۔

اس سمت میں آگے بڑھتے ہوئے ہم تمام طبقات جن میں کارپوریٹ، ایس ایم ای، ایگریکلچر، کنزیومر اور پبلک سیکٹر شامل ہیں، پر مشتمل اپنے اچانے کی بنیاد کو بڑھانے کے لئے پرعزم ہیں۔ 113 شہروں میں 330 برانچوں کے اپنے نیٹ ورک کے ذریعے ہم جدید مصنوعات اور بہترین کسٹمر سروس کی فراہمی کے ذریعے اپنے بڑھتے ہوئے اثاثوں کی بنیاد پر خصوصی توجہ مرکوز کر رہے ہیں۔ میں یہ بتاتے ہوئے فخر محسوس کر رہا ہوں کہ سال کے دوران بینک اسلامی کو اس کی ہائیو بینکنگ سروس کے لئے انٹرنیشنل فنانس بینکنگ ایوارڈ 2018ء کے موقع پر "Most Innovative Banking Solution Provider - Biometric" ایوارڈ دیا گیا ہے۔ اب سروس "دن ٹی بینکنگ" کے نام سے متعارف کروائی گئی ہے اور الحمد للہ فروری 2019ء میں باقاعدہ طور پر اس کا افتتاح کر دیا گیا ہے۔ بینک اسلامی کے صارفین اب اپنے اگلوٹھے کے نشان کے ذریعے لین دین کر سکیں گے۔

بینک اسلامی میں صارفین کے ڈیٹا کا تحفظ ہماری اولین ترجیح ہے۔ سائبر سیکورٹی کے حوالے سے بڑھتے ہوئے خطرات کے ضمن میں بینک اپنے صارفین کے ڈیٹا اور فنانسئل ٹرانزیکشنز کی سیلفی کو محفوظ بنانے کے لئے اپنے انفارمیشن ٹیکنالوجی اور انفارمیشن سیکورٹی سٹرکچر پر بھاری سرمایہ کاری کر رہا ہے۔

گزشتہ سال کے دوران بورڈ نے اپنی کارکردگی اور سب کمیٹیوں کے جائزہ کاری عمل انجام دیا۔ بورڈ اور اس کی سب کمیٹیوں کی مجموعی کارکردگی، جو کہ طے کردہ پیرامیٹرز پر جانچی گئی، اطمینان بخش پائی گئی۔ بورڈ اور اس کی سب کمیٹیوں کو آئندہ کے لئے مزید بہتر بنانے کے لئے ایکشن پلان بھی وضع کیا گیا۔

میں اس موقع پر اسٹیٹ بینک آف پاکستان، وزارت خزانہ اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو ان کی اسلامک فنانسئل سسٹم کی ترقی کیلئے مسلسل تعاون اور عزم کیلئے خراج تحسین پیش کرتا ہوں۔

میں اپنے قابل قدر صارفین، شیئر ہولڈرز، شریعہ سپروائزر بورڈ اور بورڈ کے اراکان کے ساتھ ساتھ بینک کے ملازمین کی خدمات کا بھی معترف ہوں جنہوں نے ہم پر اعتماد کیا اور پاکستان میں اسلامک بینکنگ کے فروغ کے لئے بینک اسلامی کے مقصد کے لئے تعاون کیا۔

محمد حسین

علی حسین

چیرمین بورڈ آف ڈائریکٹرز

مورخہ 28 فروری 2019ء

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 31 December 2018.

Principal Activities

BankIslami principally operates as a licensed and full-fledged Scheduled Islamic Commercial Bank. The Bank is operating with 330 branches including 81 sub-branches as at December 31, 2018 and offers various Shariah compliant services to its clients which includes:

- Corporate and Commercial financing
- SME and Agriculture financing
- Consumer financing
- Trade finance
- Retail banking
- Investment banking
- Treasury services

Macroeconomic Overview & Business Outlook

Macroeconomic Overview

Pakistan's economy continues to grow despite the persistent challenges of current account deficit, fiscal deficit and high core inflation. During FY18, Pakistan achieved its highest GDP growth rate of 5.8% in eleven years, however real economic activity witnessed a slowdown in the first half of FY19 mainly due to rising demand pressure, rupee depreciation and rising interest rates. Moreover, increase in average CPI inflation to 6% as compared to 3.8% recorded during the same period last year and imbalances on the fiscal front coupled with large trade & current account deficit have created certain weaknesses in economic landscape that could slow down the expected future growth.

SBP tightened the monetary policy and reversed its accommodative stance during CY18 which resulted in an increase in policy rate by 425 basis points to 10% between January and November of year 2018 to address the pressure on the demand side.

The widening current account and fiscal deficits resulted in an increase in the public debt-to-GDP ratio to 73.5 % at the end of FY18. Owing to increase in the oil import bill on account of higher international oil prices during FY18, imports rose by 15% to USD 56.1 billion. In contrast, as a result of the impact of recent tightening measures, import growth rate decelerated to 3.2% during July-December FY19 from growth rate of 18.6 % registered in the same period last year. Reduction in non-oil imports, increase in exports and workers' remittances tapered the current account deficit from USD 8.4 billion in 1HY18 to USD 8 billion in 1HY19. However, foreign exchange reserves remained under pressure falling to USD 13.7 billion at the end of December 2018 from USD 20.1 billion at the end of December 2017. Nevertheless, realization of bilateral official flows in January 2019 has helped in increasing foreign exchange reserves to USD 14.8 billion in January 2019.

Going forward, impacts on inflation from exchange rate depletion during first half of FY19, escalation in gas and electricity tariffs, and higher government borrowings from SBP are expected to get off-set by impacts ensuing from increase in policy rates and the decline in international oil prices.

Accordingly, the projected rate of inflation is expected to range between 6.5% to 7.5%. However, bearing in mind that stabilizing measure will gradually bring in its effect on macro front, high level of current account deficit and underlying inflationary pressures; policy rate was further increased by 25 basis points to 10.25% by the apex authority in January 2019.

According to World Bank's Report on Pakistan (issued in October 2018), growing macroeconomic imbalances are expected to bring downward impact on the growth outlook for FY19. GDP growth is projected to register at 4.8% for FY19; nonetheless, the same is forecasted to reach 5.2% in FY20 which will be conditional upon macroeconomic stability, conducive external environment, favorable exchange rates, recovery in exports and stable international oil prices. The institute has also pressed for immediate macroeconomic adjustments to correct twin deficits otherwise diminished foreign currency reserves and elevated debt ratio may weaken Pakistan's capacity to withstand any external shocks. Medium term structural reforms are also essential for growth based on investment and productivity.

Banking Industry Outlook

Given the upward trend in interest rates and weakening of Pakistan rupee, demand for consumer lending, corporate financing and import business is expected to remain stressed during the year 2019. However, factors such as reduction in global oil prices and other seasonal factors combined with increasing inflation and higher Rupee Dollar parity are likely to translate into more demand for working capital and export related financings.

The banks' investment may shift from short term to medium-long term government securities given that the policy rate has increased to 10.25%. Deposit inflow will remain dependent upon banks' business strategy and depositors' preferences which will be driven by macroeconomic conditions and their saving requirements.

In the near future, increasing interest rate is likely to have a positive impact on the banking sector's net spread, however, banks may experience surge in delinquencies in their financing portfolio. Additionally, banks are also likely to maintain adequate solvency profile considering the firm regulatory requirements under Basel-III.

FINANCIAL PERFORMANCE

Profit and Loss Account

Profit / return earned
Profit / return expensed
Net Spread Earned
Operating Profit / (loss)
Profit after taxation
Earnings per share (in Rupees)

31-Dec-18 31-Dec-17 Variance

Rs. in million

12,204	10,354	17.9 %
6,170	5,250	17.5 %
6,034	5,104	18.2 %
439	(235)	2.9 times
213	1,563	-86.4%
0.211	1.551	-86.4%

Statement of Financial Position

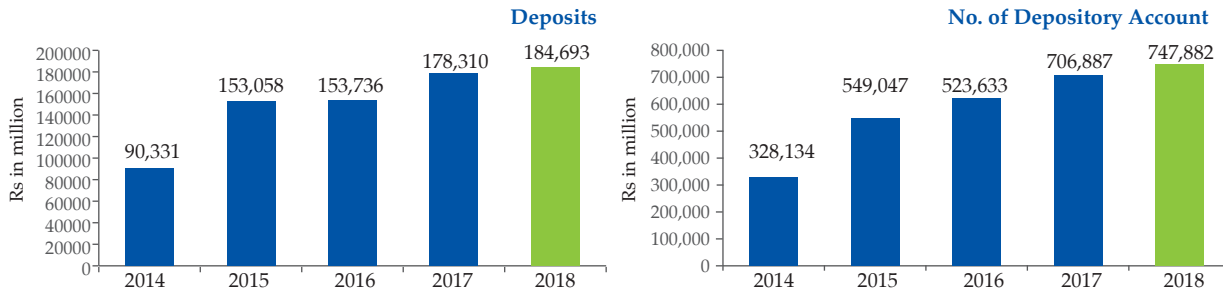
Net Assets
Deposits
Financing and related assets - net
Investments – net

31-Dec-18 31-Dec-17 Variance

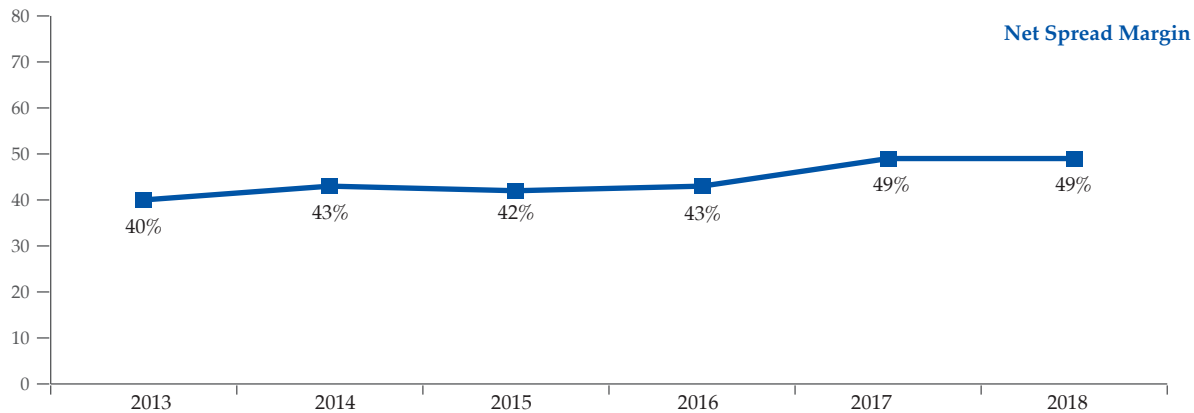
Rs. in Million

14,515	13,676	6.1 %
184,693	178,310	3.6 %
118,571	119,155	-0.5 %
38,832	42,092	-7.7 %

The Bank continued the momentum of depicting growth. During the year 2018, its deposit base grew by 3.6% and closed the position at Rs. 184.7 billion. With emphasis on mobilization of core deposits, other than FI deposits, Current and Saving accounts (CASA) mix of the Bank increased from Rs. 113.9 billion as at December 2017 to Rs. 119.4 billion as at December 2018. In line with Bank's aggressive strategy to increase its deposit base with an enhanced focus towards core deposits and planned launch of competitive products, CASA mix together with overall deposits of the Bank are expected to improve in the years ahead.



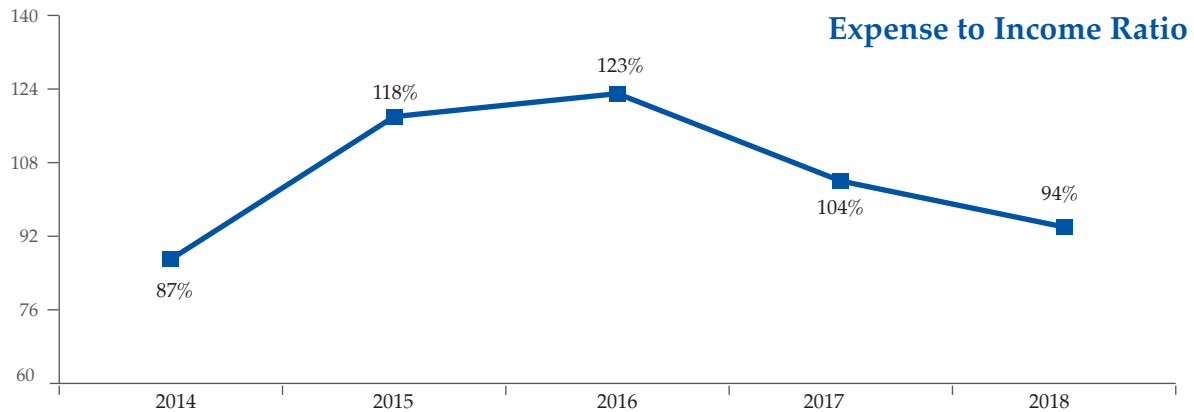
While there was a slight dip in Bank's net financing, consumer finance being the flagship business line of BankIslami, grew by 21.6% to Rs. 24.2 billion in December 2018 from Rs. 19.9 billion in December 2017. Going forward, though the Bank envisions growing trend in its consumer segment, increase in benchmark rates and prevailing inflationary pressure may put some constraints for the Bank and it may adapt a cautious approach to extend consumer financing particularly in housing sector. However, the Bank will be making strides in the year 2019 to increase its exposure towards rated corporate clients, SME sector, Agriculture financing and public sector entities anticipating an overall improvement in its assets base and credit risk profile.



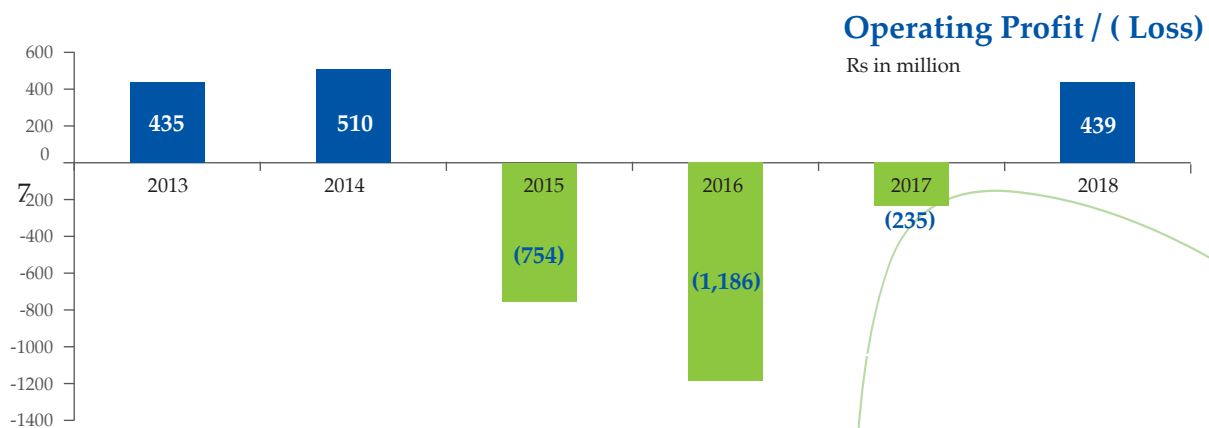
With gradual inflow of funds through deposits together with an increase in policy rate, the Bank was able to improve return on its average earning assets throughout the year, resulting in an increase of 18.2% in its net spread earned. However, on the other side its net spread margins remained at the same level of 49%. This was mainly due to certain non-earning investments/assets on the balance sheet for which the Bank has formulated a strategy to address the same. The net spread earned is expected to improve in the year 2019 through gradual repricing of Bank's current Islamic financing portfolio and fresh disbursements on new profit rates.

Non-funded income earned through trade business, alternative distribution channels, investment banking and general banking also grew by a massive 30% during the year 2018 as the Bank operated with a strategy to enhance its fee based revenue streams through these segments. During the year 2019,

the Bank has introduced free of charge general banking services for its customers. While this may have a downward impact on Bank's fee income, it will create a positive impact on Bank's topline profitability and balance sheet profile as this measure is expected to attract new retail and corporate customers.



Despite the challenging business environment and rising inflation rate, the Bank's operating expenses grew by 8.2% only. The cost control remained a pivotal point of the Bank's strategy. Accordingly, measures were undertaken during the year to optimize cost, including evaluation of added costs and new vendors by running cost and benefit analysis. The cost increase over the last year primarily represents the impact of inflation and induction of staff at critical vacant positions in line with the planned re-organization and expansion plans of the Bank.



The Bank reported profit after tax of Rs. 213 million in the year 2018 as compared to Rs. 1,563 million of last year. This variation mainly pertains to one-off deferred tax adjustment considered in the year 2017. The operating profits of the Bank have remained under stress since its amalgamation with defunct KASB Bank, nonetheless signs of improvement have started on the back of efforts made by the Management of the Bank by bringing in synergy, growth in balance sheet and eradication of process inefficiencies. Resultantly, BankIslami posted operating profits to the tune of Rs. 439 million for the year 2018 in contrast to the operating losses amounting to Rs. 235 million and Rs. 1.19 billion posted during the years 2017 and 2016, respectively.

Achievements and New Initiatives

Marketing and Communication

BankIslami has emerged as an award winner for International Finance Awards 2018 in the category of – **“Most Innovative Banking Solution Provider - Biometric – Pakistan 2018”**. We have successfully branded the product as One Touch Banking and have also developed an Integrated Marketing Communication plan including a TV commercial wherein the Bank will be promoting the product with its newly inducted brand ambassador, Mr. Moin Khan (former Captain of Pakistan Cricket Team).

As a digital marketing activity, the Bank placed its banners on the renowned website of ESPN Cricinfo during the Asia-Cup event. These banners were strategically placed to capture cricket followers for the purposes of lead generation. This led to positive impression towards our potential customers.

Investment Banking

Investment Banking services of the Bank depicted stellar growth, generating fee income of Rs. 150 million during the year 2018, wherein it closed 3 mandates including issuance of Rs. 7.0 billion Islamic Commercial Paper (CP) of K – Electric Ltd (KE), being one of the largest transactions of this nature. The role of BankIslami’s Shariah Department is also commendable for their contribution towards structuring and issuance of the aforementioned CP based on ‘Wakala-tul-Istismar’ model. The Bank also served as a facility adviser and arranger for the structured GoP backed Diminishing Musharakah finance facility for Pakistan International Airline.

Consumer Finance

The Bank successfully entered into Strategic Alliances with Audi Pakistan, Indus Motor Company, Honda Atlas and Al-Haj FAW for its Islami Auto Finance. These alliances have been arranged in such a manner that the Bank can gain mileage through promotional and co-branding activities together with exclusive feature of priority delivery for its customers.

In Housing Finance, the Bank made disbursements to the tune of Rs. 4.3 billion during the year 2018 and is leading in overall Banking Industry with a landmark portfolio of Rs. 13.5 billion. During the year, BankIslami also entered into partnership with DHA Multan to offer financing solutions to its customers.

Retail Banking

On the cross sell and wealth management front, the Bank Initiated Referral Family Takaful Sales with Jubilee Life (Takaful Window) which is at present the largest private sector life assurance company of Pakistan. Moreover, to bring in efficiency in its cross sell model, the Bank has launched an interactive Takaful Portal to issue cover note within its premises in partnership with Pak Qatar and Jubilee life. In 2019, the Bank also introduced free of charge Inter Bank Fund Transfer services. Through this, BankIslami’s customers can transfer their funds to any bank in Pakistan by providing cheque or using Bank’s state of the art ‘One Touch Banking’ service.

Information Technology

The Bank successfully acquired EMV certification for its debit cards to perform more secure transactions. EMV is the global standard for processing of secured transactions through chip based cards. As an enhancement to ‘Business Continuation Process’ the Bank activated its Disaster Recovery Site in Lahore to enable the Bank to continue its banking operations in case of any disaster. In order to provide seamless ADC services, the Bank successfully migrated its ADC applications on Oracle’s 11g data management system so that the Bank can provide faster and efficient services to its customers.

In order to improve and strengthen the Bank's Security posture, we have invested heavily on information technology structure. This includes acquisition and installation of next generation data center firewall, web firewall, virtual patching mechanism, network level sand boxing and advance threat protection and breach detection systems.

Product Development

On the product development side, the Bank innovatively used its existing Karobar Finance product in the Agricultural Finance sector to provide a Shariah compliant solution for financing against Warehousing Receipt. Moreover, Islamic Long Term Financing Facility (ILTFF) product, a SBP Refinance Scheme, was also launched during the year 2018.

Shariah Compliance

During the year 2018, Shariah Governance Framework of the Bank has been updated in order to streamline Shariah compliance environment of the Bank. Moreover, Shariah team visited various cities to conduct Shariah Review of branches across the country to ensure Shariah compliant environment at branch level. The Bank also established a dedicated help line for its internal customers to address and respond to Shariah related queries.

Human Resource

The Bank values its employees and believes that performing employees are asset for the Bank. In this regard, Bank took various initiatives to motivate its employees. During the year, BankIslami launched a Pay Continuation Plan from a takaful company at no additional cost to employees. A structured training plan was rolled out at the start of the year 2018 to provide adequate training and development opportunities to employees based on identified needs at all levels within the Bank. Various sessions of mandatory basic Islamic Banking courses were conducted for employees joining the Bank to make them well versed with Islamic Banking concepts. Advanced level Islamic Banking and specialized trainings were also provided to employees as per their training needs, especially for front office business staff of the Bank. To improve the understanding of Shariah Board members about ongoing developments in banking and finance, specialized training session on risk management was arranged for them. A training session was also arranged for key management to apprise them about the Shariah Governance Framework. BankIslami has also collaborated with renowned training institutes such as NIBAF, CEIF, IBP etc. for imparting continuous professional development courses for its employees.

Future Strategy

BankIslami envisages its continued growth in the Islamic Banking industry in years to come and to strengthen its position as one of the leading Islamic Bank. To accomplish this feat, the Bank has developed a Strategic Plan for the period 2019-2021 to set clear organizational goals and to lay out a comprehensive roadmap to achieve these goals. In formulating this Strategic Plan, a consultative approach has been used to build consensus amongst all functions of the organization on a set of common goals and objectives that exemplify the Vision and Mission of the Bank. This approach ensures that all stakeholders are fully on-board with the agreed goals and are behaviorally, tactically and operationally prepared to implement the plan. This Strategic Plan sets out 10 organizational goals which revolves around accelerated growth in deposit base, enhancing trade business, improving credit risk profile, leveraging technological innovation in a secured way, attracting high quality human resource, strengthening of brand image, maintaining healthy capital base and becoming a customer centric entity.

Corporate Social Responsibility

The Bank strongly believes to operate in a socially responsible manner and make useful contributions to the economy, society and the environment in which it operates. Throughout the year 2018, energy conservation, environment protection, charity and customer satisfaction have remained the focal points of BankIslami's CSR efforts.

The Bank not only aims to reduce its costs by operating in the most energy efficient manner but also aims to conserve energy and reduce the dependency of its operations on depleting energy resources of our country. The Bank currently operates 137 out of its 330 branches on solar energy. During the year 2018, the Bank installed Solar Systems in 15 of its branches bringing the installed capacity to 542 KW generating nearly 800 MWhr of energy per year. The Bank aims to install Solar Systems in all its new branches in the year 2019. Furthermore, during the year 2018, the Bank also made further investment amounting to Rs. 4.405 billion in Sukuk certificates of Neelum Jhelum Hydropower Company (Private) Limited, which is not only seen as an investment opportunity but is considered as contribution towards development of pollution free power generation infrastructure for the country which anticipates to reduce power shortages in future.

The Bank also acknowledges its responsibility towards environment, particularly when pollution has become a problem in many areas of our country. In line with its environmental protection goals, the Bank in coordination with City District Government planted 3,000 trees as part of its 'Plant a Hope' campaign and also instructed each of its branches to plant one tree around branch. As part of the Bank's 'Plantation for the Nation' campaign, Chairman east of the City District Government along with senior management of the Bank participated in the plantation of trees in one of the busiest locations of Karachi. The Bank aims to continue the same effort in the coming year and make a meaningful contribution to the environment.

Charity payments made by the Bank are not only for the sake of income purification and compliance purposes but are also aimed towards making a valuable contribution to the society and bring about a positive change. Charity payments are, therefore, meant to support and aimed at such organizations which conform to the idea of public welfare and have a history of such efforts. Details of charity payments made by the Bank are mentioned in note 19.2.1 to the financial statements.

Customer Service Quality

The Bank values its customers and takes pride in servicing them. Customer satisfaction is one of the key success factors of any banking operation therefore, the Bank values customer feedback and aims to understand the needs of its customers. The Bank believes to work more closely with its customers in order to develop a relationship which is based on trust and is not just transactional in nature. During the year 2018, the Bank geared its efforts to make this possible through 'Customer Appreciation Day', where members of the Bank's senior management spent an entire working day at the branches and interacted with customers directly. This not only provided senior management better insight over customer needs but also provided a chance to demonstrate to its customers that they are valuable to the Bank and their feedback is respected. Total of 30 Customer Appreciation Days at different branches were held throughout the year 2018.

Statement of Internal Controls

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

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

Risk Management Framework

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

- Corporate Credit Management
- Consumer Credit Management
- Risk Policy & Analytics (Market, Liquidity & Operational Risk)
- IT Security
- Special Assets Management
- Internal Control over Financial Reporting (ICFR) and Bank's Policy & Procedures

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

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

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

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

The Bank has maintained its CAR at 15.10% well above the regulatory thresholds of 11.90% throughout the year under the prescribed Basel-III regulations. The Bank has grown its CAR by carefully monitoring and managing the risk profile of its asset portfolio which resulted in an improved CAR of 15.10% for 2018 as compared to 14.68% in 2017.

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

Internal Controls over Financial Reporting (ICFR)

The Bank diligently followed the State Bank of Pakistan's (SBP) Guidelines on Internal Controls to evaluate the effectiveness of the overall set of internal controls including financial reporting controls. A detailed documentation of Bank-wide processes and controls was completed, together with a comprehensive gap analysis of the control design and subsequent development of remediation plan for the identified gaps. Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring operating effectiveness of key controls and has significantly addressed the identified design improvements. Upon satisfactory completion of the Internal Control over Financial Reporting (ICFR) roadmap, SBP granted exemption to the Bank in the year 2017 from the submission of Long Form Report (LFR) by external auditors. Annual assessment report for 31 December 2018 on efficacy of ICFR shall henceforth be submitted through the Board's Audit Committee. The management will endeavor to continue enhancing its coverage and compliance with the SBP Guidelines on Internal Controls and thereby strengthening its control environment on an ongoing basis.

Capital Plan

The Bank views capital planning as an essential component for operating in a challenging and dynamic economic environment and comply with the robust regulatory requirements. We also believe that sound capital planning is critical for determining a prudent composition and level of capital so that the institute remains consistent with its strategic business plan, while also withstanding any stressful event. In line with this, the Board of the Bank has devised a comprehensive Capital Strategy and Enhancement Plan to remain compliant on longer term horizon with applicable Basel III and MCR framework stipulated by SBP.

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, 2017 (CCG) issued by the Securities and Exchange Commission of Pakistan (SECP) and adopted by SBP. The following statements are a manifestation of its commitment towards high standards of Corporate Governance and continuous organizational improvement:

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no doubts upon the Bank's ability to continue as a going concern.
7. There has been no material departure from the best practices of CCG.
8. The value of investments of the Bank's Provident Fund and Gratuity Fund based on un-audited accounts at 31 December 2018 amounted to Rs. 774.626 million and Rs. 302.155 million respectively.
9. Following information 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 requirements of the Listed Companies Code of Corporate Governance Regulation, 2017 (CCG) issued by Securities and Exchange Commission of Pakistan (SECP) relevant for the year ended 31 December 2018 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the Annual Report.

Composition of the Board

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

The current composition of the Board is as follows:

Total number of Directors 8

Composition:

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

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

S.No	Name of Director	Board of Directors		Audit Committee		Human Resource Management Committee		Board Remuneration Committee		Risk Management Committee		Executive Committee	
		Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **	Meetings Held During the Year	Attendance **
1	Mr. Ali Hussain	6	6	*	*	*	*	*	*	*	*	2	2
2	Mr. Fawad Anwar	6	6	*	*	3	2	3	2	6	6	2	2
3	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali	6	6	4	4	3	2	3	2	*	*	*	*
4	Dr. Amjad Waheed	6	5	4	3	*	*	*	*	*	*	*	*
5	Mr. Hasan A. Bilgrami, President and Chief Executive Officer***	3	3	*	*	2	2	*	*	4	4	1	1
6	Mr. Muhammad Nadeem Farooq ****	4	4	*	*	*	*	*	*	*	*	*	*
7	Mr. Noman Yakooob	6	6	4	4	*	*	*	*	*	*	*	*
8	Mr. Siraj Ahmed Dadabhoy	6	6	*	*	3	2	3	2	6	6	2	1
9	Mr. Syed Amir Ali, President and Chief Executive Officer *****	3	3	*	*	1	1	*	*	2	2	1	1
		6		4		3		3		6		3	

* Not a member of the Committee

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

*** Last working day of Mr. Hasan A Bilgrami as President & Chief Executive Officer was September 30, 2018. From January 1, 2018 to September 30, 2018 three Board of Directors meetings were held.

**** Board had co-opted Mr. Muhammad Nadeem Farooq as Director on May 21, 2018 subject to SBP approval, SBP approval was received on August 8, 2018. From August 8, 2018 to December 31, 2018 three Board of Directors meetings, two Human Resource Management Committee meetings, 3 Risk Management Committee meetings and one Executive committee meeting were held.

***** Mr. Syed Amir Ali took over the charge of President & Chief Executive Officer on October 1, 2018. From October 1, 2018 to December 31, 2018 three Board of Directors meetings were held. He was also appointed as member of Human Resource Management Committee, Risk Management Committee and Executive Committee effective from October 22, 2018. From October 22, 2018 to December 31, 2018 one Human Resource Management Committee meeting, 4 Risk Management Committee meetings and one Executive Committee meeting were held.

Directors' Remuneration

Chairman, non-executive directors and independent directors are entitled only for the fee for attending the Board meetings. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise required to govern in the best interest of the Bank and its Shareholders. The fee will be paid as approved by the Board of Directors and Shareholders in Annual General Meeting. Formal remuneration policy in this respect has been approved by the Board in February 2019.

Performance Evaluation Mechanism for the Board

During the year, the Board undertook a formal process of evaluation of its performance and its sub-committees, together with an action plan to bring in improvement going forward. The overall performance of the Board and its sub-committees measured on the defined parameters for the year was satisfactory.

Directors' Training

Presently three directors have already completed the prescribed certification under Director Training Program (DTP) as per the requirement of Code of Corporate Governance. One of the director shall obtain certification under the DTP by June 30, 2019 in compliance with the CCG. The remaining directors will comply with the requirement as per the prescribed time line. Furthermore, all Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies.

Pattern of Shareholding

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

Auditors

The present Auditors EY Ford Rhodes, Chartered Accountants., retire and being eligible offer themselves for re-appointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of EY Ford Rhodes, Chartered Accountants., as Auditors for the year ending 31 December 2019.

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".

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 is as follows:

Update Related to Amalgamation with Defunct KASB Bank Limited

Litigation against the Bank, directly related to merger of defunct KASB Bank with and into BankIslami, comprises of cases at Honorable Sindh High Court, Lahore High Court and Islamabad High Court. The Honorable Sindh High Court has disposed-off prayers in three Constitutional Petitions, without any negative inference to the Bank, and issued certain directions to SBP which were then complied with. However, the Petitioners filed Appeals before the Honorable Supreme Court. Subsequently in the month of August 2018, these Appeals were also dismissed by the Honorable Supreme Court, *Alhamdulillah*. However, the Petitioners again filed Review Petitions in the Honorable Supreme Court, which have also been dismissed in the month of December 2018. Similarly, the cases at Lahore High Court have also been dismissed in the month of November 2018. Now, the cases at Islamabad High Courts are pending. In addition, the Petitioners have filed a new Civil Suit at Sindh High Court. However, our lawyers are confident that on the basis of Decision of the Honorable Supreme Court, the subject cases will also be dismissed in the Bank's favour.

The Bank, subsequent to amalgamation of defunct KASB Bank, came to know about certain transactions, as identified by SBP including but not limited to fraudulent activities of certain directors / parties of defunct KASB Bank. The Bank, in line with instructions from SBP, took legal course of action in this regard and lodged separate complaints with National Accountability Bureau ('NAB'), which afterwards led to formal inquiries by the NAB. These inquiries are yet pending.

Cyber Incident

The Bank's one of the international payment card schemes witnessed certain abnormal transactions on October 27, 2018. The Bank immediately took precautionary measures to protect its internal system and customer accounts. Subsequently, the Bank was informed by its international payment scheme that some transactions amounting to USD 6.1 million were made on international ATMs using

Bank's issued cards, however, the Bank did not acknowledge these transactions as these were never landed on Bank's system. The incident was reported to Pakistan Stock Exchange on October 29, 2018. In connection with this incident the Bank filed a suit for declaration and injunction in Sindh High Court and matter at the moment is pending adjudication. Moreover, the Bank has also initiated an independent forensic review of the matter and continues to work closely with the relevant authorities and regulators on this incident. At present, it is not practical to reliably estimate any impact of this incident. Therefore, the matter has been disclosed in the Contingencies and Commitments in the annexed annual financial statements (Refer Note - 23.3.3).

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

اداروں کے ساتھ مشاورت جاری ہے۔ تاحال اس معاملہ کے نتیجہ میں ہونے والے نقصان کی عملی طور پر تصدیق کرنا مشکل ہے۔ لہذا معاملہ کی تفصیلات سالانہ مالیاتی رپورٹ میں Contingencies and Commitments میں ظاہر کی گئیں ہیں۔ (نوٹ نمبر 23.3.3 ملاحظہ کریں)

اعلہار تھکر

بوڑ واسٹیٹ بینک آف پاکستان کی جانب سے تعاون پر مشکور ہے، اس کے علاوہ سیورٹی آپریشن کمیشن آف پاکستان اور دیگر متعلقہ اداروں کی معاونت کے شکر گزار ہیں۔ ہم اے صارفین، شیئر ہولڈرز اور تجارتی شراکت داروں کے بینک پر بھروسہ اور اعتماد کے بھی بے حد مشکور ہیں۔ مزید برآں ہم بینک اسلامی کے حکام، ملازمین اور انتظامیہ کی انتھک محنت کو خراج تحسین پیش کرتے ہیں جس کی کاوشوں سے بینک اسلامی نے انڈسٹری میں ایک نمایاں اور منفرد مقام حاصل کیا۔

الحمد للہ



سید عامر علی
چیف ایگزیکٹو آفیسر



علی حسین
چیئر مین بورڈ آف ڈائریکٹرز
28 فروری 2019ء

February 28, 2019

آڈٹرز

موجودہ آڈٹرز EY Ford Rhodes چارٹرڈ اکاؤنٹنٹس، سی سی جی کی ہدایت کے مطابق مدت مکمل ہونے کے بعد دوبارہ تقرری کے مجاز ہو گئے۔ آڈٹ کمیٹی نے 31 دسمبر 2019 کو ختم ہونے والے مالی سال کیلئے EY Ford Rhodes چارٹرڈ اکاؤنٹنٹس کا نام تجویز کیا ہوا ہے۔

کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پی اے سی آر اے) نے طویل مدت ریٹنگ میں بینک اسلامی کو A+ اور قلیل مدت ریٹنگ A1 مقرر کی ہے۔

قانونی چارہ جوئی

بینک مختلف قانونی چارہ جوئی کا حصہ ہے، کچھ مقدمات بینک کی جانب سے دائر کئے گئے جبکہ دیگر مقدمات مختلف پارٹیز کی جانب سے بینک پر دائر کئے گئے ہیں۔ بینک کی قانونی مشاورت کے ساتھ بینک مقدمات کی پیروی کر رہا ہے جس سے بینک کو کسی مشکلات کا سامنا نہیں۔ چیدہ مقدمات کی تفصیل ذیل ہے:-

غیر فعال KASB بینک سے انضمام پر دائر مقدمہ:

یہ مقدمہ بینک کے خلاف دائر کیا گیا، جو براہ راست بینک اسلامی اور غیر فعال KASB بینک کے انضمام پر دائر کی گئی۔ مذکورہ مقدمات سندھ، لاہور اور اسلام آباد کی معزز عدالتوں میں زیر سماعت ہیں۔ معزز سندھ ہائی کورٹ میں تین آئینی چیلنجز کو نمٹا دیا، جس میں بینک پر مبنی اثرائتیں مرتب ہوا، اور اسٹیٹ بینک کو عملدرآمد کی ہدایت کیں۔ بہر حال درخواست گزاروں نے معزز سپریم کورٹ میں اپیل دائر کی۔ گزشتہ سال اگست میں سپریم کورٹ میں الحمد للہ اپیلوں کو مسترد کر دیا، جس کے بعد درخواست گزاروں نے سپریم کورٹ میں نظر ثانی کی درخواست دائر کی جو دسمبر 2018 میں پھر مسترد ہو گئیں۔ اسی طرح لاہور ہائی کورٹ میں دائر مقدمات بھی نومبر 2018 میں خارج ہو گئے۔ تاحال اسلام آباد ہائی کورٹ میں مقدمہ التوا کا شکار ہے۔ مزید برآں درخواست گزاروں نے سندھ ہائی کورٹ میں نئے مقدمات دائر کئے ہیں، تاہم بینک کے وکلاء سپریم کورٹ کے فیصلوں کی روشنی میں پر عزم ہیں کہ مذکورہ مقدمات کا فیصلہ بھی بینک کے حق میں آئے گا اور تمام مقدمات ماضی کی طرح خارج ہو جائیں گے۔

بینک کے غیر فعال KASB بینک کے انضمام کی کچھ ٹرانزیکشنز میں غیر فعال KASB بینک کے کچھ ڈائریکٹرز کی سرگرمیوں پر اسٹیٹ بینک نے تحفظات کا اظہار کیا ہے۔ اسٹیٹ بینک کے ہدایت کی روشنی میں بینک نے قانونی راستہ اختیار کرتے ہوئے قومی احتساب بیورو (نیب) میں علیحدہ درخواست دائر کر دی ہیں، جس کے بعد نیب نے باقاعدہ تحقیقات کا آغاز کیا ہوا ہے، جو ابھی تک زیر التوا ہیں۔

سامبر حملے:

بینک نے 27 اکتوبر 2018 کو بین الاقوامی کارڈ ادائیگی اسکیم میں اپنی نوعیت کی منفرد صورتحال کا سامنا کرنا پڑا۔ بینک نے اپنے اندرونی سسٹم اور صارفین کے اکاؤنٹ کو محفوظ کرنے کیلئے فوری طور پر احتیاطی تدابیر اختیار کی۔ بعد ازاں بینک کو بتایا گیا کہ بین الاقوامی ادائیگی اسکیم کے ذریعہ بیرون ملک ATM سے بینک کے کارڈز کی تصدیقات کو استعمال کرتے ہوئے 6.1 ملین امریکی ڈالر کی رقم نکالی گئیں۔ البتہ بینک ان ٹرانزیکشنز کی تصدیق نہیں کرتا کیونکہ یہ مقامی بینک سسٹم کے ذریعہ نہیں کی گئیں۔ یہ واقعہ 29 اکتوبر 2018 کو پاکستان اسٹاک ایکسچینج میں بھی رپورٹ کیا گیا۔ اس واقعہ کے بعد بینک نے سندھ ہائی کورٹ میں مقدمہ دائر کیا ہوا ہے جو تاحال زیر التوا ہے۔ مزید برآں بینک نے غیر جانبدار قارئین کی تحقیقات کا آغاز کیا اور متعلقہ حکام اور

موجودہ بورڈ کی ساخت درج ذیل ہے:

کل ڈائریکٹرز کی تعداد 8

ساخت:

- ۱۔ غیر جانبدار ڈائریکٹرز 2
- ۲۔ غیر انتظامی ڈائریکٹرز 5
- ۳۔ ایگزیکٹو ڈائریکٹر 1

ڈائریکٹرز کے نام، بورڈ آف ڈائریکٹرز کی کمٹی میں شرکت

S.No	Name of Director	Board of Directors		Audit Committee		Human Resource Management Committee		Board Remuneration Committee		Risk Management Committee		Executive Committee	
		Meetings Held During the Year	Attendance	Meetings Held During the Year	Attendance	Meetings Held During the Year	Attendance	Meetings Held During the Year	Attendance	Meetings Held During the Year	Attendance	Meetings Held During the Year	Attendance
1	Mrs. Ali Hussain	6	6	*	*	*	*	*	*	*	*	2	2
2	Mrs. Farwa Anwar	6	6	*	*	3	2	3	2	6	6	2	2
3	Mr. Ali Mohammad Hussain Ali Mohammad Alshamali	6	6	4	4	3	2	3	2	*	*	*	*
4	Dr. Amjad Waheed	6	5	4	3	*	*	*	*	*	*	*	*
5	Mr. Hasan A. Bilgrami, President and Chief Executive Officer***	3	3	*	*	2	2	*	*	4	4	1	1
6	Mrs. Muhammad Nadeem Farooq****	4	4	*	*	*	*	*	*	*	*	*	*
7	Mr. Norman Yakoob	6	6	4	4	*	*	*	*	*	*	*	*
8	Mrs. Siraj Ahmed Dadabhoi	6	6	*	*	3	2	3	2	6	6	2	1
9	Mrs. Syed Amir Ali, President and Chief Executive Officer*****	3	3	*	*	1	1	*	*	3	3	1	1
		6		4		3		3		6		3	

ڈائریکٹرز کا معاوضہ

چیز میں، غیر انتظامی ڈائریکٹرز اور غیر جانبدار ڈائریکٹرز کو بورڈ اجلاس میں شرکت کی فیس ادا کی جاتی ہے۔ معاوضہ کی نوعیت ذمہ داریوں، بینک اور شیئر ہولڈرز کے بہتر مفاد نظر رکھ کر مقرر کی جاتی ہے۔ معاوضہ کی ادائیگی سالانہ مجلس عاملہ کے اجلاس، بورڈ آف ڈائریکٹرز اور شیئر ہولڈرز کی منظوری سے ادا کیا جاتا ہے۔ اس ضمن میں ریکی معاوضہ کی پالیسی کی بورڈ نے فروری 2019 میں منظوری دی۔

بورڈ کی کارکردگی کا جائزہ اور اس کا طریقہ کار

سال کے دوران، بورڈ نے ریکی طریقہ کار سے ذیلی کمیٹیوں کا کارکردگی کا جائزہ لینے، مستقبل میں مزید بہتری کی گنجائش کیلئے جائزہ لیا۔ بورڈ اور ذیلی کمیٹیوں کی سال کی مقرر کردہ حدود کے مطابق تسلی بخش کارکردگی رہی۔

ڈائریکٹرز کی ٹریک

تاحال 3 ڈائریکٹرز نے ڈائریکٹر ٹریک پروگرام (ڈی ٹی پی) کے تحت تربیت مکمل کر کے سند حاصل کر لی ہے، جیسا کہ کوڈ آف کارپوریٹ گورننس میں مقرر کیا گیا تھا۔ سی سی جی کے احکامات کی روشنی میں 30 جون 2019 تک کم از کم مزید ایک ڈائریکٹر کو ڈی ٹی پی کے تحت ٹریک حاصل کرنا لازم ہے۔ باقی ڈائریکٹرز مقرر کردہ وقت اور ضرورت کے مطابق ہدایت پر عمل کریں گے۔

بینک کمپنیل پلاننگ کو ریگولیٹری ضروریات، متحرک اور اقتصادی ماحول کو اہم جز سمجھتا ہے۔ ہم سمجھتے ہیں کہ کمپنیل کی جامع منصوبہ بندی کی تشکیل کمپنیل کی نوعیت کا تعین کرنے میں اہمیت رکھتے ہیں تاکہ ادارے کی کاروباری منصوبے کی حکمت عملی کا کسی بھی دباؤ کی صورت میں تسلسل برقرار رکھا جاسکے۔ اس کے علاوہ بینک کے بورڈ نے منصوبوں کے فروغ اور طویل مدتی افق کے ساتھ اسٹیٹ بینک کے مقرر کردہ پلس 111 اور ایم سی آر فریم ورک کی جامع کمپنیل منصوبہ بندی مرتب کی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک پر ڈائریکٹرز کا موقف

بورڈ آف ڈائریکٹرز سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ اور اسٹیٹ بینک کی جانب سے اپنائے گئے کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 کے تحت ذمہ داریاں نبھانے میں سنجیدہ ہیں۔ درج ذیل بیان ادارے کی بہتری کیلئے کارپوریٹ گورننس اور اعلیٰ معیار کے تسلسل کے عزم کا اظہار کرتا ہے:

- ۱۔ بینک انتظامیہ کی جانب سے تیار کردہ مالی نتائج جن میں آپریشنز، کیش فلو اور سرمایہ میں تبدیلی وغیرہ کے معاملات کی صحیح طور پر عکاسی کرتے ہیں۔
- ۲۔ بینک کے اکاؤنٹ مناسب طور پر رکھے گئے ہیں۔
- ۳۔ مالی نتائج کی تیاری کیلئے مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا جاتا ہے اور تمام اکاؤنٹنگ تحجیبات فیصلوں پر مبنی ہیں۔
- ۴۔ پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیار کو برقرار رکھنے کیلئے مناسب طریقہ سے ظاہر کر کے وضاحت کی جاتی ہے۔
- ۵۔ اندرونی معاملات کے نظام کی دیکھ بھال اعلیٰ معیار کے موثر طریقہ کار سے نافذ ہے۔
- ۶۔ بلاشبہ بینک کے صلاحیتوں میں مسلسل اضافہ ہو رہا ہے۔
- ۷۔ کمپنی کوڈ آف کارپوریٹ گورننس کے اعلیٰ طریقہ کار سے کوئی جز نظر انداز نہیں ہوا۔
- ۸۔ 31 دسمبر 2018 تک ختم ہونے والے عرصہ کے دوران غیر تصدیق شدہ اکاؤنٹس کے مطابق بینک کے پروویڈنٹ فنڈ اور گروپوئیٹ فنڈ بالترتیب 774.626 ملین روپے اور 302.155 ملین روپے ہے۔
- ۹۔ مندرجہ ذیل تفصیلات ڈائریکٹرز رپورٹ کے ساتھ منسلک ہیں
 - i۔ مالی سال کے دوران چیف ایگزیکٹو اور ڈائریکٹرز کی جانب سے خریدے اور فروخت کئے گئے شیئرز کی تفصیلات
 - ii۔ گزشتہ 6 سال کے تمام متعلقہ فنانشل اور آپریٹنگ تفصیلات

کوڈ آف کارپوریٹ گورننس کا اطلاق

31 دسمبر 2018 کو ختم ہونے والے مالی سال کے دوران سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ سیکورٹیز کوڈ آف کارپوریٹ گورننس (سی جی) ریگولیشنز 2017 کے لازم قرار دیے گئے قوانین کا بینک نے مکمل طور پر اطلاق کیا ہے۔ جس کی تمام تفصیلات سالانہ رپورٹ کے ساتھ منسلک ہے۔

بورڈ کی ساخت

سی سی جی کی ہدایت کے مطابق بینک بورڈ میں خود مختار آزاد اور غیر انتظامی ڈائریکٹرز کو نمائندگی دینے کی حوصلہ افزائی کرتا ہے۔

مارکیٹ کے کردار اور ریٹری سرگرمیوں کی مانیٹرنگ میں لیکویڈیٹی رسک فنکشن کو مختلف حدود کی تشکیل، ان کی نگرانی، رپورٹنگ اور نظام کو بہتر بنانے کے ذریعے مضبوط بنایا گیا ہے۔ نقصانات کی ڈیٹا رپورٹنگ، رسک اینڈ کنٹرول کی خود تشخیصی، خطرے کے اہم اشاریوں کی بڑھتی ہوئی کوریج، خطرے کی نشاندہی کے ذریعے بینک کے طریقہ کار کی بہتری اور اس کو دستاویزی شکل دینے اور اس سے نمٹنے کے لئے آپریشنل رسک منجمنٹ فریم ورک میں مسلسل بہتری کا اظہار ہوتا ہے۔

”آپریشنل رسک منجمنٹ فریم ورک“ کے ایک مضبوط موقع کو بڑھانے کیلئے مسلسل کوششیں کی جا رہی ہیں۔ بینک کے پاس خطرے سے آگاہی کا انٹرل آپریشنل پروگرام ہے جس کا مقصد خطرے سے آگاہی کو فروغ دینے کے لئے ملازمت کے دوران آگاہی اور تربیت کے ذریعے عملے کی صلاحیتوں کی تعمیر اور رسک فری کلچر کو فروغ دینا ہے۔

بینک نے مقررہ پیرل 11 قواعد کے تحت پورے سال کے دوران اپنی CAR کو 15.10 فیصد پر برقرار رکھا ہے جو 11.90 فیصد کی ریگولیٹری حد سے اوپر ہے۔

بینک نے خطا نگرانی اور اپنے اثاثے کے حجم کی رسک پروفائل کے انتظام کے ذریعے اپنی CAR میں اضافہ کیا ہے جس کے نتیجے میں CAR میں 2017ء میں 14.68 فیصد کے مقابلہ میں 2018ء میں 15.10 فیصد بہتری آئی۔

بینک اسلامی نے ایک وسیع انفارمیشن سیکورٹی (آئی ایس) پروگرام اور انفارمیشن اثاثوں کی سیکورٹی کے انتظام کیلئے گورننس سٹرکچر قائم کیا ہے۔ بینک کی جانب سے منظم کردہ حساس معلومات بشمول اپنے صارفین، شراکت داروں اور سٹاف کی جانب سے بینک اسلامی کو دیا گیا ڈیٹا، اوارہ کے قیمتی اثاثوں میں سے ایک ہے۔ بینکنگ کاروبار کی سابقہ فطرت اور اس کے زیر انتظام ڈیٹا کی اہمیت کو دیکھتے ہوئے رسک گروپ نے کاروبار اور ٹیکنالوجی کے ساتھ مل کر خطرے کو کم کرنے کے لئے ضروری اقدامات اٹھائے ہیں۔

انٹرل کنٹرولز اور فنکشنل رپورٹنگ (آئی سی ایف آر)

بینک نے فنکشنل رپورٹنگ کنٹرول سمیت انٹرل کنٹرولز کے مجموعے کے موثر ہونے کا اندازہ لگانے کیلئے انٹرل کنٹرول کے بارے میں تہدی سے اسٹیٹ بینک آف پاکستان (ایس بی پی) کی گائیڈ لائنز کی تعمیل کی ہے۔

بینک کے وسیع حوالہ اور کنٹرولز کی ایک تفصیلی دستاویز کنٹرول ڈیزائن کی جامع خامیوں کے تجزیہ اور شناخت کی گئی خامیوں کیلئے اصلاحی منصوبہ کی تیاری کے ساتھ مکمل کی گئی ہے۔ مزید برآں بینک نے اہم کنٹرولز کو موثر طور پر چلانے کو یقینی بنانے اور نمایاں طور پر شناختی ڈیزائن کو بہتر بنانے کیلئے ایک جامع منجمنٹ ٹیسٹنگ اینڈ رپورٹنگ فریم ورک تیار کیا ہے۔

انٹرل کنٹرول اور فنکشنل رپورٹنگ (آئی سی ایف آر) کی تسلی بخش تکمیل پر ایس بی پی نے ایکٹرل آڈیٹرز کی جانب سے لاگت قارم رپورٹ (ایل ایف آر) جمع کرانے سے سال 2017ء میں بینک کو چھوٹ دی۔

آئی سی ایف آر کے موثر ہونے کے بارے میں 31 دسمبر 2018ء کے لئے سالانہ تشخیصی رپورٹ بورڈ کی آڈٹ کمیٹی کے ذریعے پیش کی جائے گی۔ انتظامیہ انٹرل کنٹرول کے بارے میں ایس بی پی گائیڈ لائنز کی تعمیل اور اپنی کوریج کو مسلسل بہتر بنانے اور مسلسل بنیادوں پر اپنے کنٹرول ماحول کو مضبوط بنانے کیلئے کوششیں جاری رکھے گی۔

شیر ہولڈنگ کا پیرن

بینک پاکستان اسٹاک ایکسچینج لمیٹڈ میں سطر ہے، شیر ہولڈنگ کا پیرن اور ڈائریکٹرز اور ایگزیکٹو کے شیرز کی تفصیلات سالانہ رپورٹ میں منسلک ہے۔

کارپوریٹ سماجی ذمہ داری

بینک سماجی طور پر ذمہ دارانہ طریقے سے کام کرنے اور معیشت، معاشرے اور ماحول جس میں وہ کام کرتا ہے، میں مفید کردار ادا کرنے پر پختہ یقین رکھتا ہے۔ سال 2018ء کے دوران توانائی کی بچت، ماحول کے تحفظ، خیرات اور صارف کا اطمینان بینک اسلامی کے سی ایس آر کی کوششوں کے مرکزی نکات رہے ہیں۔

بینک کا مقصد نہ صرف توانائی کی بچت کرتے ہوئے اپنے اخراجات کو کم کرنا ہے بلکہ توانائی کو محفوظ کرنا اور اپنے ملک کے توانائی کے وسائل پر اپنے آپریشنز کا انحصار بھی کم کرنا ہے۔ اس وقت بینک کی 330 برانچوں میں سے 137 برانچیں شمسی توانائی پر چل رہی ہیں۔ سال 2018ء کے دوران بینک نے اپنی 15 برانچوں میں شمسی توانائی کے نظام نصب کئے جو 542KW بجلی پیدا کرنے کی صلاحیت رکھتے ہیں اور سالانہ تقریباً 800MWhr توانائی پیدا کرتے ہیں۔ بینک کا مقصد سال 2019ء میں اس کی تمام نئی برانچوں میں شمسی توانائی کا نظام نصب کرنا ہے۔ مزید برآں، سال 2018ء کے دوران بینک نے نیلم جہلم ہائیڈرو پاور کمپنی (پرائیویٹ) لمیٹڈ کے سکوک سرٹیفیکیٹس میں 4.405 ارب روپے کی مزید سرمایہ کاری کی جسے صرف سرمایہ کاری کے طور پر نہیں دیکھا جاتا بلکہ اسے ملک کیلئے آلودگی سے پاک توانائی پیدا کرنے والے انفراسٹرکچر کی ترقی میں کردار سمجھا جاتا ہے جس سے توقع ہے کہ مستقبل میں بجلی کی قلت کم ہوگی۔

بینک ماحول خاص طور پر آلودگی جو ہمارے ملک کے بہت سے علاقوں میں ایک مسئلہ بن چکی ہے، کی جانب اپنی ذمہ داری کو تسلیم کرتا ہے۔ ماحول کے تحفظ کے اہداف کے ضمن میں بینک سٹی ڈسٹرکٹ گورنمنٹ کے ساتھ رابطے میں ہے اور اپنی ”Plant A Hope“ مہم میں 3 ہزار درخت لگائے ہیں اور اپنی ہر برانچ کو برانچ گرو ایک درخت لگانے کی ہدایت کی ہے۔ بینک کی ”قوم کے لئے شجرکاری“ مہم میں سٹی ڈسٹرکٹ گورنمنٹ کے چیئرمین شرقی نے بینک کی سینٹر انٹظامیہ کے ہمراہ کراچی کے ایک مصروف مقام پر درختوں کی شجرکاری مہم میں شرکت کی۔ بینک آنے والے سالوں میں اس طرح کی کوششوں کو جاری رکھے گا اور ماحول کیلئے معنی خیز کردار ادا کرے گا۔

بینک کی طرف سے خیراتی ادا نیکیاں نہ صرف آمدن کو صاف کرنے اور تعمیل کے مقاصد کے لئے ہیں بلکہ ان کا مقصد معاشرے میں قابل قدر کردار ادا کرنا ہے اور ایک مثبت تبدیلی لانا ہے۔ خیراتی ادا نیکیاں ایسے اداروں جن کے پاس عوامی فلاح و بہبود کا کوئی خیال ہو اور اس طرح کی کادشوں کی ہسٹری ہو، کی حمایت اور مدد کے لئے ہیں۔ بینک کی جانب سے خیراتی ادا نیکیوں کی تفصیل فنانشل اسٹینٹ کے نوٹ 19.2.1 میں شامل کی گئی ہے۔

کسٹمر سروس کوالٹی

بینک اپنے صارفین کی قدر کرتا ہے اور ان کی خدمت کرنے میں فخر محسوس کرتا ہے۔ صارف کا اطمینان کسی بھی بینکنگ آپریشنز کے اہم کامیاب عوامل میں سے ایک ہے لہذا بینک صارف کی رائے کی قدر کرتا ہے جس کا مقصد اپنے صارفین کی ضروریات کو سمجھنا ہے۔ بینک اپنے صارفین کے ساتھ تعلق قائم رکھنے کے لئے زیادہ قریبی کام پر یقین رکھتا ہے جو اعتماد پر مبنی ہو اور صرف فطری لین دین نہ ہو۔ سال 2018ء کے دوران بینک نے ”Customer Appreciation Day“ کے ذریعے اسے ممکن بنانے کیلئے اپنی کوششوں کو آگے بڑھایا جہاں بینک کی سینٹر انٹظامیہ کے ارکان نے برانچوں میں پورا دن گزارا اور صارفین کے ساتھ براہ راست بات چیت کی۔ اس سے نہ صرف سینٹر انٹظامیہ کو صارف کی ضروریات کو بہتر طور پر سمجھنے میں مدد ملی بلکہ اپنے صارفین کو اس بات کے اظہار کا ایک موقع فراہم کیا کہ وہ بینک کے لئے قابل قدر ہیں اور ان کی رائے قابل احترام ہے۔ سال 2018ء کے دوران مجموعی طور پر 30 ”Customer Appreciation Days“ مختلف برانچوں میں منعقد ہوئے۔

پروڈکٹ ڈویلپمنٹ

پروڈکٹ ڈویلپمنٹ کے ضمن میں بینک نے ایگریکلچرل فنانس سیکٹر میں اپنے موجودہ کاروباری فنانس پروڈکٹس کو جدید طریقے سے استعمال کیا ہے تاکہ ویز ہاؤسنگ رسید کے بدلے فنانسنگ کے لئے شرعی اصولوں کے مطابق حل فراہم کئے جاسکیں۔ علاوہ ازیں اسلامک لاگت ٹرم فنانسنگ فیسلٹی (آئی ایل ٹی ایف ایف) پروڈکٹ، ایک ایس بی پی ری فنانس سکیم بھی سال 2018ء کے دوران شروع کی گئی ہے۔

شرعی مطابقت

سال 2018ء کے دوران بینک کے شرعی اصولوں کے مطابق ماحول کو بہتر بنانے کے لئے شریعہ گورنس فریم ورک کو اپ ڈیٹ کیا گیا ہے۔ علاوہ ازیں شرعی ٹیموں نے براؤنچی کے سطح پر شرعی اصولوں کے مطابق ماحول کو یقینی بنانے کے لئے ملک بھر کی برانچوں میں شرعی جائزہ کے انعقاد کے لئے مختلف شہروں کا دورہ کیا۔ بینک نے اپنے انٹرنل کنٹرولز کو شریعت سے متعلق سوالوں کے جواب کیلئے ایک وقف شدہ ویلپ لائن بھی قائم کی ہے۔

ہیومن ریسورس

بینک اپنے ملازمین کی قدر کرتا ہے اور اس امر پر یقین رکھتا ہے کہ ملازمین کی کارکردگی بینک کیلئے اہم ہے۔ اس ضمن میں بینک نے اپنے ملازمین کو متحرک کرنے کے لئے متعدد اقدامات اٹھائے ہیں۔ سال کے دوران بینک اسلامی نے ملازمین کے لئے کسی اضافی لاگت کے بغیر کفائل کمپنی کی جانب Pay Continuation Plan (متخوہ جاری رکھنے کا منصوبہ) کا اجراء کیا۔ سال 2018ء کے اوائل میں بینک کی تمام سطحوں پر شناخت کی ضروریات پر مبنی ملازمین کو تربیت اور ترقی کے مواقع فراہم کرنے کے لئے ایک منظم تربیتی منصوبہ بھی شروع کیا گیا۔ اسلامی بینکنگ کے تصورات کو بہتر طریقے سے سمجھنے کے لئے بینک میں شامل ہونے والے ملازمین کیلئے لازمی بنیادی اسلامی بینکنگ کورسز کے مختلف سیشنز بھی منعقد ہوئے۔ ملازمین کو ان کی ضروریات کے مطابق بالخصوص بینک کے فرنٹ آفس بزنس سٹاف کیلئے اعلیٰ درجے کی اسلامک بینکنگ اور خصوصی تربیت بھی فراہم کی گئی۔ بینکنگ اور فنانس میں جاری پیش رفتوں کے بارے میں شریعہ بورڈ کے ممبران کی تفہیم کو بہتر بنانے کے لئے رسک مینجمنٹ پر خصوصی ٹریننگ سیشن کا بھی اہتمام کیا گیا۔ اہم انتظامیہ کو شریعہ گورنس فریم ورک کے بارے میں آگاہ کرنے کے لئے ایک تربیتی سیشن کا بھی اہتمام کیا گیا۔ بینک اسلامی نے این آئی بی اے ایف، ای ای آئی ایف، آئی بی پی وغیرہ جیسے معروف تربیتی اداروں کے ساتھ اپنے ملازمین کے لئے مسلسل پیشہ ورانہ ترقی کے کورسز کو فروغ دینے کے لئے شراکت داری بھی کی ہے۔

مستقبل کی حکمت عملی

بینک اسلامی آنے والے سالوں میں اسلامک بینکنگ انڈسٹری میں مسلسل ترقی اور معروف اسلامی بینک کے طور پر اپنی پوزیشن کو مضبوط بنانے کا عزم رکھتا ہے۔ اس مقصد کو پورا کرنے کے لئے بینک نے 2019-2021ء کے عرصہ کے لئے واضح ادارہ جاتی اہداف ترتیب دینے اور ان اہداف کے حصول کیلئے ایک جامع روڈ میپ تشکیل دینے کے لئے ایک سٹرٹجک پلان تیار کیا ہے۔ اس سٹرٹجک پلان کو تشکیل دینے میں ایک مشاورتی نقطہ نظر کو استعمال کیا گیا ہے تاکہ ادارہ کے تمام افعال کے مابین مشترکہ اہداف اور مقاصد کے لئے اتفاق رائے پیدا کیا جاسکے جو بینک کے وژن اور مشن کو واضح کرتا ہو۔

یہ نکتہ نظر اس بات کو یقینی بناتا ہے کہ تمام اسٹیک ہولڈرز مختلف اہداف کے ساتھ مکمل طور پر رضامند ہیں اور رویے، حکمت عملی اور عملی طور پر منصوبے کے نفاذ کے لئے تیار ہیں۔ یہ تدویراتی منصوبہ 10 ادارہ جاتی اہداف کا تعین کرتا ہے جو پانچ ٹیمیں، تجارتی کاروبار کو بڑھانے، کریڈٹ رسک کو بہتر بنانے، محفوظ طریقے سے ٹیکنیکل جدت پسندی کو فروغ دینے، اعلیٰ معیار کے انسانی وسائل کو راغب کرنے، برانڈ کی ساکھ کو مضبوط بنانے، صحت مند سرمایہ کی بنیاد کو برقرار رکھنے اور کسٹمر سینٹرک ادارہ بننے کے گرو گھومتا ہے۔

انٹرنیشنل بینکنگ

بینک کی انٹرنیشنل بینکنگ سروسز نے مستحکم اور شاندار نمو کا اظہار کیا ہے جس نے سال 2018ء کے دوران 150 ملین روپے فیس کی مدد میں آمدن پیدا کی جس میں اس نے کے۔ ایلیٹرک لمیٹڈ (کے ای) کے 7 ارب روپے مالیت کے اسلامک کمرشل بینچر (سی پی) جو اس نوعیت کی سب سے بڑی ٹرانزیکشن تھی، جاری کرنے سمیت تین مینڈیٹس مکمل کئے۔ بینک اسلامی کے شریعہ ڈیپارٹمنٹ کا وکالت الاستثمار ماڈل پر مبنی پیش نظر سی پی کے اجراء اور تکمیل کیلئے کردار قابل تعریف ہے۔ بینک نے پاکستان انٹرنیشنل ایئر لائن کیلئے حکومت پاکستان کی معاونت سے کم سے کم مشارکہ فنانس سہولت کیلئے فیکٹری ایڈوائزر اور بینکنگ کی حیثیت سے بھی خدمات انجام دی ہیں۔

کنزیرننس

بینک نے اپنی اسلامی آئوٹانس کیلئے Audi پاکستان، انڈس موٹر کمپنی، ہنڈا اٹلس اور الحاج FAW کے ساتھ اسٹریٹجک اتحاد قائم کئے ہیں۔ یہ اتحاد اس طریقے سے ترتیب دیئے گئے ہیں کہ بینک اپنے صارفین کے لئے ترجیحی ڈیلوری کی خصوصی فچر کے ساتھ پروموشنل اور کو برانڈنگ سرگرمیوں کے ذریعے اجرت حاصل کر سکتا ہے۔

ہاؤسنگ فنانس میں، بینک نے سال 2018ء کے دوران 4.3 ارب روپے کی رقم ادا کی اور مجموعی بینکنگ انڈسٹری میں 13.5 ارب روپے کے لینڈ مارک پورٹ فولیو کے ساتھ نمایاں رہا۔ سال کے دوران بینک اسلامی نے اپنے صارفین کو فنانسنگ تک رسائی فراہم کرنے کیلئے ڈی ایچ اے ملتان کے ساتھ بھی شراکت داری کی۔

ریٹیل بینکنگ

کراس سیل اور ویلٹھ منجمنٹ فرنٹ میں، بینک نے جوہلی لائف (حفاظت و نفع) کے ساتھ ریٹیل فیملی حفاظت کا آغاز کیا جو اس وقت پاکستان میں نجی شعبہ کی بڑی لائف انشورنس کمپنی ہے۔ علاوہ ازیں اپنے کراس سیل ماڈل میں کارکردگی لانے کیلئے بینک نے پاک قطر اور جوہلی لائف کے ساتھ شراکت داری میں کورنوٹ (سرٹیفیکیٹ) کے اجراء کیلئے ایک انٹراکٹو حفاظت پورٹل کا اجراء کیا۔

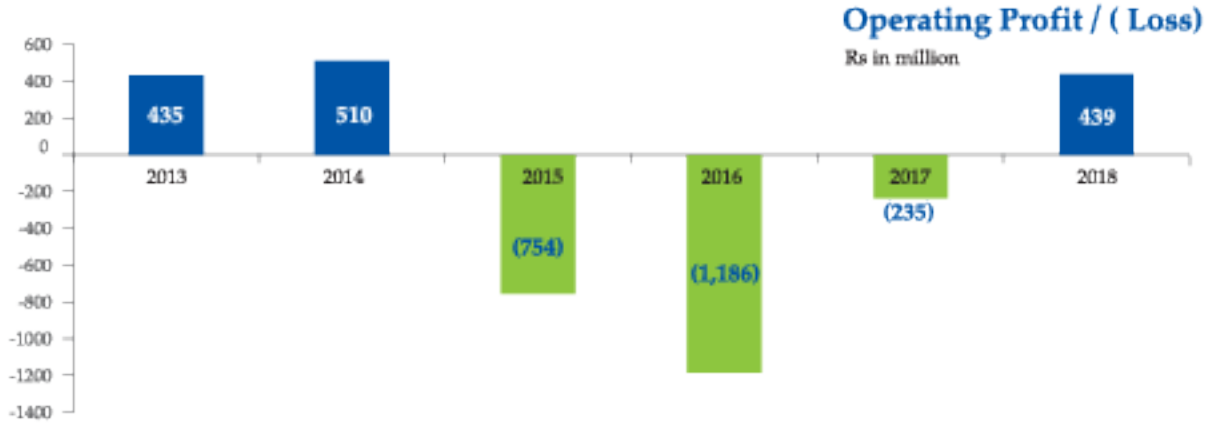
2019ء میں بینک نے بالکل مفت انٹر بینک فنڈ ٹرانسفر سروسز متعارف کرائیں۔ اس کے ذریعے بینک اسلامی کے صارفین چیک کی فراہمی یا بینک کی جدید ترین ”دن ڈیجیٹل“ سروس کے استعمال کے ذریعے پاکستان میں کسی بھی بینک کو فنڈ منتقل کر سکتے ہیں۔

انفارمیشن ٹیکنالوجی

بینک نے زیادہ محفوظ لین دین انجام دینے کے لئے اپنے ڈیجیٹل کارڈز کیلئے ای ایم وی سرٹیفیکیشن کا میانی سے حاصل کی ہے۔ EMV چپ کے حامل کارڈز کے ذریعے محفوظ لین دین کو انجام دینے کیلئے عالمی معیار ہے۔ ”کاروبار جاری رکھنے کے عمل“ کو بڑھانے کے لئے بینک نے لاہور میں اپنی ڈیزائنر

ریکوری سائیٹ کو فعال کیا ہے تاکہ کسی بھی آفت کی صورت میں بینک اپنے آپریٹرز کو جاری رکھنے کے قابل ہو سکے۔ اے ڈی سی خدمات فراہم کرنے کے ضمن میں بینک نے اپنی اے ڈی سی ایپلی کیشن اور بک 11 ڈیٹا منجمنٹ سسٹم پر منتقل کی ہے تاکہ بینک اپنے صارفین کو تیز اور موثر خدمات فراہم کر سکے۔ بینک کی سیکورٹی کی کیفیت کو مضبوط اور بہتر بنانے کے لئے، ہم نے انفارمیشن ٹیکنالوجی میں بھاری سرمایہ کاری کی ہے۔ اس میں ٹیکسٹ جزیشن ڈیٹا سائنس فائر وال، ویب فائر وال، ورچوئل چیکنگ میکانزم، نیٹ ورک لیول سینڈ باکسنگ اور ایڈوائس تھریٹ پروڈکشن اور بریج ڈیٹا سائنس سسٹم کی تھریٹ اور حصول شامل ہیں۔

کاروباری ماحول کے چیلنج اور بڑھتی ہوئی افراط زر کی شرح کے باوجود بینک کے آپریٹنگ اخراجات میں صرف 8.2 فیصد اضافہ ہوا۔ اخراجات میں احتیاط بینک کی حکمت عملی کا اہم کتہہ رہا ہے۔ اسی کے مطابق، لاگت اور فوائد کا تجزیہ کرتے ہوئے اضافی اخراجات اور نئے وینڈرز کی تشخیص سمیت لاگت کو بہتر کرنے کیلئے سال کے دوران اقدامات اٹھائے گئے۔ گزشتہ سال لاگت میں اضافہ بینک کے توسیعی منصوبوں اور تنظیم نو کے منصوبوں کے تناظر میں اہم عہدوں پر عملہ کے انضمام اور افراط زر کے اثرات کو بنیادی طور پر پیش کرتا ہے۔



بینک نے گزشتہ سال 1,563 ملین روپے کے مقابلے میں سال 2018ء میں 213 ملین روپے کا منافع بعد از ٹیکس ظاہر کیا۔ یہ تبدیلی بنیادی طور پر سال 2017ء میں موخر شدہ ٹیکس ایڈجسٹمنٹ سے متعلق ہے۔ بینک کے حصہ کا آپریٹنگ منافع اس کے کالعدم KASB بینک کے ساتھ انضمام کے بعد سے دباؤ کا شکار رہا ہے مطابقت پذیری، بیلنس شیٹ میں ترقی اور پروسیس میں درنگی کے عمل کے ذریعے بینک کی انتظامیہ کی جانب سے کی گئی کوششوں کے نتیجے میں بہتری کے آثار شروع ہوئے۔ نتیجتاً، بینک اسلامی نے سال 2017ء اور 2016ء میں بالترتیب 235 ملین روپے اور 1.19 ارب کے آپریٹنگ نقصان کے برعکس سال 2018ء کے لئے 439 ملین روپے کا آپریٹنگ منافع ظاہر کیا۔

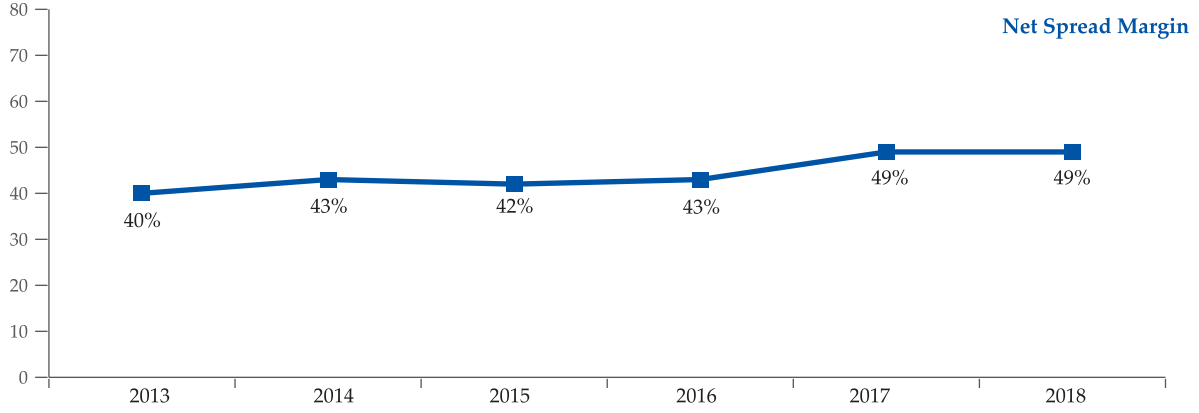
کامیابیاں اور نئے اقدامات

مارکیٹنگ اینڈ کیوٹیکیشن

بینک اسلامی انٹرنیشنل فنانس ایوارڈز 2018ء میں "Most Innovative Banking Solution Provider - Biometric- Pakistan 2018" کی کیٹیگری کیلئے ایوارڈ یافتہ بینک کے طور پر ابھرا ہے۔ ہم نے کامیابی سے ون چنج بینکنگ جیسی مصنوعات متعارف کرائی ہیں اور ٹی وی کمرشل سمیت انگلینڈ مارکیٹنگ کیوٹیکیشن پلان بھی تیار کیا ہے جہاں بینک اپنے نئے برانڈ ایمپریڈ رجٹاب معین خان (سابق کپتان، پاکستان کرکٹ ٹیم) کے ساتھ مصنوعات کو فروغ دے گا۔

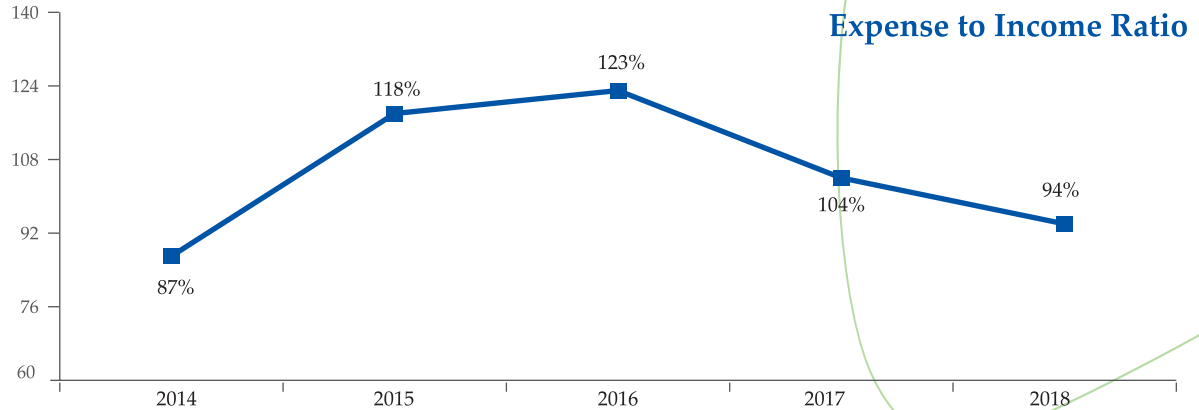
ڈیجیٹل مارکیٹنگ سرگرمی کیلئے بینک نے ایشیا کپ کے دوران ESPN cricinfo کی معروف ویب سائٹ پر اپنے بیسز لگائے۔ یہ بیسز کرکٹ کے شائقین کو راغب کرنے کی حکمت عملی کے مقصد کیلئے لگائے گئے تھے۔ اس کے باعث ہمارے مکنہ صارفین کے بارے میں مثبت تاثر پیدا ہوا۔

جبکہ بینک کی کل فنانسنگ میں معمولی سا گھٹاؤ تھا، کنزیومر فنانسنگ بینک اسلامی کی فلیگ شپ بزنس لائن ہونے کی وجہ سے دسمبر 2017ء میں 19.9 ارب روپے سے دسمبر 2018ء میں 24.2 ارب روپے تک 21.6 فیصد تک بڑھی۔ اگرچہ بینک کنزیومر سیگمنٹ میں رجحان کو بڑھتے ہوئے دیکھ رہا ہے مگر بیچ مارک کی شرح میں اضافہ اور موجودہ افراط زر کے دباؤ میں اضافہ بینک کے لئے کچھ رکاوٹیں ڈال سکتے ہیں اور یہ کنزیومر فنانس کو اور خاص طور پر ہاؤسنگ سیکٹر میں اضافے کے لئے ایک محتاط نقطہ نظر اختیار کر سکتا ہے۔ تاہم بینک سال 2019ء میں ریٹڈ کارپوریٹ کلائنٹس، ایس ایم ای سیلٹر، ایگریکلچر فنانسنگ اور اثاثوں کی بنیاد اور کریڈٹ رسک پروفائل میں مجموعی بہتری کی امید رکھنے والے سرکاری شعبہ کے اداروں کی جانب اپنی رغبت میں اضافہ کیلئے کوشش کرے گا۔



ڈیپازٹس کے ذریعے فنڈز کے بتدریج بہاؤ اور پالیسی ریٹ میں اضافہ کے ساتھ بینک پورے سال کے دوران اپنی آمدنی کے اوسط اثاثہ جات میں بہتری لانے میں کامیاب ہوا ہے جس کے نتیجے میں اس کی خالص آمدنی کے پھیلاؤ میں 18.2 فیصد کا اضافہ ہوا۔ تاہم دوسری جانب اس کی خالص آمدنی کا پھیلاؤ 49 فیصد کی اسی سطح پر برقرار رہا۔ اس کی بنیادی وجہ بیلنس شیٹ پر غیر آمدنی والی کچھ سرمایہ کاریاں / اثاثے ہیں جس کے لئے بینک نے ایک حکمت عملی تشکیل دی ہے تاکہ اس کی تلافی کی جاسکے۔ بینک کے کرنٹ اسلامک فنانسنگ حجم کی بتدریج ری پرائسنگ اور منافع کے نئے نرخوں پر تازہ ترین قرضوں کے ذریعے خالص آمدنی کا پھیلاؤ سال 2019ء میں بہتر ہونے کی توقع ہے۔

سال 2018ء کے دوران ٹریڈ بزنس کے ذریعے نان فنڈڈ آمدن، متبادل ڈسٹری بیوشن چینلز، انوسٹمنٹ بینکنگ اور جرنل بینکنگ میں بھی 30 فیصد تک اضافہ ہوا جیسا کہ بینک ان شعبوں کے ذریعے اپنی فیس پر مبنی آمدن بڑھانے کی حکمت عملی کے ساتھ کام کر رہا ہے۔ سال 2019ء کے دوران بینک نے اپنے صارفین کے لئے مفت عمومی بینکنگ خدمات متعارف کروائی ہیں۔ اس کے ذریعے بینک کی فیس کی مد میں آمدن پر منفی اثرات مرتب ہو سکتے ہیں، باوجود اس کے کہ یہ بینک کی فیس کی مد میں آمدن پر منفی اثرات مرتب کر سکتا ہے، یہ بینک کے منافع اور بیلنس شیٹ پروفائل پر مثبت اثرات مرتب کرے گا جیسا کہ اس اقدام سے نئے ریٹیل اور کارپوریٹ صارفین کو راغب کرنے کی توقع ہے۔

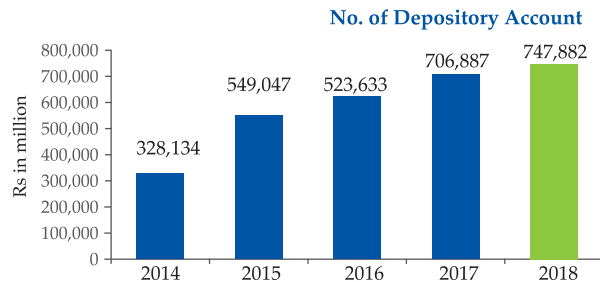
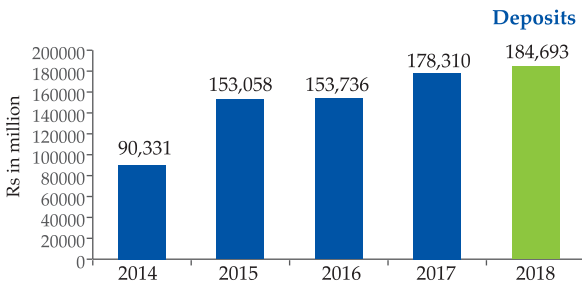


مالیاتی کارکردگی

نفع و نقصان اکاؤنٹ	31 دسمبر 2018ء	31 دسمبر 2017ء	فرق
			روپے ملین میں
منافع/ریٹرن آمدن	12,204	10,354	17.9 %
منافع/ریٹرن لاگت	6,170	5,250	17.5 %
Net spread آمدن	6,034	5,104	18.2 %
آپریٹنگ منافع (نقصان)	439	(235)	2.9 times
منافع بعد از ٹیکس	213	1,563	-86.4%
فی حصص آمدن (روپے میں)	0.211	1.551	-86.4%

مالیاتی صورتحال کی اسٹیٹمنٹ	31 دسمبر 2018ء	31 دسمبر 2017ء	فرق
			روپے ملین میں
خالص اثاثے	14,515	13,676	6.1 فیصد
ڈپازٹس	184,693	178,310	3.6 فیصد
مالیاتی و متعلقہ اثاثے - صافی	118,571	119,155	-0.5 فیصد
سرمایہ کاری - صافی	38,832	42,092	-7.7 فیصد

بینک نے ترقی کی رفتار کو جاری رکھا۔ سال 2018ء کے دوران اس کے ڈپازٹس میں 3.6 فیصد تک اضافہ ہوا اور 184.7 ارب روپے پراس کی پوزیشن بند ہوئی۔ اہم ڈپازٹس کو متحرک کرنے پر زور دیتے ہوئے، ایف آئی ڈپازٹس کے علاوہ، بینک کے کرنٹ اور سیونگ اکاؤنٹس (CASA) کے مجموعہ میں دسمبر 2017ء تک 113.9 ارب روپے سے دسمبر 2018ء تک 119.4 ارب روپے تک اضافہ ہوا۔ بنیادی ڈپازٹس پر توجہ اور مسابقتی مصنوعات کے آغاز کے ساتھ اپنے ڈپازٹس میں اضافہ کیلئے بینک کی جارحانہ حکمت عملی کے تناظر میں، بینک کے مجموعی ڈپازٹس کے ساتھ کرنٹ اینڈ سیونگ اکاؤنٹس کو شامل کر کے آئندہ سالوں میں بہتری کی توقع ہے۔



2018ء کے دوران تیل کی بلند عالمی قیمتوں کے باعث آئل کے درآمدی بل میں اضافہ ہوا جس کی وجہ سے درآمدات 15 فیصد اضافہ کے بعد 56.1 ارب امریکی ڈالر تک بڑھ گئیں، حالیہ سخت اقدامات کے اثرات کے نتیجے میں درآمدات کی نمو کی شرح جولائی سے دسمبر 2019ء کے دوران 3.2 فیصد کم ہوئی جس کی شرح نمونہ گزشتہ سال کی اسی مدت کے دوران 18.6 فیصد تھی۔ غیر آئل درآمدات میں کمی، برآمدات میں اضافہ اور ورکرز کی ترسیلات کے باعث کرنٹ اکاؤنٹ خسارہ مالی سال 2018ء کی پہلی ششماہی میں 8.4 ارب امریکی ڈالر سے کم ہو کر مالی سال 2019ء کی پہلی ششماہی میں 8 ارب امریکی ڈالر ہو گیا تاہم غیر ملکی زرمبادلہ کے ذخائر دباؤ میں رہے اور دسمبر 2017ء کے اختتام پر 20.1 ارب امریکی ڈالر سے دسمبر 2018ء کے اختتام پر 13.7 ارب امریکی ڈالر تک گر گئے۔ تاہم جنوری 2019ء میں باہمی بہاؤ کے عمل پذیر ہونے سے جنوری 2019ء میں غیر ملکی زرمبادلہ کے ذخائر کو 14.8 ارب امریکی ڈالر تک بڑھانے میں مدد ملی۔

آگے بڑھتے ہوئے، تیل کی عالمی قیمتوں میں کمی اور پالیسی ریٹ میں اضافہ کے اثرات سے بچنے کے لئے مالی سال 2019ء کی پہلی ششماہی کے دوران زرمبادلہ میں کمی کی وجہ سے افراط زر پر اثرات، گیس اور بجلی کی قیمتوں میں اضافہ اور اسٹیٹ بینک آف پاکستان سے حکومت کے بلند قرضے متوقع تھے۔ اسی طرح افراط زر کی متوقع حد 6.5 فیصد سے 7.5 فیصد رہنے کی توقع تھی۔ تاہم اس بات کو ذہن میں رکھتے ہوئے کہ استحکام کے اقدامات میکروفرنٹ، کرنٹ اکاؤنٹ خسارے کی بلند سطح اور بنیادی افراط زر کے دباؤ پر آہستہ آہستہ اس کے اثرات مرتب ہوں گے۔ جنوری 2019ء میں apex اتھارٹی کی طرف سے پالیسی ریٹ میں 25 پیسز پوائنٹ سے بڑھ کر 10.25 فیصد ہوا ہے۔

پاکستان کے بارے میں عالمی بینک کی رپورٹ کے مطابق (اکتوبر 2018ء میں جاری کردہ)، بڑھتے ہوئے میکرو اکنامک عدم توازن سے توقع ہے کہ مالی سال 2019ء کے لئے نمو کی صورتحال پر اثرات میں کمی آئے گی۔ مالی سال 2019ء کے لئے جی ڈی پی کی نمو میں 4.8 فیصد تک امکان ہے، تاہم 2020ء میں اسی طرح 5.2 فیصد کی شرح تک پہنچنے کی پیش گوئی ہے جو میکرو اکنامک استحکام، سازگار بیرونی ماحول، سازگار زرمبادلہ کی شرح، برآمدات کی بحالی اور تیل کی عالمی قیمتوں میں استحکام سے مشروط ہوگی۔ ادارے نے جڑواں خساروں کو درست کرنے کیلئے فوری طور پر میکرو اکنامک ایڈجسٹمنٹ پر زور دیا ہے بصورت دیگر کم غیر ملکی کرنسی کے ذخائر اور بڑھتے ہوئے قرض کا تناسب پاکستان کی صلاحیت کو کسی بیرونی جھٹکے کا سامنے کرنے کیلئے کمزور کر سکتے ہیں۔ سرمایہ کاری اور پیداوار پر مبنی ترقی کے لئے درمیانی مدت کی ڈھانچہ جاتی اصلاحات بھی ضروری ہیں۔

بینکنگ انڈسٹری کی صورتحال

شرح سود میں بڑھتے ہوئے رجحان اور پاکستانی روپے کی قدر میں کمی کو دیکھتے ہوئے مالی سال 2019ء کے دوران صارف قرضوں کی طلب، کارپوریٹ فنانسنگ اور درآمدی کاروبار دباؤ میں رہنے کی توقع ہے۔ تاہم بڑھتے ہوئے افراط زر اور روپے کے مقابلے میں ڈالر کی قدر کے ساتھ تیل کی عالمی قیمتوں میں کمی جیسے عوامل اور دیگر موسمی عوامل یکجا ہو گئے ہیں جو ورکنگ کیپٹل اور درآمد سے متعلق فنانسنگ کی طلب میں اضافہ کرتے ہیں۔

بینکوں کی سرمایہ کاری مختصر مدت سے درمیانی و طویل المدت حکومتی سیکورٹیز میں منتقل ہو سکتی ہے کیونکہ پالیسی ریٹ بڑھ کر 10.25 فیصد ہوا ہے۔ ڈپازٹس کا بہاؤ بینکوں کی کاروباری حکمت عملی اور ڈپازٹرز کی ترجیحات پر انحصار کرے گا جس کو بڑے اقتصادی حالات اور ان کی بچت کیلئے ضروریات سے چلایا جائے گا۔

مستقبل قریب میں، شرح سود میں اضافہ بینکنگ سیکٹر کے خالص پھیلاؤ پر مثبت اثرات مرتب کرے گا تاہم بینک اپنے فنانسنگ حجم میں غیر فعال قرضوں میں اضافہ کا سامنا کر سکتے ہیں۔ علاوہ ازیں بینکوں کو بیزل-III کے تحت ریگولیٹری ضروریات کو پورا کرنے کے لئے اپنی حیثیت کو مستحکم رکھنا ہوگا۔

ڈائریکٹرز کی رپورٹ

معزز حاملین حصص

بورڈ کی جانب سے ہم 31 دسمبر 2018ء کو ختم ہونے والے سال کے لئے آڈٹ شدہ سالانہ مالیاتی رپورٹ کے ساتھ بینک اسلامی پاکستان لمیٹڈ (”بینک“ یا ”بینک اسلامی“) کی ڈائریکٹرز رپورٹ پیش کرنے پر خوشی محسوس کر رہے ہیں۔

اہم سرگرمیاں

بینک اسلامی بنیادی طور پر لائسنس کا حامل اور مکمل طور پر شیڈولڈ اسلامی کمرشل بینک ہے۔ بینک 31 دسمبر 2018ء تک 81 ذیلی برانچوں سمیت 330 برانچوں کے ساتھ کام کر رہا ہے اور اپنے صارفین کو شرعی اصولوں کے مطابق درج ذیل مختلف خدمات پیش کرتا ہے۔

- کارپوریٹ اینڈ کمرشل فنانسنگ

- ایس ایم ای اینڈ ایگریکلچر فنانسنگ

- کنزیومر فنانسنگ

- ٹریڈ فنانسنگ

- ریٹیل بینکنگ

- انوسٹمنٹ بینکنگ

- ٹریڈری خدمات

میکرو اقتصادی جائزہ اور کاروباری صورتحال

میکرو اقتصادی جائزہ

پاکستان کی معیشت کرنٹ اکاؤنٹ خسارہ، مالی خسارہ اور بلند افراط زر کے موجودہ چیلنجوں کے باوجود مسلسل ترقی کر رہی ہے۔ مالی سال 2018ء کے دوران پاکستان نے 11 سالوں میں اپنی جی ڈی پی میں ترقی کی بلند ترین شرح 5.8 فیصد حاصل کی تاہم مالی سال 2019ء کی پہلی ششماہی میں طلب کے بڑھتے ہوئے دباؤ، روپے کی قدر میں کمی اور شرح سود میں اضافہ کے باعث حقیقی اقتصادی سرگرمیاں سست روی کا شکار رہیں۔

اس کے علاوہ گزشتہ سال کی اسی مدت کے دوران 3.8 فیصد کے مقابلے میں اوسط سی پی آئی افراط زر میں 6 فیصد اضافہ اور بڑے پیمانے پر تجارتی و کرنٹ اکاؤنٹ خسارہ کے ساتھ مالی محاذ پر عدم توازن نے اقتصادی منظر نامے میں کمزور صورتحال پیدا کی جو متوقع مستقبل کی نمو کو سست روی کا شکار کر سکتی ہے۔

اسٹیٹ بینک آف پاکستان (ایس بی پی) نے مالیاتی پالیسی کو سخت کر دیا اور مالی سال 2018ء کے دوران اپنے عارضی موقف کو تبدیل کر دیا جس کے نتیجے میں طلب کے دباؤ سے نمٹنے کیلئے سال 2018ء کے جنوری اور نومبر کے مہینوں کے درمیان پالیسی ریٹ میں 425 بیس پوائنٹس سے بڑھ کر 10 فیصد ہوا ہے۔

کرنٹ اکاؤنٹ اور مالی خسارہ بڑھنے کے نتیجے میں مالی سال 2018ء کے اختتام پر پبلک ڈیبٹ ٹی ڈی پی کی شرح میں 73.5 فیصد اضافہ ہوا۔ مالی سال

Annexure to the Directors' Report

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

Name	Designation	No. of Shares as at Jan. 01, 2018	Shares held / subscribed during the Year	No. of Shares as at Dec. 31, 2018
Mr. Ali Hussain	Chairman	158,967,492	-	158,967,492
Mr. Fawad Anwar	Vice Chairman	1,750	-	1,750
Mr. Ali Mohamad Hussain				
Ali Mohamad Alshamali	Director	-	500	500
Dr. Amjad Waheed	Director	500	-	500
Mr. Noman Yakoob	Director	16,709,207	-	16,709,207
Mr. Siraj Ahmed Dadabhoy	Director	5,000	-	5,000
Mr. Asim Saleem	Executive	-	84,000	84,000

Mr. Hasan A Bilgrami was holding the office of President & Chief Executive Officer of the Bank till September 30, 2018, during the period from January 1, 2018 till September 30, 2018 he was holding 939,697 shares of the Bank.

Mr. Ali Mohammad Hussain Ali Mohamad Alshamali had purchased 500 shares of the Bank on May 8, 2018.

Mr. Asim Saleem joined the Bank effective from October 16, 2018, on the date he was holding 84,000 shares of the Bank.

Statement of Internal Control

Statement of Management's Responsibility

It is the responsibility of the Bank's management to:

- Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment to obtain desired objectives.
- Evaluate the effectiveness of the Bank's internal control system that encompasses material matters by identifying control objectives, reviewing significant policies and procedures and establishing relevant control procedures.

Management Evaluation of the Effectiveness of the Bank's 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 any 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.

During the year under review, in accordance with SBP-BSD Circular No. 7 of 2004, the Bank formulated/ reviewed and updated various key policies and procedures for its different lines of business. While formulating such policies clear line of authority and responsibility have been established in order to ensure accountability and effective internal control system.

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

The Bank's internal control system is designed to mitigate, rather than to eliminate the risk of failure to achieve the business objective, and can only provide reasonable and not absolute assurance against material misstatements or losses. Moreover, the projection of current evaluations of the effectiveness to future periods is subject to a limitation that controls may become inadequate due to changes in control environment. However, it is an ongoing process that includes identification, evaluation and mitigation of significant risks faced by the Bank.

The Bank initiated process of implementation of Internal Control Guidelines as required by State Bank of Pakistan vide BSD Circular No. 07, of 2004 and had conducted a detailed exercise through independent consultants; documenting and benchmarking existing internal processes and controls relating to financial reporting. The Bank has established a dedicated function responsible for reviewing and identifying new processes, control gaps and updating related control documentation.

Further, the management had prepared a Road Map for the completion of all stages in accordance with the SBP OSED Circular No. 01, dated February 07, 2014, "Instructions on Internal Controls over Financial Reporting (ICFR)", which was approved by the Board Audit Committee. Alhamdulillah, the Bank has completed all its stages in accordance with the Road Map.

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 submitted its annual self-assessment report for the year ended December 31, 2017 to SBP. A similar assessment report for the year ended December 31, 2018, 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 enhance and further strengthen the internal control system of the Bank.

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 and Chief Executive Officer

February 28, 2019

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

For the year ended December 31, 2018

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

1. The total number of directors are eight (8) as per the following:
 - a. Male: Eight (8) Directors including President & Chief Executive Officer
 - b. Female: None

In accordance with the contents of Regulation 7 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the 2017 Code") grace period is available to the Bank in appointing female director.

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Ali Mohamad Hussain Ali Mohamad Alshamali Dr. Amjad Waheed
Other Non-Executive Directors	Mr. Ali Hussain Mr. Fawad Anwar Mr. Muhammad Nadeem Farooq Mr. Noman Yakoob Mr. Siraj Ahmed Dadabhoy
Executive Director	Mr. Syed Amir Ali, President & CEO

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Bank (excluding the listed subsidiaries of listed holding companies where applicable).
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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board of Directors have transparent procedures for remuneration of Directors. A formal policy for remuneration of the Directors in accordance with the Act and the 2017 Code has been approved by the Board in its 88th meeting held on February 28, 2019.

9. In terms of Regulation 20 of the 2017 Code, the Companies are required to ensure that all the Directors on their Board have acquired the prescribed certification under Director Training Program (DTP) by June 30, 2021. Presently three (3) Directors namely Dr. Amjad Waheed, Mr. Noman Yakoob and Mr. Syed Amir Ali have already completed this program. One of the Director shall obtain certification under the DTP by June 30, 2019 in compliance with the Code. The remaining four (4) Directors will comply the requirement as per time line prescribed under the 2017 Code.
10. The Board has approved appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. During the year there has been no new appointment of the CFO.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Audit Committee	Chairman Dr. Amjad Waheed Members Mr. Noman Yakoob Mr. Ali Mohamad Hussain Ali Mohamad Alshamali
Human Resource Management Committee	Chairman Mr. Ali Mohamad Hussain Ali Mohamad Alshamali Members Mr. Fawad Anwar Mr. Siraj Ahmed Dadabhoy Mr. Syed Amir Ali
Board Remuneration Committee	Chairman Mr. Ali Mohamad Hussain Ali Mohamad Alshamali Members Mr. Fawad Anwar Mr. Siraj Ahmed Dadabhoy
Risk Management Committee	Chairman Mr. Fawad Anwar Members Mr. Siraj Ahmed Dadabhoy Mr. Syed Amir Ali
I.T. Committee	Chairman Mr. Syed Amir Ali Members Mr. Noman Yakoob Mr. Ali Mohamad Hussain Ali Mohamad Alshamali

Executive Committee	Chairman Mr. Ali Hussain Members Mr. Fawad Anwar Mr. Siraj Ahmed Dadabhoy Mr. Syed Amir Ali
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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:

Committee	Number of Meetings held
Audit Committee	Four
Human Resource Management Committee	Three
Board Remuneration Committee	Three
Risk Management Committee	Six
I.T Committee	None
Executive Committee	Two

15. The Board has set up an effective internal audit function comprising professionals, who are 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
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 other requirements of the Regulations have been complied with.



Syed Amir Ali
President and Chief Executive Officer
February 28, 2019



Ali Hussain
Chairman of the Board of Directors

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of BankIslami (the Bank) for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

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 2018.



EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: February 28, 2019

Report of Shariah Board

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

This Shariah Supervisory Board Report sets out the position concerning the overall Shariah Compliance environment of BankIslami Pakistan Limited. During the year, efforts have been made by the Bank's management to ensure compliance of Shariah guidelines issued by the Shariah Board and SBP in all banking operations in general and revenue generating activities in particular. In 2018, four meetings of the Shariah Board were held in which different matters were discussed in detail and guidelines were issued accordingly.

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

Shariah Compliance:

The Bank has a committed professional team in the Shariah Compliance department which consists of Shariah Scholars along with business graduates from reputed organizations. The department works under the guidance of Shariah Board, and is responsible for reviewing, on a test check basis, each class of transaction, its related documents/process flows, and verifying the monthly distribution of profit and loss to depositors.

In this regard, to ensure Shariah compliance in transactions, Shariah Compliance Review was carried out in two stages i.e. initially in the 'Pre transaction execution' stage and later at the 'Post transaction execution' stage. The two stage compliance helped the Bank to avoid potential mistakes in execution of the transactions. As an additional control, Internal Shariah Audit is conducted by the Internal Audit department.

During the year, Shariah Compliance and Product team moved further towards digitization and introduced automation of process flows/transaction fact sheets for all Corporate/SME clients. The purpose of automation was to increase the efficiency of the department along with improving coordination with business units in terms of the transaction fact sheet approval process. Shariah Board appreciates this initiative.

To adhere with the SBP and Shariah Board guidelines, the Shariah Compliance department reviewed all guarantees, transaction fact sheets of Corporate & SME cases, external and internal agreements, and manuals. The team also reviewed all marketing and promotional material of the Bank. Going forward, the team is keen to issue guidelines pertaining to various financing models to further streamline the work process to meet the pace of increasing work-flow.

During the year, Shariah Compliance department presented Shariah Review Reports, Internal Shariah Audit Reports, Reports of SBP Inspection Team, and External Shariah Audit Reports to Shariah Board for determination of corrective actions.

A dedicated Shariah Help-line service was launched to streamline the communication process for employees enabling them to swiftly address their questions pertaining to Shariah.

Products & Shariah Structuring

In a significant development, BankIslami achieved another milestone by successfully launching Pakistan's first tradable Islamic Commercial Paper (CP) Issue worth Rs. 7 billion for K-Electric to cater to its working capital requirement. This first-of-its-kind Shariah Compliant CP Issue was innovatively structured by the Products & Shariah Structuring department based on "Wakala tul Istismar" model.

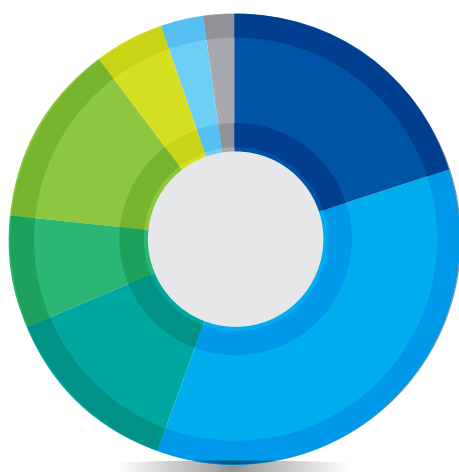
During the period, Diminishing Musharakah based Sukuk and Syndicated facility for Shakarganj Foods and Pakistan International Airline Corporation (PIAC) respectively were structured. Also, a Salam based Islamic Commercial Paper (ICP-2) was issued for Hascol Petroleum Limited.

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

- **Islami Haryali Finance:** The product is aimed at providing Shariah compliant Agri financing solutions on standardised terms using the modes of Murabaha, Salam, Karobar Finance and Diminishing Musharakah (including Sale & Lease Back cases).
- **Islami Bike Finance:** It is a Consumer Financing product based on Diminishing Musharakah to allow Shariah compliant financing for motorcycles.
- **Commercial Mortgages:** It caters to Businessmen, Self Employed Professionals and Salaried persons by allowing them Diminishing Musharakah financing against residential/ commercial property.
- **Wakalah tul Istismar Financing:** A product to allow Corporate/ SME Customers to avail Shariah compliant financing where in the Bank appoints its Customer to invest in specified commercial activities/ business on the Bank's behalf.
- **Islamic Long Term Financing (ILTFF):** A long term facility for Corporate/ SME customers to avail a shariah compliant alternative of the SBP's Conventional Long Term Financing Facility Scheme.

Composition of the Bank's Financing Portfolio

The Bank used a variety of Islamic modes of finance to provide financing to its customers. The share of Partnership based products which include "Diminishing Musharakah and Running Musharakah" are 35% and 20%, respectively. The share of Trade based products which include Istisna and Karobar Finance are 13% each, while share of Murabahah stood at 8%. The following diagram illustrates composition of financing portfolio as on 31 December 2018.



Running Musharakah	20
Diminishing Musharakah	35
Karobar Financing / Muswammah	13
Murabaha	8
Istisna	13
Wakalah	5
Ijarah	3
Salam and others	2

An amount of Rs.51.2 mn. was received from clients in respect of charity on delay in payments and credited to the charity account. As the charity funds are kept under investment accounts at the Bank, Mudarabah profit of Rs. 101,000/- was accordingly credited to the charity account.

During the year, a non compliant income amounting to Rs. 2.7 mn was credited to Charity Account.

Disbursements during the year from the charity fund amounted to Rs. 43.8 mn. Details of charity disbursed are available in notes of the accounts.

Islamic Banking Training

During the year, the Bank focused on nurturing and developing human resource that is well versed in the concept of Islamic Banking and Finance. Islamic Banking orientation sessions were conducted for BOD and Executive Management for making them well aware of the domestic and international developments in Islamic finance. Furthermore, to inculcate Islamic Banking knowledge among the employees, basic and advance level training sessions were also arranged.

Apart from conducting various training sessions, Islamic Banking knowledge assessment of Branch staff was also initiated by the Shariah Compliance department. This activity is expected to help in identifying different areas for improvement and to further deepen branch staffs' understanding of the Islamic Banking concept.

BankIslami also arranged Islamic Banking awareness sessions for the general public across the country. These seminars were designed to focus on students, Shariah Scholars, business community, academicians and corporate customers.

The Shariah team also represented BankIslami in other institutions such as National Institute of Banking and Finance (NIBAF), Institute of Banker of Pakistan (IBP), Center for Islamic Economics (CIE), IBA-Centre for Excellence in Islamic Finance (IBA-CEIF), Center of Islamic Finance- COMSATS University Islamabad, Sheikh Zayed Islamic Centre, and Iqra University for imparting training courses in Islamic Banking & Finance and other capacity building activities.

Going forward, the Shariah team is committed to increase its outreach and to expand its footprint to all corners of the country to create awareness about Islamic Banking to serve this noble cause.

Recommendations

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

- i. To keep conducting Islamic Banking awareness sessions, and to further strengthen the Islamic banking knowledge of Branch staff to disseminate the correct information and Islamic Banking philosophy to the customer.
- ii. To further strengthen the standard of Shariah compliance quality, the Bank is expected to place more attention on following matters:
 - to expedite the resolution of outstanding Shariah audit/review observations.
 - In Treasury Fund placement, the Bank should explore further Tawarruq based options in which transparency at all level is ensured through systematic controls.
 - Conversion/disposal process of BIPL Securities and the remaining conventional portfolio relating to defunct KASB Bank should be expedited considering the possible solutions, subject to legal constraints involved in disposal/ conversion process.

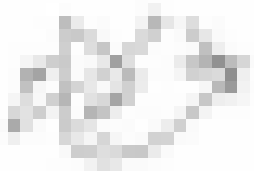
Conclusion

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.

وَصَلَّى اللَّهُ وَسَلَّم عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّم



Mufti Javed Ahmad
Resident Shariah Board Member



Mufti Muhammad Hussain Khaleel Khail
Member, Shariah Supervisory Board



Mufti Irshad Ahmad Aijaz
Chairman, Shariah Supervisory Board

☆ ٹریڈری میں فنڈز لگانے میں بینک توریق کی بنیاد پر ہونے والے معاملات کو مزید شفاف بنانے کے لیے مزید طریقے تلاش کرے گا۔
☆ BIPL سیکورٹیز اور کا لیمڈ KASB بینک سے متعلق دیگر روایتی مجموعوں کو قابل عمل حل اور قانونی پیچیدگیوں کو مد نظر رکھتے ہوئے تبدیلی / فروخت کے عمل کو تیز کرے گا۔

حاصل بحث:

- ہم شریعہ جائزہ رپورٹوں، داخلی شریعہ آڈٹ رپورٹوں اور مختلف شرعی تجزیوں کی بنیاد اور اپنی بہترین معلومات کے مطابق یہ رائے دیتے ہیں کہ:
- (۱) بینک مجموعی طور پر شریعہ بورڈ کی جانب سے جاری کردہ فتاویٰ، ہدایات اور راہنمائی پر عمل پیرا رہا ہے۔
 - (۲) بینک اسٹیٹ بینک کی ہدایات، احکامات، راہنمائی جو شریعت کی پاسداری کے سلسلے میں اسٹیٹ بینک کے شعبہ اسلامی بینکاری کی جانب سے شریعہ بورڈ کی ہدایات کی روشنی میں جاری کی گئی ہیں ان پر عمل پیرا رہا ہے۔
 - (۳) مجموعی طور پر بینک میں شرعی ضوابط کے نفاذ اور تعمیل کے حوالے سے ایک جامع نظام موجود ہے۔
 - (۴) بینک کے پاس ایک واضح نظام موجود ہے جو اس بات کی یقین دہانی کروا رہا ہے کہ شریعت میں ممنوع طریقہ سے حاصل شدہ آمدنی خیراتی کھاتے میں ڈال دی جائے اور اسے متعین مصرف میں لگایا جائے۔
 - (۵) بینک نفع و نقصان کی تقسیم اور پول منجمنٹ کے حوالے سے اسٹیٹ بینک کی جانب سے جاری کردہ ہدایات پر عمل پیرا رہا ہے۔
 - (۶) شرعی ضوابط کے نفاذ اور ان کی تعمیل کے حوالے سے آگاہی، قابلیت، اور جتو، عمل، انتظامیہ اور بورڈ آف ڈائریکٹرز میں قابل اطمینان ہے، تاہم ان میں اضافے کی کوششیں جاری رہنی چاہئیں۔
 - (۷) شریعہ بورڈ کو اپنا کام کرنے کے لئے مناسب وسائل فراہم کئے گئے ہیں۔
- ہم اسلامی بینکاری کے لئے اپنی نیک تمناؤں اور بہترین خواہشات کے ساتھ اس رپورٹ کا اختتام کرتے ہیں۔

وَصَلَّى اللّٰهُ وَسَلَّم عَلٰی نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّم



مفتی ارشاد احمد انجاز
سربراہ، مجلس امور شرعیہ



مفتی محمد حسین خلیل
رکن مجلس امور شرعیہ



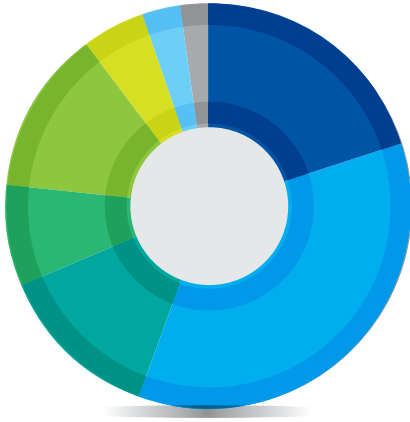
مفتی جاوید احمد
مقیم رکن مجلس امور شرعیہ

یونیورسٹی اسلام آباد، شیخ زید اسلامک سینٹر اور اقراء یونیورسٹی (IU) میں اسلامی بینکاری کے تربیتی کورسز کروانے اور دیگر استعداد بڑھانے والی سرگرمیوں میں حصہ لینے کے لیے بینک اسلامی کی نمائندگی کی۔

مستقبل قریب میں شریعہ ٹیم نے ملک کے دور دراز علاقوں میں بھی اسلامی بینکاری کی آگاہی فراہم کرنے کے لیے باقاعدہ منصوبہ بندی کر رکھی ہے۔

بینک کی سرمایہ کاری کا تجزیہ:

بینک مختلف اسلامی طریقوں کے تحت اپنے صارفین کو مالیاتی خدمات فراہم کرتا ہے۔ شرکت کی بنیاد پر پروڈکٹس جس میں "شرکت متناقصہ" اور "جاری مشارکہ" شامل ہیں کا کل تمویلی مجموعے میں حصہ بالترتیب 35% اور 20% رہا۔ تجارت کی بنیاد پر پروڈکٹ جن میں سے استحصان، کاروبار فائننس میں سے ہر ایک 13% رہی جبکہ مراحہ کا حصہ 8% رہا۔ درج ذیل جدول بینک کے 31 دسمبر 2018 پر بینک کے تمویلی مجموعے کو ظاہر کرتا ہے۔



Running Musharakah	20
Diminishing Musharakah	35
Karobar Financing / Muswammah	13
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Salam and others	2

خبرات:

صارفین سے واجبات کی ادائیگی میں تاخیر کی مد میں مبلغ 51.2 ملین روپے وصول ہوئے اور خیراتی کھاتے میں ڈالے دیے گئے۔ چونکہ خیراتی فنڈ مضاربہ کی بنیاد پر چلنے والے کھاتے میں رکھا گیا تھا لہذا مبلغ 101,000 روپے مضاربہ کے نفع کے طور پر خیراتی کھاتے میں مزید جمع کئے گئے۔

سال کے دوران 2.7 ملین روپے کی رقم ممنوع قرار دی گئی لہذا اسے خیراتی کھاتے میں ڈال دیا گیا۔

سال کے دوران مبلغ 43.8 ملین روپے خیراتی فنڈ میں سے خیراتی اداروں کو ادا کئے گئے۔ ان ادائیگیوں کی تفصیلات مالیاتی رپورٹ کے نوٹس میں موجود ہیں۔

تجاویز:

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

(۱) اسلامی بینکاری کی آگاہی کی نشستیں تمام علاقوں میں منعقد کی جائیں تاکہ برانچ کے عملے کی معلومات مزید پختہ ہوں اور وہ کسٹمرز کو درست معلومات اور اسلامی بینکاری کا فلسفہ سمجھا سکیں۔

(۲) بینک کے شرعی اصولوں کے نفاذ کے معیار کو مزید بلند کرنے کے لیے توقع کی جاتی ہے کہ بینک درج ذیل اقدامات کرے گا:

☆ بروقت شریعہ آڈٹ اور ریویو (جائزہ) مسائل کو حل کے عمل کو تیز کرے گا۔

ملازمین کی سہولت اور شرعی سوالات پر بہتر رہنمائی کے لیے باقاعدہ شریعہ ہیلپ لائن متعارف کروائی گئی۔

پروڈکٹ کی شرعی تشکیل:

ایک قابل ذکر کامیابی کے طور پر بینک اسلامی نے کامیابی کے ساتھ کے الیکٹرک کے لیے اس کی جاری اخراجات کی ضروریات کے پورا کرنے کے لیے 7 بلین روپے پاکستان کا پہلا قابل تجارت کمرشل پیپر کامیابی سے جاری کر کے ایک اور سنگ میل کامیابی سے عبور کر لیا۔ یہ اپنی نوعیت کا پہلا شریعت کے مطابق کمرشل پیپر تھا جو بینک کے مصنوعات و شرعی تشکیل کے شعبے نے جدت کے ساتھ وکالہ الاستثمار کی بنیاد پر تیار کیا۔

اس مدت کے دوران، شرکت متناقصہ اور صکوک کی صورت میں شکر گنج فوڈز اور پاکستان انٹرنیشنل ایئر لائن کارپوریشن کے لیے اجتماعی تمویل کی سہولت فراہم کی گئی۔ مزید مسلم کی بنیاد پر اسلامی کمرشل پیپر ICP-2 کے لیے بینک اسلامی نے شرعی رہنمائی کی خدمات فراہم کی۔

سال کے دوران، بہت سی پروڈکٹ مجلس امور شریعہ نے منظور کیں جن کی تفصیلات درج ذیل ہیں:

اسلامی ہریالی فنانس: اس پروڈکٹ کا مقصد معیاری شرائط اور طریقہ کار کے مطابق مراہجہ، سلم، کاروبار فنانس، اور شرکت متناقصہ کی بنیاد پر زرعی شعبے کو مالیاتی سہولیات فراہم کرنا ہے۔

اسلامی بانیگ فنانس: یہ صارفین کو موٹر سائیکل کے لیے مالیات کی فراہمی کا مقصد حاصل کرنے کے لیے صارفین کی تمویل کی پروڈکٹ ہے جو کہ شرکت متناقصہ کی بنیاد پر ہے۔

کمرشل مورگنجز: کاروباری افراد، خود روزگار پیشہ ورا افراد اور تنخواہ دار افراد کو رہائشی کمرشل جائیداد پر شرکت متناقصہ کی بنیاد پر سرمائے کی فراہمی کی جاتی ہے۔

وکالہ الاستثمار: اس پروڈکٹ میں کارپوریٹ اور چھوٹے کاروبار شریعت کے مطابق سرمائے کی فراہمی حاصل کرتے ہیں جس میں بینک اپنے کسٹمر کو متعینہ کاروباری سرگرمیوں یا سرمایہ کاری کے لیے اپنا کا وکیل بناتا ہے۔

اسلامی طویل مدتی فنانس (ILTF): یہ کارپوریٹ اور چھوٹے کاروبار کے لیے ایک اسلامی طویل مدتی تمویلی سہولت ہے جو کہ اسٹیٹ بینک کی روایتی طویل مدتی فنانس کا اسلامی متبادل ہے۔

اسلامی بینکاری کی تربیت:

سال کے دوران بینک نے ایسے افراد کی تیاری اور نشوونما پر توجہ دی جو اسلامی بینکاری کے تصورات میں مہارت رکھتے ہوں۔ مقامی اور عالمی سطح پر ہونے والی اسلامی بینکاری کی ترقی کے بارے میں بورڈ آف ڈائریکٹرز اور اعلیٰ سطحی انتظامیہ کو آگاہی فراہم کرنے کے لیے نشستیں منعقد کی گئیں۔ مزید ملازمین کو اسلامی بینکاری کی تربیت کے لیے بنیادی اور اعلیٰ سطحی تربیتی نشستوں کا انعقاد بھی کیا گیا۔

تربیتی نشستوں کے علاوہ شرعی تعمیل کے شعبے نے بینک کی شاخوں میں کام کرنے والے عملے کی معلومات کی جانچ پرکھ کی طرف بھی قدم بڑھایا۔ اس سرگرمی سے بہتری کی گنجائش کے مواقع کے تعین اور برانچ اسٹاف کی اسلامی بینکاری کے فلسفے کو مزید گہرائی سے سمجھنے میں مدد ملتی ہے۔

بینک اسلامی نے پورے ملک میں عوام کی اسلامی بینکاری کی آگاہی کے لیے نشستوں کا بھی آغاز کیا۔ ان نشستوں میں طلباء، علماء، تاجر برادری، تعلیمی شعبہ سے متعلق افراد اور کارپوریٹ کسٹمرز کو مدعو کیا گیا۔ یہ سیشن چھوٹے شہروں میں منعقد کیے جا رہے ہیں تاکہ ملک کے بینکاری سے کم مستفید طبقے کی خدمت کرتے ہوئے انہیں اسلامی بینکاری کا تصور اور سود کی حرمت کا احساس دلایا جائے۔

شریعی ٹیم کے افراد نے دیگر اداروں جیسے نیشنل انسٹی ٹیوٹ آف بینکنگ اینڈ فنانس (NIBAF)، انسٹی ٹیوٹ آف بینکرز آف پاکستان (IBP)، سینٹر فار اسلامک اکنامکس (CIE)، سینٹر آف ایکسی لینس فار اسلامک فنانس۔ انسٹی ٹیوٹ آف بزنس ایڈمنسٹریشن (IBA-CEIF)، سینٹر آف اسلامک فنانس۔ کوم سیٹ

مجلس امور شرعيہ کی رپورٹ

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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

مجلس امور شرعيہ کی رپورٹ بینک میں شرعی امور کی تعمیل کی مجموعی صورتحال کو بیان کرتی ہے۔ سال کے دوران بینک کی انتظامیہ، بینک کے معاملات بالخصوص آمد دینے کرنے والی سرگرمیوں میں مجلس امور شرعيہ اور اسٹیٹ بینک آف پاکستان کی ہدایات کی پاسداری کو یقینی بنانے کے لیے کوشاں رہی ہے۔ سال 2018ء میں مجلس امور شرعيہ کی چار مجالس کا انعقاد ہوا جن میں مختلف معاملات پر تفصیلی تبادلہ خیال کیا گیا اور اس کے متعلق ہدایات جاری کی گئیں۔ اس رپورٹ کے اگلے حصوں میں بینک کے معاملات اور مالیاتی سال کے دوران ہونے والی پیش رفت کے بارے میں معروضات پیش خدمت ہیں:

معاملات کی شرعی تعمیل:

بینک نے شرعی تعمیل کے شعبہ میں علماء کرام اور معروف تعلیمی اداروں کے فاضل افراد پر مشتمل پیشہ ورانہ صلاحیتوں کی حامل ٹیم تشکیل دے رکھی ہے۔ یہ شعبہ مجلس امور شرعیہ کی ہدایات کی روشنی میں کام کرتا ہے اور یہ معاملات کی ہر نوعیت، اس سے متعلقہ دستاویزات یا مرحلہ وار معاملات کی دستاویز اور کھاتے داران کو ماہانہ بنیادوں تقسیم کیے جانے والے نفع کی تصدیق کا جانچ پرکھ کی بنیاد پر جائزہ لینے کا ذمہ دار ہے۔

اس حوالے سے معاملات کو شریعت کے مطابق رکھنے کے لئے دو مراحل پر شرعی جائزہ لیا جاتا ہے، ایک معاملہ انجام دینے سے پہلے اور دوسرا معاملہ انجام پا جانے کے بعد جس سے بینک معاملات کی انجام دہی میں ہونے والی متوقع غلطیوں سے محفوظ رکھتا ہے۔ اضافی نگرانی کے طور پر اندرونی شریعہ آڈٹ، اندرونی آڈٹ کا شعبہ انجا دیتا ہے۔

اس سال کے دوران میں شرعی تعمیل اور پروڈکٹ کے شعبوں نے ڈیجیٹلائزیشن کی طرف پیش رفت کی ہے اور تمام کارپوریٹ اور چھوٹے کاروباری صارفین کے معاملات کے لیے پروسفلورٹرانزیکشن فیکٹ شیٹ کو خود کار کر دیا گیا ہے۔ ڈیجیٹلائزیشن کرنے کا مقصد منظوری کا عمل بہتر بنانے کے لیے کاروباری شعبہ کے ساتھ تعاون کو بہتر انداز میں استوار کرنا تھا۔ مجلس امور شرعیہ کی رائے میں یہ ایک اچھی پیش رفت ہے۔

اسٹیٹ بینک کی ہدایات اور مجلس کی جانب سے جاری کردہ شرعی ہدایات کی پاسداری کو یقینی بنانے کے لیے شعبہ نے جاری ہونے والی تمام گارنٹیوں کے ڈرافٹ، کارپوریٹ اور چھوٹے کاروباری شعبے کے ٹرانزیکشن کی حقائق کی دستاویز، اندرونی و بیرونی معاہدات اور مینولز کا جائزہ لیا۔ مزید شریعہ ٹیم نے مارکیٹنگ تشہیری مواد کا بھی جائزہ لیا۔ مستقبل میں شریعہ ٹیم مختلف تمویلی معاملات کے حوالے سے ہدایات جاری کرنے کا ارادہ رکھتی ہے تاکہ بڑھتے ہوئے کام کے دباؤ کے باوجود کام کے طریقہ کار کو بہتر بنایا جائے۔

دوران سال تعمیل شرعی کے شعبہ نے شریعہ کمپلائنس جائزہ رپورٹس، شریعہ آڈٹ رپورٹس، اسٹیٹ بینک کی انسپکشن رپورٹ اور بیرونی آڈٹ رپورٹ درستی / بہتر کے اقدامات کی تجاویز کے لئے شریعہ بورڈ کے اجلاسوں میں پیش کیں۔

Charity Funds Utilization Report

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

Utilization of Charity:

During the year 2018, BankIslami received a total of Rs. 51.2 Mn as Charity amount from its customers. Disbursements during the year from the Charity Fund amounted to Rs. 43.8 Mn. The amount was utilized to provide assistance to recognized and renowned charitable institutions working primarily in the areas of Health and Education. The profile of these institutions are given below:

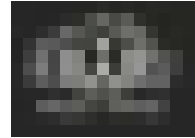
Indus Hospital



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

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

Alamgir Welfare Trust International



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



Shaukat Khanum Memorial Hospital

Shaukat Khanum Memorial Cancer Hospital and Research Centre is a project of the Shaukat Khanum Memorial Trust, which is a charitable organization established under the Societies Registration Act XXI of 1860 of Pakistan.

Over the past decade, Shaukat Khanum Memorial Cancer Hospital and Research Centre has established itself as a Centre which provides free of cost comprehensive care to thousands of indigent cancer patients.



The Citizens Foundation (TCF)

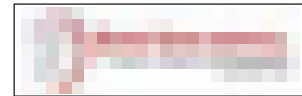
The Citizens Foundation (TCF) is one of the largest non-profit organization in the field of education. It was established in 1995. The vision of this non profit organization is to bring a positive change in Pakistan by providing quality education to the less privileged youth. The organization provides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



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

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

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



Koohi Goth Hospital

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

Kharadar General Hospital



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

Akhuwat



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

Bait us Salam Welfare Trust



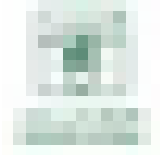
Bait us Salam, being a welfare organization, is providing different humanitarian services within Pakistan and internationally. Their recent projects includes the relief arrangements made for the Syrian refugees in Turkey in collaboration with the Turkish government.

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

Institute of Behavioral Psychology



The Institute of Behavioral Psychology (IBP) is a non-profit, tax exempted organization. IBP is a psychology based, multipurpose educational center. It offers educational, therapeutic and psychological services for children, youth and adults under one roof. The Institute was established in 1987 for the purpose of rehabilitating mentally retarded and emotionally disturbed persons. At present the School has 350 children of which free-ships & need based concession are given to 75% of the children whose parents are unable to pay.



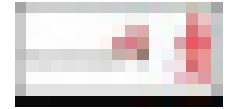
Karwan-e-Hayat

Karwan-e-Hayat is a non-profit welfare organization established in 1983 and registered under the 1984 Companies' Ordinance. It is certified by the Pakistan Centre for Philanthropy. Karwan-e-Hayat provides treatment and rehabilitation services to poor and underprivileged mentally ill patients. It provides free or heavily subsidized OPD and inpatient facilities.



Child Aid Association

The Child Aid Association was founded as a voluntary organization and is duly registered with department of Social Welfare government of Sindh Karachi. Since then the association is working at the National Institute of Child Health Karachi for supporting poor children undergoing treatment at NICH to make up for the deficiencies required of their appropriate treatment. In 1999 the Child Aid Association with public donations established the first Pediatric Oncology Unit of the country at above institution, and since has been running it through public donations. So far over 7000 children suffering from various types of cancer coming from underprivileged section of population from all over Pakistan and neighboring countries were provided treatment at no cost to them.



Pakistan Association of the Blind

Pakistan Association of the Blind (Sindh) is a non-profit organisation dedicated for the betterment and rehabilitation of the blind and deaf members of the society since 1974. It caters to the social, economic, cultural, academic, medical and sports requirements of the blind. Pakistan Association of the Blind (Sindh) is currently supporting blind inhabitants through nineteen branches all over Sindh. One of major objectives of organisation is to provide educational and vocational programs to the blind.



Nigahban Welfare Association

Surgical Unit IV Civil Hospital is one of the largest in the city performing over 4,000 procedures per year including colonoscopies, gastroscopies and bronchoscopies for patients of all ages. It provides diagnostic procedures for conditions of the upper and lower gastrointestinal tract (bowel and stomach), including surveillance for cancer, ulcers, polyps, and irritable bowel syndrome. The unit provides nursing care, equipment and supplies necessary for the safe and effective provision of gastrointestinal endoscopy, colonoscopy, and other diagnostic and therapeutic procedures.



BankIslami Pakistan Limited

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Independent Auditors' Report

To the members of BankIslami Pakistan Limited
Report on the Audit of the 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 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except 30 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 2018 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
1. Cyber Crime Incident	
As disclosed in note 23.3.3 to the financial statements with respect to the cybercrime incident involving the Bank's payment card facility, the international payment scheme has claimed an amount of USD 6.1 million (PKR 738 million) from the Bank.	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - Involving our information technology specialists to obtain an understanding of the nature of the cyberattack, the circumstances

Key audit matters	How the matter was addressed in our audit
<p>The Bank has challenged this claim in the court of law and a stay has been granted in favor of the Bank. Considering the significant management judgment involved in-respect of accounting of this contingent liability we have identified the same as a key audit matter.</p>	<p>in which the acts occurred, and understanding of other relevant information to evaluate the impact on the financial statements.</p> <ul style="list-style-type: none"> - Analyzing the judgements used by management based on the available information. Among other procedures, we sent confirmation letters to, and obtained responses from the lawyers used by the Bank while focusing on matters relating to the court proceedings in progress. Further, we engaged an independent legal expert to review the facts of the case to assist us in determining the impact of this incident on the financial statements. - We considered the accounting treatment of the liabilities, contingent liabilities and disclosures under applicable financial reporting framework, to conclude whether these were appropriate in all the circumstances.

2. Provision against Non Performing Islamic Financing and Related Assets

<p>The Bank's credit portfolios include Islamic financing and related assets, and non-funded credit facilities. The credit portfolio is spread across various branches in Pakistan.</p> <p>As disclosed in the notes to the financial statements, Gross non performing Islamic Financings (NPF) to customers as at December 31, 2018 amount to Rs. 15,403 million, provision against NPF to Rs. 10,933 million.</p> <p>As per the Bank's accounting policy (refer note 6.4 to the financial statements), the Bank periodically assess the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Bank's process for identification and classification of non-performing Islamic financing and related assets including the quality of underlying data and systems. - We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations. <p>In addition, we selected a representative sample of borrowers from the credit portfolio including individually significant financings and performed tests and procedures such as review of credit 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;</p>
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Key audit matters	How the matter was addressed in our audit
<p>The determination of loan loss provision against certain vulnerable corporate loans, 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. 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>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 as existed in such cases;</p> <p>We also assessed adequacy of disclosures as included in note 11.15 to the financial statements regarding the non-performing Islamic financing and related assets and provisions made for the same in the financial statements in accordance with the requirements of the applicable financial reporting framework.</p>

3. Recoverability of deferred tax assets

<p>As disclosed in note 14 to the financial statements, as at 31 December 2018, Rs. 7,530.221 million was recorded on the Statement of financial position with respect to deferred tax assets, of which Rs. 3,630.734 million represents carryforward accumulated tax losses.</p> <p>The carry-forward of unused tax losses requires a deferred tax asset to be recognized to the extent that it is probable that future tax profits are available against which the unused tax losses can be set off.</p> <p>We deemed this subject to be a key audit matter because management is required to exercise judgement when deciding whether to recognize a deferred tax asset for tax loss carryforwards as well as when assessing the recoverability of recognized deferred tax assets.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We involved our internal valuation specialists to assist in evaluating the Bank's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on most recent budgets and plans, prepared by management by using the same criteria described for testing the impairment of assets and goodwill, principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognized. - We ascertained that information used was derived from the Bank's business plans has been subject to internal reviews and were approved by those charged with governance. - we reviewed the adequacy of the disclosures made by the Bank in this area.
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Key audit matters	How the matter was addressed in our audit
4. Impairment testing of goodwill	
<p>As at 31 December 2018, Intangible assets include goodwill amounting to Rs. 2.9 billion acquired as a result of scheme of amalgamation as disclosed in note 13.2 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 on the recoverability of the goodwill which is subjective in nature due to assumptions made about future performance.</p> <p>As disclosed in notes 13.2, the Bank uses a discounted cash flow model to determine value in use, on the basis of the certain key assumptions. Due to the significance and impact of the assumptions and judgements involved, the impairment tests of goodwill is considered to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> - Evaluated the model used in determining the value in use as well as assessing the discount rate used; - Compared the cash flow forecasts to approved budgets and other relevant market and economic information, as well as testing the underlying calculations; - We involved our internal valuation specialists to assist in evaluating management's key assumptions used in the impairment calculations. - Performed sensitivity analyses around the key assumptions used in the models. <p>We assessed the adequacy of the related disclosures in the financial statements.</p>
5. Preparation of financial statements under BPRD circular no. 02 of 2018 and Companies Act, 2017	
<p>As referred to in note 2.4 to the accompanying financial statements, State Bank of Pakistan (SBP) vide its BPRD circular no. 02 of 2018 (the circular) has revised the format of the annual financial statements of the bank for the year ended 31 December 2018. Further, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Bank's annual financial statements for the year ended 31 December 2018.</p> <p>Due to the above changes, certain additional disclosures have been included in the financial statements as referred to note 2.4 to the financial statements.</p> <p>Further, the Bank has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 2.4 to the financial statements.</p>	<p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the circular and the Act. We considered the adequacy and appropriateness of the revised reporting format and additional disclosures based on the requirements of the circular and the Act. We also evaluated the sources of information used by the management for the preparation of the financial statements and the internal consistency of the disclosures with other elements thereof.</p> <p>In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to note 2.4.1.1 to the financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Bank.</p>

Key audit matters	How the matter was addressed in our audit
The above changes and enhancements in the financial statements are considered a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the circular and the Act.	

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



EY Ford Rhodes
Chartered Accountants
Place: Karachi
February 28, 2019

Unconsolidated Statement of Financial Position

AS AT DECEMBER 31, 2018

	Note	2018	Restated 2017	Restated 2016
Rupees in '000				
ASSETS				
Cash and balances with treasury banks	7	14,292,752	11,784,180	8,921,433
Balances with other banks	8	832,621	801,807	1,140,150
Due from financial institutions - net	9	18,173,504	21,371,787	27,218,665
Investments - net	10	38,832,093	42,092,166	46,316,927
Islamic financing, related assets and advances - net	11	118,570,811	119,155,039	77,816,802
Fixed assets	12	6,663,467	5,944,358	6,186,259
Intangible assets	13	3,121,906	3,128,129	3,161,266
Deferred tax assets	14	7,530,221	7,701,906	5,918,460
Other assets - net	15	7,725,881	5,813,026	5,793,461
Total Assets		215,743,256	217,792,398	182,473,423
LIABILITIES				
Bills payable	16	3,242,180	3,928,469	2,937,746
Due to financial institutions	17	7,819,532	15,570,390	6,066,307
Deposits and other accounts	18	184,693,363	178,309,817	153,735,845
Subordinated debt		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	19	5,473,366	6,307,253	7,288,859
		201,228,441	204,115,929	170,028,757
NET ASSETS		14,514,815	13,676,469	12,444,666
REPRESENTED BY				
Share capital - net	20	10,000,079	10,000,079	10,000,079
Reserves	21	968,799	926,266	613,636
Surplus on revaluation of assets - net of tax	22	1,850,647	1,276,340	1,618,398
Unappropriated profit		1,695,290	1,473,784	212,553
		14,514,815	13,676,469	12,444,666
CONTINGENCIES AND COMMITMENTS				
	23			

The annexed notes 1 to 47 and Annexure-I & II form an integral part of these unconsolidated financial statements.



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DIRECTOR



DIRECTOR

Unconsolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	Restated 2017
Rupees in '000			
Profit / return earned	24	12,204,238	10,353,849
Profit / return expensed	25	6,170,275	5,249,882
Net Profit / return		6,033,963	5,103,967
OTHER INCOME			
Fee and commission income	26	842,235	648,067
Dividend income		61,858	31,985
Foreign exchange income		92,182	71,652
Income from shariah compliant forward and future contracts		138,673	15,724
Gain on securities	27	46,818	119,414
Other income	28	82,246	77,853
Total other income		1,264,012	964,695
Total Income		7,297,975	6,068,662
OTHER EXPENSES			
Operating expenses	29	6,795,997	6,281,537
Workers' Welfare Fund		8,216	-
Other charges	30	54,359	21,733
Total other expenses		6,858,572	6,303,270
Profit / (Loss) before provisions		439,403	(234,608)
Provisions / (reversal of provisions) and write offs - net	31	36,835	(391,970)
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		402,568	157,362
Taxation	32	189,904	(1,405,787)
PROFIT AFTER TAXATION		212,664	1,563,149
Rupees			
Basic earnings per share	33	0.2110	1.5509
Diluted earnings per share	33	0.2110	1.5509

The annexed notes 1 to 47 and Annexure-I & II form an integral part of these unconsolidated financial statements.



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Unconsolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	Restated 2017
	Rupees in '000	
Profit after taxation for the year	212,664	1,563,149
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	(259,908)	(439,870)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	4,072	44
Movement in surplus on revaluation of operating fixed assets - net of tax	659,648	-
Movement in surplus on revaluation of non-banking assets - net of tax	221,870	108,480
	885,590	108,524
Total comprehensive income	838,346	1,231,803

The annexed notes 1 to 47 and Annexure-I & II form an integral part of these unconsolidated financial statements.



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Unconsolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital	Discount on issue of shares	Statutory reserve	Revenue reserve for bad debts & contingencies	Surplus/(Deficit) on revaluation of		Unappropriated profit	Total
					Investment	Fixed / Non Banking Assets		
Rupees in '000								
Balance as at December 31, 2016 (as reported)	10,079,121	(79,042)	363,636	250,000	-	-	212,553	10,826,268
Effect of retrospective change in accounting policy								
Reclassification of surplus on revaluation of assets to equity (note 2.4)	-	-	-	-	709,766	908,632	-	1,618,398
Balance as at December 31, 2016 (restated)	10,079,121	(79,042)	363,636	250,000	709,766	908,632	212,553	12,444,666
Profit after taxation for the year	-	-	-	-	-	-	1,563,149	1,563,149
Other comprehensive income for the year	-	-	-	-	(439,870)	108,480	44	(331,346)
Total comprehensive income for the year	-	-	-	-	(439,870)	108,480	1,563,193	1,231,803
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(10,398)	10,398	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(270)	270	-
Transfer to statutory reserve	-	-	312,630	-	-	-	(312,630)	-
Balance as at December 31, 2017 (restated)	10,079,121	(79,042)	676,266	250,000	269,896	1,006,444	1,473,784	13,676,469
Profit after taxation for the year	-	-	-	-	-	-	212,664	212,664
Other comprehensive income for the year	-	-	-	-	(259,908)	881,518	4,072	625,682
Total comprehensive income for the year	-	-	-	-	(259,908)	881,518	216,736	838,346
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(10,398)	10,398	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(308)	308	-
Surplus on revaluation of non banking assets transferred to unappropriated profit	-	-	-	-	-	(36,597)	36,597	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	9,988	1,840,659	1,695,290	14,514,815

The annexed notes 1 to 47 and Annexure-I & II form an integral part of these unconsolidated financial statements.



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Unconsolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	Restated 2017
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		402,568	157,362
Less: Dividend Income		(61,858)	(31,985)
		340,710	125,377
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets	12.2	649,852	708,234
Depreciation on non banking assets	15.1.1	6,653	6,634
Amortization	13	68,314	63,181
Depreciation on operating Ijarah assets	11.13	1,160,722	1,383,699
Provisions / (reversal of provisions) and write offs - net	31	36,835	(391,970)
Unrealised loss on revaluation of investments classified as held for trading	27	19,686	327
Charge for defined benefit plan	29.1	88,717	81,236
Gain on sale of property and equipment	28	(11,542)	(13,577)
Loss on sale of non banking assets	28	10,570	-
		2,029,807	1,837,764
		2,370,517	1,963,141
(Increase) / decrease in operating assets			
Due from financial institutions		3,198,283	5,846,878
Held-for-trading securities		(134,074)	448,416
Islamic financing, related assets and advances		(540,618)	(42,244,248)
Others assets		(1,562,749)	38,468
		960,842	(35,910,486)
Increase / (decrease) in operating liabilities			
Bills payable		(686,289)	715,062
Due to financial institutions		(7,750,858)	9,504,083
Deposits and other accounts		6,383,546	24,849,633
Other liabilities (excluding current taxation)		(857,387)	(868,603)
		(2,910,988)	34,200,175
		420,371	252,830
Payments against defined benefit plan		(50,000)	-
Income tax paid		(179,498)	(133,966)
Net cash generated from operating activities		190,873	118,864
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		3,053,170	2,856,355
Dividend received		61,858	31,985
Investments in operating fixed assets		(779,880)	(500,339)
Proceeds from disposal of operating fixed assets		13,365	17,539
Net cash generated from investing activities		2,348,513	2,405,540
Increase in cash and cash equivalents		2,539,386	2,524,404
Cash and cash equivalents at the beginning of the year		12,585,987	10,061,583
Cash and cash equivalents at the end of the year	35	15,125,373	12,585,987

The annexed notes 1 to 47 and Annexure-I & II form an integral part of these unconsolidated financial statements.



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Notes to and forming part of the unconsolidated financial statements

FOR THE YEAR ENDED DECEMBER 31, 2018

1 STATUS AND NATURE OF BUSINESS

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

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

The Bank is operating through 330 branches including 81 sub branches as at December 31, 2018 (December 31, 2017: 330 branches including 112 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Pakistan Stock Exchange Limited.

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

2 BASIS OF PRESENTATION

- 2.1 The Bank provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes as briefly explained in note 6.4 to these financial statements.

The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable as directed by the Shariah Board of the 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.

2.4 Adoption of new forms for the preparation of financial statements

During the year, the SBP, vide its BPRD Circular No. 02 dated January 25, 2018, issued the revised forms for the preparation of the annual financial statements of the banks

which are applicable for annual periods beginning on or after January 01, 2018. The implementation of the revised forms has resulted in certain changes to the accounting policies of the Bank and the presentation and disclosures of various elements of the financial statements. These changes are summarized below:

2.4.1 Changes in the accounting polices:

2.4.1.1 As per the revised forms, "Surplus / deficit on revaluation of assets" is now required to be presented as a component of the equity of the Bank. Previously, such surplus / deficit was required to be presented separately from the equity of the Bank and changes in such surplus / deficit were not recognized in the statement of comprehensive income. Consequent upon the change in the presentation requirements, the surplus / deficit on revaluation of assets and changes in such surplus / deficit during the year are reflected in the relevant section of the statement of financial position, statement of comprehensive income and statement of changes in equity for the current and prior years presented in these financial statements. As a result, the equity and comprehensive income of the Bank have increased by Rs.1,850.647 million (2017: Rs.1,276.340 million) and Rs. 881.518 million (2017: Rs. 108.480 million) respectively.

2.4.1.2 The repealed Ordinance specified the accounting treatment for the surplus on revaluation on fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit is to be taken to the profit and loss account as an impairment.

Consequently, the Bank has changed its policy to account for a deficit arising on revaluation of fixed assets and accordingly, any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level. This change in accounting policy did not have any material effect on these financial statements.

2.4.1.3 Acceptances representing undertakings by the Bank to pay bills of exchange drawn on customers are now required to be recognized as liabilities of the Bank at the date of acceptance. Previously, acceptances were only recognized as off-balance sheet obligations and disclosed under contingent liabilities. As a result of the above change, the other assets and other liabilities of the Bank increased by Rs. 944.025 million, Rs. 1,627.253 million and Rs. 1,983.434 million as of 2018, 2017 and 2016 respectively.

2.4.2 Significant changes to the presentation and disclosures:

In addition, to above changes in accounting policies, certain changes to the presentation of the financial statements have been made such as other reversal of provisions / write offs have now been combined under provisions & write off - net (note 31), Business segments have been identified and reported as per the requirements of IFRS 8 - "Operating Segments" (note 41), cost of conversion of foreign currency deposits is now included in "Cost of foreign currency swaps against foreign currency deposits" which was previously reported under "Income from dealing in foreign currencies" (note 25).

Further, certain, new disclosures have been introduced which include category of classification for non-performing “Due from Financial Institutions” (Note 9.5) and “Investments” (note 10.6.2); movement in “Non-Banking Assets acquired in satisfaction of claims” (note 15.1.1); for “Non-Banking Assets acquired in satisfaction of claims” sold during the year, disposal proceeds, cost of such asset, impairment / depreciation and realized gains or losses (note 15.1.2 and note 28); composition of deposits (note 18.1); breakdown of Fee and Commission (note 26); presentation of operating expenses has been changed (note 29); Concentration of Islamic financing and province wise disbursements and utilization of Islamic financing (note 45.1.5 and note 45.1.7); and assets split between trading and banking books (note 45.2.1).

The Bank has adopted the above changes in the presentation and made additional disclosure to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to current year’s presentation. Such reclassifications / rearrangements are disclosed in note 46.1 to the financial statements.

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

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

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

- 3.2 The SBP, through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. However, investments and non-banking assets have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these financial statements.
- 3.4 **Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan that are effective in the current year:**

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

Standard or Interpretation

- IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)
- IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

Improvements to Accounting Standards Issued by the IASB in December 2016

- IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

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

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

3.5.1 The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned thereagainst:

Standard, Interpretations and Amendments	Effective date (accounting periods beginning on or after)
- IFRS 3 Definition of a Business (Amendments)	January 01, 2020
- IFRS 9 Financial Instruments: Classification and Measurement	July 01, 2018
- IFRS 9 Prepayment Features with Negative Compensation – (Amendments)	January 01, 2019
- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- IFRS 15 Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 Leases	January 01, 2019
- IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
- IAS 1/ IAS 8 Definition of Material (Amendments)	January 01, 2020
- IAS 19 Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
- IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019

3.5.2 The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application, other than IFRS 9 and IFRS 16. With regard to IFRS 9, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan. With regard to IFRS 16, the Bank is currently evaluating the impact of application of IFRS 16 on its financial statements.

3.5.3 In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.

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

Standards

- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

3.5.4 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2018.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of the accounting policies are as follows:

- (a) Classification and valuation of investments in accordance with the Bank's policy (notes 6.3 and 10).
- (b) Provision for non-performing Islamic financing and related assets and advances (notes 6.4.2 and 11.14).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 11.15.3.2).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 6.3.5 and 10.6.2).
- (e) Staff retirement benefits (notes 6.7 and 37).
- (f) Revaluation and depreciation / amortization of operating fixed assets (notes 6.5, 12.2 and 13).
- (g) Valuation of non-banking assets acquired in satisfaction of claims (note 6.18 & 15.1)
- (h) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.6, 14 and 32).

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

5 BASIS OF MEASUREMENT

5.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain fixed assets, certain investments, foreign currency balances, commitments in respect of foreign exchange contracts and non-banking assets acquired in satisfaction of claims have been marked to market and are carried at fair value. Further, staff retirement benefits as discussed in notes 6.7 and 37 to the financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

5.2 Functional and Presentation Currency

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

5.3 Rounding off

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Cash and cash equivalents

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

6.2 Due to / from financial and other institutions

6.2.1 Bai Muajjal

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

Musharakah / Mudaraba

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

Musharaka from State Bank of Pakistan under IERS

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

Acceptances from State Bank of Pakistan for financial assistance

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

Commodity Murabahah

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

Wakalah

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

6.3 Investments

6.3.1 Classification

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

(a) Held-for-trading

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

(b) Held- to-maturity

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

(c) Available-for-sale

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

6.3.2 Regular way contracts

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

6.3.3 Initial recognition and measurement

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

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

6.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

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

(b) Held-to-maturity

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

(c) Available for sale

Quoted / Government securities are measured at fair value. Surplus / (deficit) arising on remeasurement is included in the statement of comprehensive income and recognised 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 realised upon disposal.

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

(d) Investments in associates

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

(e) Investments in subsidiaries

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

6.3.5 Impairment

Available for sale and held to maturity investments

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered 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 recognised directly in surplus on revaluation of assets on the Statement of Financial Position in equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Investment in associates and subsidiaries

In respect of investment in associates and subsidiaries, the Bank reviews their carrying values at each reporting date to assess whether there is an indication of impairment. Such indication may include significant and prolonged decline in the market value, significant changes with an adverse impact on the entity, carrying

amount of net assets in excess of market capitalisation etc. Any basis applied in this respect should be justifiable in view of other factors present for the entity. The amount of impairment is determined based on the higher of value in use and fair value less cost to sell. Impairment loss is recognised in the profit and loss account.

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

6.4 Islamic financing and related assets

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

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

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

Specific provision

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

General provision

Consumer Financing

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

Small Enterprise Financing

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

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

6.4.3 Ijarah Financing

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

(a) Under finance method, the present value of minimum Ijarah payments have been recognised and shown under Islamic financing and related assets. The unearned income i.e. the excess of aggregate Ijarah rentals over the cost of

the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).

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

6.4.4 Murabahah

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

6.4.5 Istisna

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

6.4.6 Diminishing Musharakah

Diminishing Musharakah represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank).

6.4.7 Import Murabahah

Import Murabahah is a product, used to finance a commercial transaction which consists of purchase by the Bank (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the client after getting the title to and possession of the goods. Murabahah financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

6.4.8 Salam

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot. In Salam financing, the transaction consists of two stages: (i) Bai Salam whereby the Bank purchases goods from the client and (ii) Wakalah whereby the Bank after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

6.4.9 Muswammah / Karobar Financing

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

6.4.10 Musharakah / Mudarabah

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

6.4.11 Wakalah-tul-Istismar (Investment Agency Wakalah)

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

6.4.12 Running Musharakah

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

6.4.13 Ijarah

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

6.5 Operating fixed assets and depreciation

6.5.1 Property and equipment

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

Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 12.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Subsequent costs are included in the assets' carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to the profit and loss account as and when incurred.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

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

6.5.2 Capital work in progress

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

6.5.3 Intangible assets

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

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

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

6.5.4 Impairment

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

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

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

6.6 Taxation

6.6.1 Current

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

6.6.2 Deferred

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

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

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

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

6.7 Staff retirement benefits

6.7.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2018.

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

6.7.2 Defined contribution plan

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

6.8 Revenue recognition

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

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

6.8.3 The Bank follows the finance method in recognising income on Ijarah contracts written up to December 31, 2008. Under this method the unearned income i.e. excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).

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

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

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

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

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

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

- 6.8.9 Gains and losses on sale of investments are recognised in the profit and loss account.
- 6.8.10 Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transactions consummate within an accounting period. Commission on guarantees, if considered material, is recognised over the period of guarantee. Fee, commission and brokerage income are recognized on receipt basis.
- 6.8.11 Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, the premiums / discounts are amortised through the profit and loss account over the remaining life of Sukuk, using the effective yield method.
- 6.8.12 Income earned from revenues that are not Shariah complaint are not recognised in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Board of the Bank.

6.9 Revenue from Conventional products

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

6.10 Financial Instruments

6.10.1 Financial assets and financial liabilities

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

6.10.2 Offsetting of financial instruments

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

6.10.3 Derivatives

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

6.11 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

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

Commitments

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

6.12 Fiduciary assets

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

6.13 Deposits

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

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

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

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

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

6.14 Pool Management

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

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

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

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

General Pool

For General Pools, the Bank allocates PKR financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business as mentioned in the note 45.1.3. Investments in Sovereign Guarantee Sukuk, Bai Muajjal with State Bank of Pakistan, Bai Muajjal with Government of Pakistan are also done through General Pools. All remunerative deposits are tagged to these general pools

and their funds generated from the depositors are invested on priority basis. Due to limited investment options in USD, GBP and EURO pool, funds from FCY pools are invested in available International Sukuk, Shariah Complaint Nostro accounts and remaining funds are taken out and invested in PKR general pool as part of equity. In such cases return from PKR General pool is given back to FCY pools, so that returns can be passed on to FCY pool customers accordingly.

Special Mudarabah Pool

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

Islamic export refinance scheme Pool

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

Financial Institution (FI) Pool

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

6.15 Provisions and contingent assets and liabilities

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

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

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

6.16 Business Combination

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

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any.

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

6.17 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.

As disclosed in note 2.4 to the financial statements, during the year, the SBP issued the revised forms for the preparation of the annual financial statements of the banks which are applicable for annual periods beginning on or after January 01, 2018. The implementation of the revised forms also changed the segment disclosures which are now required to be prepared under 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.

The Bank, for its internal performance management purposes, assesses its performance as a single business unit only. However, recently the Bank has changed its internal management reporting system where it has introduced the business segment wise performance information and therefore the management expect that the business segment wise information would be available in future. Accordingly, the disclosure has been prepared on the basis given under the previous requirements.

6.17.1 Business segments

Trading and sales

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

Retail banking

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

Commercial banking

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

Support Centre

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

6.17.2 Geographical segment

The Bank operates only in Pakistan.

6.18 Non-banking assets acquired in satisfaction of claims

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

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

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

6.19 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.

6.20 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. Previously, acceptances were only recognized as off-balance sheet obligations and disclosed under contingent liabilities.

7 CASH AND BALANCES WITH TREASURY BANKS

	Note	2018	2017
		Rupees in '000	
In hand:			
- local currency		3,619,317	3,648,276
- foreign currency		332,378	525,763
		3,951,695	4,174,039
With the State Bank of Pakistan in:			
- local currency current account	7.1	7,642,125	5,516,757
- foreign currency deposit accounts:			
- Cash Reserve Account	7.2	269,114	188,575
- Special Cash Reserve Account	7.3	323,549	227,477
- US Dollar Clearing Account		26,604	12,120
		619,267	428,172
With National Bank of Pakistan in:			
- local currency current account		2,079,665	1,665,212
		14,292,752	11,784,180

- 7.1 This represents Rs. 7,642.125 million (2017: Rs. 5,516.757 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement.
- 7.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 7.3 Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. Balance held under this account is non-remunerative.

8 BALANCES WITH OTHER BANKS

	Note	2018	2017
		Rupees in '000	
In Pakistan:			
- in current accounts		2,416	2,407
- in deposit accounts	8.1	4,575	97
		6,991	2,504
Outside Pakistan:			
- in current accounts		825,630	799,303
		832,621	801,807

- 8.1 These represent deposits with various Islamic banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 3.5% (2017: 2.8%) per annum.

9 DUE FROM FINANCIAL INSTITUTIONS - NET

	Note	2018	2017
		Rupees in '000	
Wakalah Placement	9.1	534,039	1,716,767
Commodity Murabahah	9.2	17,639,465	19,655,020
		18,173,504	21,371,787
Other placements		32,400	32,400
		18,205,904	21,404,187
Provision against placements		(32,400)	(32,400)
		18,173,504	21,371,787

- 9.1 This represents foreign currency placements and the profit rates on these agreements range between 0.25% to 2.80% (2017: 0.15% to 2.85%) per annum. The agreements have maturities ranging from 62 days to 181 days (2017: 92 days to 365 days).
- 9.2 The Bank has entered into Commodity Murabahah agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreements range between 10% to 10.75% (2017: 5.80% to 6.50%) per annum and the agreements have maturities ranging from 2 days to 55 days (2017: 4 days to 90 days).

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

	2018	2017
	Rupees in '000	
- In local currency	17,671,865	19,687,420
- In foreign currency	534,039	1,716,767
	<u>18,205,904</u>	<u>21,404,187</u>

9.4 Securities held as collateral against amounts due from financial institutions

	2018			2017		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
	Rupees in '000					
Government of Pakistan Ijarah Sukuks	1,950,000	-	1,950,000	-	-	-

9.5 Category of classification

	2018		2017	
	Classified Placements	Provision held	Classified Placements	Provision held
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	32,400	32,400	32,400	32,400
Total	<u>32,400</u>	<u>32,400</u>	<u>32,400</u>	<u>32,400</u>

9.5.1 The Bank does not hold overseas classified placements.

10 INVESTMENTS - NET

	Note	2018	2017
		Rupees in '000	
Investments - Islamic	10.1	37,033,572	40,223,033
Investments -Conventional (relating to amalgamated entity)	10.2	<u>1,798,521</u> <u>38,832,093</u>	<u>1,869,133</u> <u>42,092,166</u>

10.1 Islamic Investments by type

		2018				2017			
Note		Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000									
Held for trading securities									
Shares		164,223	-	(19,686)	144,537	32,156	-	(2,007)	30,149
Available for sale securities									
Federal Government									
Securities		26,511,713	-	1,893	26,513,606	33,840,536	-	415,765	34,256,301
Non Government									
Debt Securities		10,082,407	(35,880)	(1,479)	10,045,048	5,552,652	(3,080)	(586)	5,548,986
Mutual fund units		21	-	44	65	21	-	42	63
Shares		208,642	-	16,785	225,427	242,645	-	-	242,645
		36,802,783	(35,880)	17,243	36,784,146	39,635,854	(3,080)	415,221	40,047,995
Subsidiary	10.9	191,015	(86,126)	-	104,889	191,015	(46,126)	-	144,889
Total Islamic investments		37,158,021	(122,006)	(2,443)	37,033,572	39,859,025	(49,206)	413,214	40,223,033

10.2 Conventional Investments by type*

		2018				2017			
	Note	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000									
Available for sale securities									
Non Government Debt									
Securities		270,586	(270,586)	-	-	282,629	(282,629)	-	-
Shares		1,334,508	(684,853)	(1,877)	647,778	2,156,736	(1,438,346)	-	718,390
		1,605,094	(955,439)	(1,877)	647,778	2,439,365	(1,720,975)	-	718,390
Held to maturity securities									
Non Government Debt									
Securities		321,601	(321,601)	-	-	321,601	(321,601)	-	-
Associates	10.10	1,660,111	(1,032,169)	-	627,942	1,660,111	(1,032,169)	-	627,942
Subsidiaries	10.9	2,499,708	(1,976,907)	-	522,801	2,499,708	(1,976,907)	-	522,801
Total conventional investments		6,086,514	(4,286,116)	(1,877)	1,798,521	6,920,785	(5,051,652)	-	1,869,133

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

10.3 Islamic Investments by segments

Note	2018				2017				
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
	Rupees in '000								
Federal Government Securities									
GOP Ijarah Sukuks	26,511,713	-	1,893	26,513,606	33,840,536	-	415,765	34,256,301	
Non Government Debt Securities									
Sukuk certificates - unlisted	10,082,407	(35,880)	(1,479)	10,045,048	5,552,652	(3,080)	(586)	5,548,986	
Mutual fund units									
Units of open-end mutual funds	21	-	44	65	21	-	42	63	
Shares									
Ordinary shares of listed companies	372,865	-	(2,901)	369,964	274,801	-	(2,007)	272,794	
Subsidiary									
BankIslami Modaraba Investments Limited	10.9	191,015	(86,126)	-	104,889	191,015	(46,126)	-	144,889
		37,158,021	(122,006)	(2,443)	37,033,572	39,859,025	(49,206)	413,214	40,223,033

10.4 Conventional Investments by segments*

		2018				2017			
Note		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 Companies		92,764	(92,764)	-	-	104,807	(104,807)	-	-
Unlisted Companies		499,423	(499,423)	-	-	499,423	(499,423)	-	-
		592,187	(592,187)	-	-	604,230	(604,230)	-	-
Shares									
Listed Companies		145,478	(73,498)	(1,877)	70,103	967,706	(826,991)	-	140,715
Unlisted Companies		1,189,030	(611,355)	-	577,675	1,189,030	(611,355)	-	577,675
		1,334,508	(684,853)	(1,877)	647,778	2,156,736	(1,438,346)	-	718,390
Associates - Unlisted									
KASB Capital Limited	10.10	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	10.10	432,302	(432,302)	-	-	432,302	(432,302)	-	-
New Horizon Exploration & Production Limited	10.10	558,000	(558,000)	-	-	558,000	(558,000)	-	-
Shakarganj Food Products Limited	10.10	627,942	-	-	627,942	627,942	-	-	627,942
		1,660,111	(1,032,169)	-	627,942	1,660,111	(1,032,169)	-	627,942
Subsidiaries									
BIPL Securities Limited	10.9	2,394,937	(1,872,136)	-	522,801	2,394,937	(1,872,136)	-	522,801
My Solutions Corporation Limited	10.9	104,771	(104,771)	-	-	104,771	(104,771)	-	-
		2,499,708	(1,976,907)	-	522,801	2,499,708	(1,976,907)	-	522,801
		6,086,514	(4,286,116)	(1,877)	1,798,521	6,920,785	(5,051,652)	-	1,869,133

10.5 Investments given as collateral

	2018	2017
	Rupees in '000	
GOP Ijarah Sukuks	5,000,000	10,000,000

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

10.6 Provision for diminution in value of investments

	Note	2018	2017
		Rupees in '000	
10.6.1 Opening balance		5,100,858	4,890,258
Charge / (reversal)			
Charge for the year		73,426	210,885
Reversals for the year		(12,043)	(285)
Reversal of provision / provision for diminution in value of investments - net	31	61,383	210,600
Amounts written off		(754,119)	-
Closing balance	10.6.1.1	<u>4,408,122</u>	<u>5,100,858</u>
10.6.1.1 Break up of provision for diminution in the value of investments is as follows:			
Investments - Islamic		122,006	49,206
Investments - Conventional		4,286,116	5,051,652
		<u>4,408,122</u>	<u>5,100,858</u>

10.6.2 Particulars of provision against debt securities

	2018		2017	
Category of classification	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	904,318	628,067	916,360	607,311
Total	<u>904,318</u>	<u>628,067</u>	<u>916,360</u>	<u>607,311</u>

10.6.2.1 The Bank does not hold overseas classified debt securities.

10.6.2.2 Sukuks amounting to Rs. 312.131 million have been placed under non performing status. The forced sale value (FSV) benefit of the collateral availed in respect of sukuks amounts to Rs. Nil (2017:Rs. 32.8 million). Profit accrued on these sukuks has been suspended. The additional profit arising from availing the FSV benefit - net of tax amounting to Rs. Nil (2017: Rs. 21.32 million) is not available for distribution in either cash or stock dividend to shareholders.

10.7 Quality of Available for Sale Securities

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

10.7.1 Federal Government Securities - Government guaranteed

	2018	2017
	Cost	
	Rupees in '000	
GOP Ijarah Sukuks	<u>26,511,713</u>	<u>33,840,536</u>

10.7.2 Non Government Debt Securities*

Unlisted

	2018	2017
	Cost	
	Rupees in '000	
AAA	9,002,459	4,597,484
A	542,000	220,000
A+	50,000	322,000
AA-	100,000	-
Unrated	658,534	695,797
	<u>10,352,993</u>	<u>5,835,281</u>

10.7.3 Mutual Funds

A(f)	5	5
AA(f)	5	5
Unrated	11	11
	<u>21</u>	<u>21</u>

10.7.4 Shares (Equity Securities)

10.7.4.1 Listed Companies

- Real Estate Investment Trust	143,771	242,645
- Banks	64,871	-
- Modarabas	91,675	91,675
- Chemical	53,783	876,011
- Power Generation and Distribution	20	20
	<u>354,120</u>	<u>1,210,351</u>

10.7.4.2 Unlisted Companies

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Pakistan Export Finance Guarantee Agency Limited	5,680	0.50	5,680	0.50
KASB Invest (Private) Limited	28,000	3.06	28,000	3.06
	<u>33,680</u>	<u>3.56</u>	<u>33,680</u>	<u>3.56</u>

10.7.5 Foreign Securities

Equity Securities

Unlisted

Evolve Capital Limited - Incorporated in British Virgin Islands	<u>1,155,350</u>	<u>1,155,350</u>
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* Entity's ratings are used where sukuk and term finance certificates ratings were not available

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

Non Government Debt Securities

	2018	2017
	Cost	
	Rupees in '000	
Unlisted		
- Unrated	321,601	321,601

10.8.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Nil (December 31, 2017: Nil).

10.9 Details of investment in subsidiaries

	2018						
	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
			Rupees in '000				
Listed							
BIPL Securities Limited	77.12	Pakistan	1,829,580	951,685	196,158	(22,452)	(47,090)
Unlisted							
BankIslami Modaraba Investments Limited	100.00	Pakistan	88,382	1,974	6,589	(8,352)	(3,818)
My Solutions Corporation Limited	100.00	Pakistan	14,448	29,678	1,978	(6,237)	(6,237)

10.10 Details of investment in associates

Unlisted							
KASB Funds Limited	43.89	Pakistan	46,465	32,465	23,640	(66,241)	(65,679)
New Horizon Exploration and Production Limited	20.00	Pakistan	452,899	117,949	73,048	37,870	37,870
Shakarganj Food Products Limited	36.38	Pakistan	7,641,489	4,923,645	3,000,323	366,346	373,199
KASB Capital Limited*	21.78	Mauritius	\$652,864	\$135,428	-	\$(34,084)	\$(34,084)

* This represents the full US\$ amount.

11 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES - NET

	Note	2018	2017
		Rupees in '000	
Islamic financing and related assets - net	11.1	118,087,795	118,469,536
Advances (relating to amalgamated entity) - net	11.2	483,016	685,503
		118,570,811	119,155,039

11.1 ISLAMIC FINANCING AND RELATED ASSETS

	Note	Performing		Non Performing		Total	
		2018	2017	2018	2017	2018	2017
Rupees in '000							
In Pakistan							
- Murabahah financing and related assets	11.3 & 11.9	9,448,791	13,568,133	446,781	328,424	9,895,572	13,896,557
- Istisna financing and related assets	11.4 & 11.10	14,023,932	10,459,365	1,047,479	826,468	15,071,411	11,285,833
- Diminishing Musharakah Housing		12,452,638	10,408,644	933,779	699,098	13,386,417	11,107,742
- Diminishing Musharakah financing and related assets - Auto		8,394,715	5,197,891	52,478	33,584	8,447,193	5,231,475
- Diminishing Musharakah financing and related assets - Others	11.6	19,962,598	9,977,899	633,515	811,649	20,596,113	10,789,548
- Against Bills - Murabahah		169,671	79,732	-	-	169,671	79,732
- Post Due Acceptance		94,806	37,241	13,922	-	108,728	37,241
- Salam	11.5	143,935	123,987	337	43,000	144,272	166,987
- Muswammah financing and related assets / Karobar financing	11.7	14,355,182	13,947,199	877,072	599,380	15,232,254	14,546,579
- Financing to employees	11.18	2,507,962	2,235,530	95,489	35,071	2,603,451	2,270,601
- Qardh e Hasana		205,100	202,881	394,094	359,075	599,194	561,956
- Running Musharakah		22,058,949	36,343,802	2,345,509	2,345,509	24,404,458	38,689,311
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000	6,250,000
- Housing finance portfolio - others		37,819	45,788	-	-	37,819	45,788
- Net investment in Ijarah financing in Pakistan	11.12	36,543	38,481	-	-	36,543	38,481
- Ijarah financing under IFAS 2 and related assets	11.8	3,714,311	5,413,304	167,097	216,360	3,881,408	5,629,664
Gross financing and related assets		113,856,952	114,329,877	7,007,552	6,297,618	120,864,504	120,627,495
Less: Provision against non-performing Islamic financing and related assets							
- Specific	11.14 & 11.15	-	-	(2,546,436)	(1,934,769)	(2,546,436)	(1,934,769)
- General	11.14 & 11.15	(230,273)	(223,190)	-	-	(230,273)	(223,190)
		(230,273)	(223,190)	(2,546,436)	(1,934,769)	(2,776,709)	(2,157,959)
Islamic financing and related assets – net of provisions		113,626,679	114,106,687	4,461,116	4,362,849	118,087,795	118,469,536

11.2 ADVANCES

Loans, cash credits, running finances, etc. - In Pakistan*		194,852	469,732	7,218,699	8,239,390	7,413,551	8,709,122
Net investment in finance lease - In Pakistan	11.12	255	-	584,988	585,391	585,243	585,391
Bills discounted and purchased (excluding treasury bills)							
- Payable in Pakistan		122,451	-	592,195	714,646	714,646	714,646
Advances - gross		317,558	469,732	8,395,882	9,539,427	8,713,440	10,009,159
Provision against advances							
- Specific	11.14 & 11.15	-	-	(8,386,515)	(9,515,300)	(8,386,515)	(9,515,300)
- General	11.14 & 11.15	(369)	(688)	-	-	(369)	(688)
		(369)	(688)	(8,386,515)	(9,515,300)	(8,386,884)	(9,515,988)
Advances - net of provision		317,189	469,044	9,367	24,127	326,556	493,171
Fair Value adjustment	11.16	-	-	156,460	192,332	156,460	192,332
Advances - net of provision and fair value adjustment		317,189	469,044	165,827	216,459	483,016	685,503

* This includes non-interest bearing financing facilities amounting to Rs. 88.944 million.

11.3 Murabahah financing and related assets		Note	2018	2017
			Rupees in '000	
	Murabahah financing	11.3.1	7,928,163	11,064,353
	Deferred Murabahah income		337,220	378,563
	Advances against Murabahah financing		1,630,189	2,453,641
			<u>9,895,572</u>	<u>13,896,557</u>
11.3.1	Murabahah receivable - gross	11.3.2	8,265,383	11,442,916
	Less: Deferred Murabahah income	11.3.4	(123,982)	(146,828)
	Profit receivable		(213,238)	(231,735)
	Murabahah financing		<u>7,928,163</u>	<u>11,064,353</u>
11.3.2	The movement in Murabahah financing during the year is as follows:			
	Opening balance		11,442,916	10,816,499
	Sales during the year		27,387,581	66,360,039
	Received during the year		(30,565,114)	(65,733,622)
	Closing balance		<u>8,265,383</u>	<u>11,442,916</u>
11.3.3	Murabahah sale price (for transactions during the year)		27,387,581	66,360,039
	Murabahah purchase price (for transactions during the year)		(26,682,001)	(65,104,250)
			<u>705,580</u>	<u>1,255,789</u>
11.3.4	Deferred Murabahah income			
	Opening balance		146,828	134,490
	Arising during the year		705,580	1,255,789
	Recognised during the year		(728,426)	(1,243,451)
	Closing balance		<u>123,982</u>	<u>146,828</u>
11.4	Istisna financing and related assets			
	Istisna financing		10,180,982	5,949,944
	Advance against Istisna financing		4,624,429	5,269,236
	Istisna inventories		266,000	66,653
			<u>15,071,411</u>	<u>11,285,833</u>
11.5	Salam			
	Salam financing		52,305	67,001
	Advance against Salam		91,967	99,986
			<u>144,272</u>	<u>166,987</u>
11.6	Diminishing Musharakah financing and related assets - Others			
	Diminishing Musharakah financing		20,542,427	10,584,893
	Advance against Diminishing Musharakah financing		53,686	204,655
			<u>20,596,113</u>	<u>10,789,548</u>

11.7 Muswammah financing and related assets / Karobar financing

	Note	2018	2017
		Rupees in '000	
Muswammah financing		13,496,828	9,622,350
Advance against Muswammah financing		-	-
Muswammah inventories		1,735,426	4,924,229
		<u>15,232,254</u>	<u>14,546,579</u>

11.8 Ijarah financing under IFAS 2 and related assets

Net book value of assets under IFAS 2	11.13	3,880,726	5,427,911
Advance against Ijarah financing		682	201,753
		<u>3,881,408</u>	<u>5,629,664</u>

11.9 Murabahah financing and related assets includes financing amounting to Rs. 600 million (2017: Rs. 827.897 million) and advance amounting to Rs. 500 million (2017: Rs. 797.250 million) under Islamic Export Refinance Scheme.

11.10 Istisna financing and related assets includes financing amounting to Rs. 901.300 million (2017: Rs. 444.654 million) and advance amounting to Rs. 530.375 million (2017: Rs. 1,094.541 million) under Islamic Export Refinance Scheme.

11.11 Particulars of Islamic financing and related assets and advances - gross

	2018	2017
	Rupees in '000	
11.11.1 In local currency	129,577,944	130,636,654
In foreign currency	-	-
	<u>129,577,944</u>	<u>130,636,654</u>

11.12 Break up of net investment in Ijarah financing and finance lease

Islamic financing and related assets - net	36,543	38,481
Advances - net	<u>585,243</u>	<u>585,391</u>
	<u>621,786</u>	<u>623,872</u>

11.12.1 Net investment in Ijarah financing in Pakistan and finance lease

	2018				2017			
	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	575,290	-	-	575,290	576,718	-	-	576,718
Residual value	90,794	-	-	90,794	91,452	-	-	91,452
Minimum Ijarah payments	666,084	-	-	666,084	668,170	-	-	668,170
Profit for future periods	(44,298)	-	-	(44,298)	(44,298)	-	-	(44,298)
Present value of minimum Ijarah payments	<u>621,786</u>	-	-	<u>621,786</u>	<u>623,872</u>	-	-	<u>623,872</u>

11.13 Ijarah Assets

2018								
	As at January 01, 2018	Cost Addition / (deletions)	As at December 31, 2018	As at January 01, 2018	Charge / (deletions)	As at December 31, 2018	Book value as at December 31, 2018	Rate of Deprecia- tion %
	Rupees in ‘000							
Plant and Machinery	1,856,078	4,049	1,860,127	1,007,861	140,548	1,148,409	711,718	20-33.33
Vehicles	7,290,401	257,259 (1,327,684)	6,219,976	2,710,707	1,020,174 (679,913)	3,050,968	3,169,008	20-33.33
	9,146,479	261,308 (1,327,684)	8,080,103	3,718,568	1,160,722 (679,913)	4,199,377	3,880,726	
2017								
	As at January 01, 2017	Cost Addition / (deletions)	As at December 31, 2017	As at January 01, 2017	Charge / (deletions)	As at December 31, 2017	Book value as at December 31, 2017	Rate of Deprecia- tion %
	Rupees in ‘000							
Plant and Machinery	1,817,106	51,729 (12,757)	1,856,078	823,532	195,810 (11,481)	1,007,861	848,217	20-33.33
Vehicles	7,321,676	915,258 (946,533)	7,290,401	1,932,980	1,187,889 (410,162)	2,710,707	4,579,694	20-33.33
	9,138,782	966,987 (959,290)	9,146,479	2,756,512	1,383,699 (421,643)	3,718,568	5,427,911	

11.13.1 Future Ijarah payments receivable

	2018				2017			
	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	1,237,529	1,378,157	-	2,615,686	1,805,798	2,640,112	-	4,445,910

11.14 Islamic financing, related assets and advances include Rs. 15,403.434 million (2017: Rs. 15,837.045 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018								
	Classified Islamic financing and related assets and advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets especially mentioned (OAEM)	267,237	-	267,237	220	-	220	220	-	220
Substandard	734,484	-	734,484	87,997	-	87,997	87,997	-	87,997
Doubtful	523,501	-	523,501	112,035	-	112,035	112,035	-	112,035
Loss	13,878,212	-	13,878,212	10,732,699	-	10,732,699	10,732,699	-	10,732,699
	15,403,434	-	15,403,434	10,932,951	-	10,932,951	10,932,951	-	10,932,951

Category of Classification	2017								
	Classified Islamic financing and related assets and advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets especially mentioned (OAEM)	95,345	-	95,345	-	-	-	-	-	-
Substandard	3,056,420	-	3,056,420	108,551	-	108,551	108,551	-	108,551
Doubtful	939,044	-	939,044	375,817	-	375,817	375,817	-	375,817
Loss	11,746,236	-	11,746,236	10,965,701	-	10,965,701	10,965,701	-	10,965,701
	15,837,045	-	15,837,045	11,450,069	-	11,450,069	11,450,069	-	11,450,069

11.14.1 In case of one of the non-performing Islamic financing and related assets amounting to Rs. 2,562 million (2017: Rs. 2,562 million), SBP has granted relaxation vide letter no. BPRD/BRD/PRs/7388/2018 dated April 4, 2018 on creating a provision till December 31, 2018. The outstanding amount of relaxation e.g. provisioning will not be available for distribution of cash & stock dividend and performance bonus to employees. Had the provision been made as per the requirements of applicable Prudential Regulations, the 'provision against Islamic financing and related assets and advances' would have been higher by Rs. 490.864 million (2017: Rs. 474.822 million) and profit before taxation would have been lower by Rs. 490.864 million (2017: Rs. 474.822 million).

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

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	11,450,069	223,878	11,673,947	11,939,357	192,927	12,132,284
Charge for the year	824,518	6,764	831,282	519,502	30,951	550,453
Reversals	(903,028)	-	(903,028)	(997,966)	-	(997,966)
	(78,510)	6,764	(71,746)	(478,464)	30,951	(447,513)
Amount written off	(438,608)	-	(438,608)	(10,824)	-	(10,824)
Closing balance	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947

11.15.1

	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Islamic	2,546,436	230,273	2,776,709	1,934,769	223,190	2,157,959
Conventional	8,386,515	369	8,386,884	9,515,300	688	9,515,988
	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947

11.15.2 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account

	2018	2017
	Rupees in '000	
Gross reversals	903,028	997,966
Charge for the year	(831,282)	(550,453)
	71,746	447,513
Fair value adjusted - net	(35,871)	30,175
Net reversals taken to the profit and loss account	35,875	477,688

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

	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947
In foreign currency	-	-	-	-	-	-
	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947

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

11.15.3.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2018 amounts to Rs. 493.169 million (2017: Rs. 432.630 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 320.560 million (2017: Rs. 281.209 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

11.16 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.

11.17 Particulars of write offs

	2018	2017
	Rupees in '000	
Against provisions	438,608	10,824
Directly charged to the profit and loss account	-	-
	438,608	10,824
Write offs Rs. 500,000 and above	438,608	10,339
Write offs below Rs. 500,000	-	485
	438,608	10,824

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

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

11.18 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	2018	2017
		Rupees in '000	
Balance at the beginning of the year		2,270,601	2,061,846
Financing granted during the year		1,014,232	1,020,826
Repayments made during the year		(681,382)	(812,071)
Balance at the end of the year	11.18.1	2,603,451	2,270,601

11.18.1 This includes Rs. 5.413 million (2017: Rs. 5.609 million) profit free financing to employees given under the Bank's Human Resource Policy.

	Note	2018	2017
		Rupees in '000	
12 FIXED ASSETS			
Capital work-in-progress	12.1	87,761	54,437
Property and equipment	12.2	6,575,706	5,889,921
		6,663,467	5,944,358

12.1 Capital work-in-progress

Advances to suppliers and contractors	87,761	54,437
Advance for acquiring properties:		
- Office premises	721,903	721,903
	809,664	776,340
Provision for impairment against advance for acquiring floor / office premises	(721,903)	(721,903)
	87,761	54,437

12.2 Property and Equipment

2018

	Freehold / Leasehold land	Freehold / Leasehold Building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	Rupees in '000					
At January 1, 2018						
Cost / revalued amount	1,003,803	2,921,861	2,743,869	2,531,763	17,337	9,218,633
Accumulated depreciation	-	(197,062)	(1,262,761)	(1,856,730)	(12,159)	(3,328,712)
Net book value	1,003,803	2,724,799	1,481,108	675,033	5,178	5,889,921
Year ended December 2018						
Opening net book value	1,003,803	2,724,799	1,481,108	675,033	5,178	5,889,921
Additions						
Additions	-	-	112,858	264,510	40,785	418,153
Other adjustments / transfers*	356,592	(356,592)	-	-	-	-
	356,592	(356,592)	112,858	264,510	40,785	418,153
Disposals						
Disposals	-	-	(2,853)	(50,212)	(1,250)	(54,315)
Movement in surplus on assets revalued during the year						
Movement in surplus on assets revalued during the year	178,814	461,110	-	-	-	639,924
Depreciation charge						
Depreciation charge	-	(81,572)	(267,932)	(295,505)	(4,843)	(649,852)
Reversal of depreciation on revaluation	-	278,634	-	-	-	278,634
Reversal of depreciation on disposal	-	-	2,804	49,187	1,250	53,241
	-	197,062	(265,128)	(246,318)	(3,593)	(317,977)
Closing net book value	1,539,209	3,026,379	1,325,985	643,013	41,120	6,575,706
At December 31, 2018						
Cost / revalued amount	1,539,209	3,026,379	2,853,874	2,746,061	56,872	10,222,395
Accumulated depreciation	-	-	(1,527,889)	(2,103,048)	(15,752)	(3,646,689)
Net book value	1,539,209	3,026,379	1,325,985	643,013	41,120	6,575,706
Rate of depreciation (percentage)	-	2	10	15-25	20	

* This represents rectification / reclassification of land previously classified as building on freehold land.

2017

	Freehold / Leasehold land	Freehold / Leasehold Building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	Rupees in '000					
At January 1, 2017						
Cost / revalued amount	1,016,199	2,904,636	2,904,209	2,930,016	38,151	9,793,211
Accumulated depreciation	-	(80,980)	(1,328,191)	(2,206,343)	(29,800)	(3,645,314)
Net book value	1,016,199	2,823,656	1,576,018	723,673	8,351	6,147,897
Year ended December 2017						
Opening net book value	1,016,199	2,823,656	1,576,018	723,673	8,351	6,147,897
Additions						
Additions	-	-	182,496	281,352	-	463,848
Other adjustments / transfers	(12,396)	17,225	(339,022)	(647,082)	(20,298)	(1,001,573)
	(12,396)	17,225	(156,526)	(365,730)	(20,298)	(537,725)
Disposals						
Disposals	-	-	(3,814)	(32,523)	(516)	(36,853)
Other adjustments / transfers	-	-	-	-	20,298	20,298
	-	-	(3,814)	(32,523)	19,782	(16,555)
Depreciation charge						
Depreciation charge	-	(102,968)	(278,857)	(323,236)	(3,173)	(708,234)
Reversal of depreciation In disposal	-	-	2,045	30,330	516	32,891
Other adjustments / transfers	-	(13,114)	342,242	642,519	-	971,647
	-	(116,082)	65,430	349,613	(2,657)	296,304
Closing net book value	1,003,803	2,724,799	1,481,108	675,033	5,178	5,889,921
At December 31, 2017						
Cost / revalued amount	1,003,803	2,921,861	2,743,869	2,531,763	17,337	9,218,633
Accumulated depreciation	-	(197,062)	(1,262,761)	(1,856,730)	(12,159)	(3,328,712)
Net book value	1,003,803	2,724,799	1,481,108	675,033	5,178	5,889,921
Rate of depreciation (percentage)	-	2	10	15-25	20	

12.2.1 Details of property and equipment disposed-off

Details of disposal of fixed assets to the Chief Executive Officer or to a Director or to Executives, irrespective of the value, and to any other person having cost more than Rs. 1 million or net book value of Rs. 250,000 or above during the year are disclosed in 'Annexure II'.

12.3 Cost of fully depreciated properties and equipment that are still in the Bank's use, as at December 31, 2018, amounted to Rs. 1,939.726 million (2017: Rs. 1,490.711 million).

12.4 During the year 2018, the Bank's freehold land and buildings on leasehold land were revalued by M/s. Harvester Services (Pvt.) Ltd., Gandhara Consultants (Pvt.) Ltd. and Akbani & Javed Associates on the basis of their professional assessment of the present market value. As a result of revaluation the market value of freehold land and buildings on leasehold land were determined at Rs. 4,565.588 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2018 would have been as follows:

	COST			DEPRECIATION			Net book value as at December 31, 2018	
	As at January 01, 2018	Addition	(Disposals)	As at December 31, 2018	As at January 01, 2018	Charge for the year		As at December 31, 2018
	Rupees in '000							
Freehold / Leasehold Land	434,928	-	-	434,928	-	-	-	434,928
Building on leasehold land	2,524,622	-	-	2,524,622	288,216	51,341	339,557	2,185,065
	2,959,550	-	-	2,959,550	288,216	51,341	339,557	2,619,993

13 INTANGIBLE ASSETS

	2018				
	Computer software	Core deposits	Customer list	Goodwill (Note 13.2)	Total
	Rupees in '000				
At January 1, 2018					
Cost	459,788	40,600	7,799	2,944,297	3,452,484
Accumulated amortization and impairment	(310,292)	(6,318)	(7,745)	-	(324,355)
Net book value	149,496	34,282	54	2,944,297	3,128,129
Year ended December 2018					
Opening net book value	149,496	34,282	54	2,944,297	3,128,129
Additions:					
- directly purchased	62,145	-	-	-	62,145
Amortisation charge	(65,920)	(2,394)	-	-	(68,314)
Other adjustments	-	-	(54)	-	(54)
Closing net book value	145,721	31,888	-	2,944,297	3,121,906
At December 31, 2018					
Cost	521,933	40,600	7,799	2,944,297	3,514,629
Accumulated amortisation and impairment	(376,212)	(8,712)	(7,799)	-	(392,723)
Net book value	145,721	31,888	-	2,944,297	3,121,906
Rate of amortisation (percentage)	20	5.5-20	10	-	
Useful life	5	5 - 18	10	-	

	2017				
	Computer software	Core deposits	Customer list	Goodwill (Note 13.2)	Total
	Rupees in '000				
At January 1, 2017					
Cost	666,466	40,600	30,735	2,944,297	3,682,098
Accumulated amortisation and impairment	(488,938)	(3,925)	(27,969)	-	(520,832)
Net book value	177,528	36,675	2,766	2,944,297	3,161,266
Year ended December 2017					
Opening net book value	177,528	36,675	2,766	2,944,297	3,161,266
Additions:					
- through acquisitions / purchased	27,399	-	-	-	27,399
Amortisation charge	(58,076)	(2,393)	(2,712)	-	(63,181)
Other adjustments	2,645	-	-	-	2,645
Closing net book value	149,496	34,282	54	2,944,297	3,128,129
At December 31, 2017					
Cost	459,788	40,600	7,799	2,944,297	3,452,484
Accumulated amortisation and impairment	(310,292)	(6,318)	(7,745)	-	(324,355)
Net book value	149,496	34,282	54	2,944,297	3,128,129
Rate of amortisation (percentage)	20	5.5-20	10	-	
Useful life	5	5 - 18	10	-	

13.1 The cost of fully amortised intangible assets that are still in the Bank's use, as at December 31, 2018 amounted to Rs. 196.261 million (2017: Rs. 181.765 million).

13.2 This represents goodwill recognised upon acquisition of KASB Bank Undertakings based on fair values of assets and liabilities. The SBP vide its letter no. BPRD(R&P-02)/625-112/2017/4089 dated February 24, 2017 had allowed the Bank exemption from "Goodwill impairment" under the applicable accounting standards till December 30, 2018 and thereafter the Bank is required to start goodwill impairment testing as per applicable accounting rules. Accordingly, the Bank carried out goodwill impairment testing as at December 31, 2018.

As described in note 6.17 to the financial statements, the Bank historically assessed its performance as a single business unit. Accordingly, Goodwill has been tested for impairment by considering the Bank as a single operating unit as currently the management does not monitor its results at a segment level.

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	% 21.55
Terminal growth rate	7.04

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 stabilisation 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. 3,204.209 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

Changes required for carrying amount to equal recoverable amount

	%
Discount rate	6.45
Terminal growth rate	(13.56)

- 13.3** The amount of goodwill that will be deductible for taxable purposes is Rs. 5,896.832 million. The difference represents the fair value benefit of the financial assistance granted by the State Bank of Pakistan.

14 DEFERRED TAX ASSETS

2018					
Note	At Jan 1 2018	Recognised in P&L & Unappropriated profit	Recognised in OCI	At Dec 31 2018	
Rupees in '000					
Deductible Temporary Differences on:					
Accumulated tax losses	14.1	3,548,284	82,450	-	3,630,734
Tax credit against minimum tax		-	168,353	-	168,353
Provision for diminution in the value of investments		580,183	(253,937)	-	326,246
Provision against non-performing Islamic financing and related assets and advances		4,034,741	-	-	4,034,741
Provision for gratuity		21,253	-	-	21,253
Impairment of goodwill		37,001	(37,001)	-	-
Ijarah financing and related assets		108,229	71,708	-	179,937
Others		275,280	(6,691)	-	268,589
		8,604,971	24,882	-	8,629,853
Taxable Temporary Differences on:					
Fair value adjustments relating to net assets acquired upon amal gamation		(163,641)	(109,355)	-	(272,996)
Accelerated tax depreciation		(120,636)	43,216	-	(77,419)
Surplus on revaluation of fixed assets	22	(386,711)	-	(253,312)	(640,023)
Surplus on revaluation of non-banking assets	22	(5,149)	19,706	(36,769)	(22,213)
Surplus on revaluation of available for sale securities	22	(145,325)	-	139,947	(5,378)
Net investment in finance lease		(81,603)	-	-	(81,603)
		(903,065)	(46,433)	(150,134)	(1,099,632)
		7,701,906	(21,551)	(150,134)	7,530,221
2017					
Note	At Jan 1 2017	Recognised in P&L & Unappropriated profit	Recognised in OCI	At Dec 31 2017	
Rupees in '000					
Deductible Temporary Differences on:					
Accumulated tax losses		1,869,423	1,678,861	-	3,548,284
Tax credit against minimum tax		354,905	(354,905)	-	-
Provision for diminution in the value of investments		507,551	72,632	-	580,183
Provision against non-performing Islamic financing and related assets and advances		3,834,711	200,030	-	4,034,741
Provision for gratuity		21,253	-	-	21,253
Impairment of goodwill		74,118	(37,117)	-	37,001
Ijarah financing and related assets		1,018	107,211	-	108,229
Others		348,071	(72,791)	-	275,280
		7,011,050	1,593,921	-	8,604,971
Taxable Temporary Differences on:					
Fair value adjustments relating to net assets acquired upon amal gamation		(38,157)	(125,484)	-	(163,641)
Accelerated tax depreciation		(193,708)	73,072	-	(120,636)
Surplus on revaluation of fixed assets	22	(392,310)	-	5,599	(386,711)
Surplus on revaluation of non-banking assets	22	(4,632)	-	517	(5,149)
Surplus on revaluation of available for sale securities	22	(382,180)	-	236,855	(145,325)
Net investment in finance lease		(81,603)	-	-	(81,603)
		(1,092,590)	(52,412)	241,937	(903,065)
		5,918,460	1,541,509	241,937	7,701,906

- 14.1** The Bank has aggregate tax losses of Rs. 10,373.525 million as at December 31, 2018 which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Bank). The management has carried out an assessment for estimating the benefit of these losses. The Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 3,630.734 million. The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

15	OTHER ASSETS - NET	Note	2018	Restated 2017
			Rupees in '000	
	Profit / return accrued in local currency		2,549,844	2,441,242
	Profit / return accrued in foreign currency		3,804	4,972
	Advances, deposits, advance rent and other prepayments		754,090	384,965
	Non-banking assets acquired in satisfaction of claims	15.1	2,462,019	1,586,419
	Branch Adjustment Account		85,453	-
	Insurance claim receivable		24,280	28,704
	Receivable against First WAPDA Sukuk Acceptances	15.2	50,000	50,000
			944,025	1,627,253
	Unrealized gain on forward foreign exchange contracts		25,489	-
	Unrealized gain on future sale contracts		21,006	2,359
	Amount held with financial institution	23.3.3	738,477	-
	Other receivables		361,851	174,010
			8,020,338	6,299,924
	Less: Provision held against other assets	15.3	(678,959)	(668,897)
	Other Assets (Net of Provision)		7,341,379	5,631,027
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		384,502	181,999
	Total other assets		7,725,881	5,813,026
15.1	Market value of Non-banking assets acquired in satisfaction of claims	15.1.1	2,317,671	1,239,568

The properties of the Bank have been revalued by independent professional valuers as at 31 December 2018. The revaluation was carried out by M/s. Harvester Services (Pvt.) Ltd., Gandhara Consultants (Pvt.) Ltd., Akbani & Javed Associates, Sadruddin Associates, Fairwater Property Valuers & Surveyors (Pvt.) Ltd., MYK Associates (Pvt.) Ltd. and Tristar International Consultant Pvt. Ltd. on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 258.806 million.

Impairment amounting to Rs. 528.850 million (2017: Rs. 528.850 million) is included in provision held against other assets.

15.1.1 Non-banking assets acquired in satisfaction of claims

	2018	2017
	Rupees in '000	
Opening Balance	1,239,568	1,137,060
Additions	952,620	-
Disposals	(70,367)	-
Revaluation	202,503	109,142
Depreciation	(6,653)	(6,634)
Closing Balance	2,317,671	1,239,568

15.1.2 Loss on disposal of non-banking assets acquired in satisfaction of claims

Sale Proceeds	116,100	-
less: Carrying Value	(126,670)	-
Loss on disposal	(10,570)	-

15.2 The Bank had purchased 10,000 certificates on June 25, 2009 of first WAPDA sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Bank's CDC account. However, the periodic Ijarah Rental dues were not paid to the Bank on the plea that there exists certain discrepancy with respect to ownership of the asset. The amount has been shown under "other assets" as the certificates were matured in 2012 as per the terms of the sukuk issue. The Bank has not recognised any provision in respect of the above amount as it is fully secured through a lien over a deposit account.

15.3 Provision held against other assets

	Note	2018	2017
		Rupees in '000	
Advances, deposits, advance rent & other prepayments		26,692	26,692
Non banking assets acquired in satisfaction of claims		528,850	528,850
Others		123,417	113,355
	15.3.1	678,959	668,897

15.3.1 Movement in provision held against other assets

Opening balance	668,897	661,290
Charge for the year	11,327	7,607
Reversals	(1,265)	-
Closing balance	678,959	668,897

16 BILLS PAYABLE

In Pakistan	3,242,180	3,928,469
Outside Pakistan	-	-
	3,242,180	3,928,469

17 DUE TO FINANCIAL INSTITUTIONS

	Note	2018	2017
		Rupees in '000	
Secured			
Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	17.1	2,496,675	3,103,902
Acceptances from State Bank of Pakistan for financial assistance	17.2	2,822,857	2,581,488
		5,319,532	5,685,390
Musharakah Acceptance	17.3	-	5,000,000
Total secured		5,319,532	10,685,390
Unsecured			
Wakalah Acceptance	17.4	-	585,000
Musharakah Acceptance	17.5	2,500,000	4,300,000
Total unsecured		2,500,000	4,885,000
		7,819,532	15,570,390

- 17.1** The acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favour of the State Bank of Pakistan (SBP). A limit of Rs. 5,000 million (2017: Rs. 5,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2018.
- 17.2** 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 Government of Pakistan Ijarah Sukuk. The 10 year facility was provided on the basis of Mudarabah to be remunerated at profit sharing ratio declared by the Bank on its remunerative current accounts on monthly basis. Accordingly, the profit amortization rate applied by the Bank in this respect is 0.01% per annum.
- 17.3** The profit rates on this agreement is Nil (2017: 5.83%) per annum and has matured during the year.
- 17.4** The profit rate on this agreement is Nil (2017: 5.75%) per annum and the agreement has matured during the year.
- 17.5** The profit rates on these agreements are varying between 9.10% to 9.60% (2017: 5.65% to 5.70%) per annum and has maturity in 3 to 25 days (2017: 2 to 18 days).
- 17.6** **Particulars of due to financial institutions with respect to currencies**

	2018	2017
	Rupees in '000	
In local currency	7,819,532	15,570,390
In foreign currencies	-	-
	7,819,532	15,570,390

18 DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000						
Customers						
Current deposits	57,544,632	1,571,063	59,115,695	55,643,395	1,443,557	57,086,952
Savings deposits	57,397,384	2,932,484	60,329,868	54,757,724	2,097,995	56,855,719
Term deposits	54,272,975	617,886	54,890,861	42,233,594	170,911	42,404,505
Others	438,238	17,697	455,935	577,988	14,608	592,596
	169,653,229	5,139,130	174,792,359	153,212,701	3,727,071	156,939,772
Financial Institutions						
Current deposits	162,566	11,425	173,991	180,259	9,984	190,243
Savings deposits	7,482,013	-	7,482,013	20,607,802	-	20,607,802
Term deposits	2,245,000	-	2,245,000	572,000	-	572,000
	9,889,579	11,425	9,901,004	21,360,061	9,984	21,370,045
	179,542,808	5,150,555	184,693,363	174,572,762	3,737,055	178,309,817

18.1 Composition of deposits

	2018	2017
Rupees in '000		
Individuals	53,743,188	52,004,962
Government (Federal and Provincial)	7,786,734	6,736,395
Public Sector Entities	10,074,411	4,430,687
Banking Companies	4,350	107,964
Non-Banking Financial Institutions	9,902,753	21,262,081
Private Sector	103,181,927	93,767,728
	184,693,363	178,309,817

18.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 110,586.391 million.

19 OTHER LIABILITIES

	Note	2018	Restated 2017
Rupees in '000			
Profit / return payable in local currency		860,995	776,022
Profit / return payable in foreign currencies		9,837	4,676
Accrued expenses		500,693	384,350
Deferred Murabahah Income - Financing and IERS		173,447	153,187
Deferred Murabahah Income - Commodity Murabahah		17,561	94,091
Payable to defined benefit plan		4,880	5,023
Payable to defined contribution plan		2,917	2,210
Defined Benefit Plan liabilities		78,446	45,993
Security deposits against Ijarah		2,053,039	2,403,012
Provision against off-balance sheet obligations	19.1	129,093	129,093
Surplus income of quarantined entity held for future admissible expenses		-	95,860
Acceptances		944,025	1,627,253
Receipt appropriation account		74,056	159,543
Current taxation (provisions less payments)		214,429	225,574
Balance carried forward		5,063,418	6,105,887

OTHER LIABILITIES (contd.)		Note	2018	Restated 2017
			Rupees in '000	
Balance brought forward			5,063,418	6,105,887
Provision against other tax liabilities			58,683	27,251
Sundry creditors			176,996	74,459
Payable to brokers against purchase of shares - net			33,444	31
Unrealized loss on forward foreign exchange contracts			-	898
Charity payable	19.2		12,966	2,679
Retention money payable			10,857	17,474
Provision for Workers' Welfare Fund			31,939	23,723
Branch adjustment account			-	38,247
Others			85,063	16,604
			<u>5,473,366</u>	<u>6,307,253</u>
19.1 Provision against off-balance sheet obligations				
Opening balance			129,093	299,093
Transferred to provision against Investment			-	(170,000)
Closing balance	19.1.1		<u>129,093</u>	<u>129,093</u>
19.1.1	These are overdue non-funded facilities that could not be transferred to funded due to litigation.			
19.2 Charity payable		Note	2018	2017
			Rupees in '000	
Opening balance			2,679	2,145
Additions during the year				
- Received from customers on account of delayed payment			51,213	8,864
- Shariah non-compliant income			2,773	239
- Profit on charity saving account			101	81
			<u>54,087</u>	<u>9,184</u>
Distribution of Charity				
- Education			(1,700)	(3,400)
- Health			(37,500)	(2,300)
- Islamic microfinance program			(500)	(700)
- Community development			(4,100)	(2,250)
	19.2.1		<u>(43,800)</u>	<u>(8,650)</u>
Closing balance			<u>12,966</u>	<u>2,679</u>
19.2.1 Charity was paid to the following:				
Ahmed E. H. Jaffer Foundation			-	350
Akhuwat Foundation			500	700
Alamgir Welfare Trust International			2,600	950
Bait us Salam Education Foundation			-	200
Bait us Salam Welfare Trust			1,000	500
Centre for Development of Social Services			500	300
Child Aid Association			100	-
Diya Pakistan			-	200
Balance carried forward			<u>4,700</u>	<u>3,200</u>

Charity was paid to the following: (contd.)

	2018	2017
	Rupees in '000	
Balance brought forward	4,700	3,200
Ghousia Free Dispensary	500	200
Indus Hospital	35,500	700
Institute of Behavioural Psychology	500	-
Karachi Relief Trust	-	150
Karewan-e-Hayat	300	-
Kharadar General Hospital	500	700
Koohi Goth Hospital	300	200
Markaz-e-Umeed	-	200
Mrs. Shahnaz Khan	-	150
National University of Sciences & Technology	-	500
Nigahban Welfare Association	100	-
Pakistan Association of the Blind (Sindh)	100	-
Pakistan Navy Education Trust (PNET)	-	200
Pakistan Navy Educational Trust - Bahria Model School	-	250
Sahara Public Rights Welfare	-	200
Shoukat Khanum Memorial	300	500
Tasha Trust	-	500
The Citizen Foundation	1,000	1,000
	43,800	8,650

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

20 SHARE CAPITAL - NET

20.1 Authorised capital

2018	2017		2018	2017
Number of Shares			Rupees in '000	
1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000

20.2 Issued, subscribed and paid up capital

2018	2017		2018	2017
Number of Shares			Rupees in '000	
1,007,912,090	1,007,912,090	Ordinary shares of Rs. 10 each	10,079,121	10,079,121
-	-	Fully paid in cash		
		Less: Discount on issue of shares	(79,042)	(79,042)
1,007,912,090	1,007,912,090		10,000,079	10,000,079

21 RESERVES

	Note	2018	2017
		Rupees in '000	
Statutory Reserves	21.1	718,799	676,266
Reserve for bad debts and contingencies	21.2	250,000	250,000
		968,799	926,266

- 21.1** 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.
- 21.2** The Board of Directors in its meeting held on March 6, 2015 had approved transfer of an amount of Rs. 250 million out of “unappropriated profit” to “reserve for bad debts and contingencies”.

22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	Note	2018	2017
		Rupees in '000	
Surplus on revaluation of:			
Available for sale securities	10.1	15,366	415,221
Fixed Assets	22.1	2,119,539	1,216,977
Non-banking assets acquired in satisfaction of claims	22.2	383,356	181,327
		2,518,261	1,813,525
Deferred tax liability on surplus on revaluation of:			
Available for sale securities		(5,378)	(145,325)
Fixed Assets	22.1	(640,023)	(386,711)
Non-banking assets acquired in satisfaction of claims	22.2	(22,213)	(5,149)
		(667,614)	(537,185)
		1,850,647	1,276,340
22.1 Surplus on revaluation of fixed assets			
Freehold / Leasehold Land			
Surplus on revaluation of fixed assets at January 1		112,087	112,087
Surplus recognised during the year		178,814	-
		290,901	112,087
Building on leasehold land			
Surplus on revaluation of fixed assets at January 1		1,104,890	1,120,887
Surplus recognised during the year		739,745	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(10,398)	(10,398)
Related deferred tax liability in respect of incremental depreciation charged during the year		(5,599)	(5,599)
		(15,997)	(15,997)
		1,828,638	1,104,890
Related deferred tax liability on surplus as at January 1		(386,711)	(392,310)
Related deferred tax liability on surplus arising during the year		(258,911)	-
Related deferred tax liability in respect of incremental depreciation charged during the year		5,599	5,599
		(640,023)	(386,711)
		1,188,615	718,179
		1,479,516	830,266

22.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

	2018	2017
	Rupees in '000	
Freehold / Leasehold Land		
Surplus on revaluation of Non Banking Assets at January 1	166,619	59,367
Surplus recognised during the year	153,276	107,252
	319,895	166,619
Building on leasehold land		
Surplus on revaluation of Non Banking Assets at January 1	14,708	13,233
Surplus recognised during the year	105,530	1,890
Surplus transferred to unappropriated profit	(56,303)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(308)	(270)
Related deferred tax liability in respect of incremental depreciation charged during the year	(166)	(145)
	(474)	(415)
	63,461	14,708
Related deferred tax liability on surplus as at January 1	(5,149)	(4,632)
Related deferred tax liability on surplus arising during the year	(36,936)	(662)
Related deferred tax liability on surplus on revaluation transferred to unappropriated profit	19,706	-
Related deferred tax liability in respect of incremental depreciation charged during the year	166	145
	(22,213)	(5,149)
	41,248	9,559
	361,143	176,178

23 CONTINGENCIES AND COMMITMENTS

	Note	2018	Restated 2017
		Rupees in '000	
- Guarantees	23.1	6,709,789	10,097,695
- Commitments	23.2	13,971,812	11,700,571
- Other contingent liabilities	23.3	2,453,168	1,243,036
		23,134,769	23,041,302
23.1 Guarantees:			
Financial guarantees		123,320	261,139
Performance guarantees		4,701,791	4,414,134
Other guarantees		1,884,678	5,422,422
		6,709,789	10,097,695

23.2	Commitments:	Note	2018	Restated 2017
			Rupees in '000	
	Documentary credits and short-term trade-related transactions			
	- letters of credit		3,706,280	5,808,063
	Commitments in respect of:			
	- forward foreign exchange contracts	23.2.1	2,870,624	(306,336)
	- future sale of shares	23.2.2	(165,634)	(32,202)
	- operating leases	23.2.3	4,913,424	4,324,670
	Commitments for acquisition of:			
	- operating fixed assets		198,145	142,682
	- intangible assets		114,207	10,286
	Other commitments	23.2.4	2,334,766	1,753,408
			13,971,812	11,700,571
23.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		9,694,236	1,269,645
	Sale		(6,823,612)	(1,575,981)
			2,870,624	(306,336)
23.2.2	Shariah Compliant future sale of shares			
	Purchase		170	-
	Sale		(165,804)	(32,202)
			(165,634)	(32,202)
23.2.3	Commitments in respect of operating leases			
	Not later than one year		160,769	19,356
	Later than one year and not later than five years		1,524,244	115,319
	Later than five years		3,228,411	4,189,995
			4,913,424	4,324,670
23.2.4	Other commitments			
	Bills for collection		2,334,766	1,753,408
23.2.4.1	The Bank makes commitments to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
23.3	Other contingent liabilities	Note	2018	2017
			Rupees in '000	
	Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	23.3.1	161,200	161,200
	Tax Contingencies	23.3.4	2,291,968	1,081,836
			2,453,168	1,243,036

- 23.3.1** These are court cases, which represent counter claims filed by the borrowers, for restricting the Bank for disposal of the financed assets, (such as mortgaged / leased / pledged assets, kept as security), as well as, the cases where the Bank is pleaded as proforma defendant for defending its interest.
- 23.3.2** Consequent to the amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation, 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.
- 23.3.2.1** 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 hearing. The management based on the opinion of its legal counsel is confident that the main Suit will be dismissed by the Honorable Courts.
- 23.3.2.2** After the acquisition of defunct KASB Bank Limited, the Bank came to know about certain transactions, identified by SBP including but not limited to fraudulent activities. SBP instructed the Bank to initiate legal actions in this respect and accordingly separate complaints were lodged with National Accountability Bureau (the Bureau) which were later converted into formal Inquiries by the Bureau. It may be noted without prejudice to the Bank's claim, the related amounts have not been recorded in these financial statements, as a matter of prudence.
- 23.3.3** The Bank has filed suit No. 2038 of 2018 in Honorable High Court of Sindh against the international payment scheme & 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. 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 incident. The Bank on the advice of the international payment scheme has also

initiated an independent review of the incident by engaging PCI Forensic Investigator (PFI). Accordingly, the management based on the advice of its legal counsel believes that it has a sound arguable case insofar as it is not liable to settle the amount of the fraudulent transactions since the Bank had immediately complied with all the security requirements.

23.3.4 Tax Contingencies

- 23.3.4.1** The income tax returns of the Bank have been filed upto tax year 2018 whereas the tax assessments have been made by the tax authorities upto tax year 2017. The returns filed for the tax year 2014 to tax year 2018 are treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.
- 23.3.4.2** During the year 2014 (relating to defunct KASB Bank Limited), the learned Additional Commissioner Inland Revenue (ACIR) passed amended assessments order under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2011 and 2013 by imposing minimum tax on turnover disregarding gross loss position of the Bank. ACIR has also amended taxability of capital gain and dividend income. The aggregate tax impact comes to Rs. 116.002 million. Against the said order, the Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year 2016, the learned CIRA issued order under section 129 of the Ordinance by deleting the tax charged on capital gain and dividend income and upheld the levy of minimum tax. The learned ACIR has passed appeal effect order under section 124 of the Ordinance. After appeal effect order the aforesaid demand has now been reduced to Rs. 89.928 million. Against the order of the learned CIRA, the Bank has filed an appeal before the Honorable Appellate Tribunal Inland Revenue (ATIR). However, the department has filed an appeal against the CIRA Order on the issue of capital gain and dividend income. Therefore, cross appeal for the tax year 2011 and 2013 is pending before ATIR.
- 23.3.4.3** During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the CIRA (in respect of Income tax assessments of International Housing Finance Limited, amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007) for tax year 2005 maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs. 12.997 million. The defunct KASB Bank Limited has preferred appeals before the ATIR for tax year 2005 which are pending finalization.
- 23.3.4.4** During the year 2013 (relating to defunct KASB Bank Limited), the Appellate Tribunal Inland Revenue (ATIR) passed an order for the tax years 2005 to 2009 in favour of the defunct KASB Bank Limited by allowing certain deductions including provision for non-performing advances, impairment on investments, other provisions, amortization of goodwill and allocation of expenses having an aggregate tax impact of Rs. 712.550 million. However, the ATIR has disallowed deductions relating to carry over transactions having tax impact of Rs. 86.377 million for the tax years 2005 to 2008. The defunct KASB Bank Limited has preferred an appeal before the Honorable High Court of Sindh against the said decision of the ATIR. No development has taken place during the current year.
- 23.3.4.5** During the year 2013 (relating to defunct KASB Bank Limited), the Income tax assessments of KASB Capital Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2008) for tax years 2008 and 2009 were amended by the Taxation Officer to the extent of apportionment of expenses having an aggregate tax impact of Rs. 125.880 million. The Bank has preferred an appeal before the Honorable High Court of Sindh against the said decision of tax authorities. No development has taken placed during the current year.

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

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

23.3.4.8 In respect of tax year 2015, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by Rs. 32.893 million and levied super tax. As a result, a tax demand of Rs. 124.134 million was created.

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

23.3.4.9 In respect of the tax years 2016 and 2017, 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. 3.358 billion and Rs. 755.414 million for the tax years 2016 and 2017 respectively.

Against the disallowances in tax year 2016, an appeal has been filed before the CIRA which is pending finalization.

For the tax year 2017, the Bank filed an appeal against the said decision before CIRA as a result of which an appellate order has been passed. In the appellate order, the CIRA remanded disallowance of Rs.39.50 million and whereas disallowances of Rs. 13.381 million were upheld. Remaining disallowances made by the CIR amounts to Rs. 702.533 million were deleted by the CIRA. Against the treatment meted out by the CIRA in favour of the Bank, the tax authorities have filed an appeal before the ATIR which is pending.

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

24 PROFIT / RETURN EARNED

Note	2018	2017
	Rupees in '000	
Profit earned on:		
Financing	8,378,121	6,696,448
Investments	2,685,833	2,408,000
Placements	1,039,981	1,169,567
Others	100,303	79,834
	<u>12,204,238</u>	<u>10,353,849</u>

25 PROFIT / RETURN EXPENSED

Deposits and other accounts	5,359,084	4,668,903
Due to financial institutions	810,398	580,176
Cost of foreign currency swaps against foreign currency deposits	793	803
	<u>6,170,275</u>	<u>5,249,882</u>

26 FEE AND COMMISSION INCOME

Branch banking customer fees	92,812	65,956
Commission on bancatakaful	53,684	95,906
Card related fees	272,409	248,227
Financing related fees	1,572	3,293
Commission on arrangement with financial institutions	21,401	17,664
Consumer finance related fees	26,532	27,870
Commission on guarantees	54,737	31,665
Investment banking fees	150,047	20,154
Commission on cash management	8,495	5,654
Commission on remittances including home remittances	61,844	35,161
Commission on trade	92,478	91,326
Others	6,224	5,191
	<u>842,235</u>	<u>648,067</u>

27 GAIN ON SECURITIES

Realised gain	27.1	66,504	121,421
Unrealised loss - held for trading	10.1	(19,686)	(2,007)
		<u>46,818</u>	<u>119,414</u>

27.1 Realised gain on:

Federal Government Securities	(5,581)	43,405
Shares	58,416	20,220
Mutual fund units	13,669	57,796
	<u>66,504</u>	<u>121,421</u>

28 OTHER INCOME

Note	2018	2017
	Rupees in '000	
Rent on property	11,126	10,953
Gain on termination of financing	59,402	35,656
Gain on sale of property and equipment	11,542	13,577
Loss on sale of non-banking assets	(10,570)	-
Fee for attending Board meetings of associates	120	112
Takaful claim	531	-
Recoveries against previously expensed items	9,657	16,991
Others	438	564
	<u>82,246</u>	<u>77,853</u>

29 OPERATING EXPENSES

Total compensation expense	29.1	2,758,118	2,710,961
Property expense			
Rent & taxes		968,582	835,457
Insurance		148,837	64,272
Utilities cost		327,767	313,645
Security (including guards)		325,536	305,408
Repair & maintenance (including janitorial charges)		109,669	95,029
Depreciation		278,082	310,258
Others		588	1,653
		<u>2,159,061</u>	<u>1,925,722</u>
Information technology expenses			
Software maintenance		95,577	71,569
Hardware maintenance		63,528	51,157
Depreciation		175,263	181,887
Amortisation		66,031	58,075
Network charges		158,873	93,440
		<u>559,272</u>	<u>456,128</u>
Other operating expenses			
Directors' fees and allowances		6,900	4,153
Fees and allowances to Shariah Board		12,282	9,537
Legal & professional charges		78,147	36,066
Travelling & conveyance		30,532	30,455
NIFT clearing charges		20,310	17,317
Depreciation		196,507	216,090
Depreciation on non banking assets		6,653	6,634
Entertainment expense		62,570	54,166
Postage & courier charges		46,729	47,584
Communication		45,839	40,550
Stationery & printing		105,353	103,919
Marketing, advertisement & publicity		125,959	89,060
Repairs and maintenance		78,577	81,982
Takaful, tracker and other charges on car Ijarah		158,998	195,075
Fee and subscription		115,497	89,635
Vehicle running and maintenance		101,845	72,167
Auditors Remuneration	29.2	12,933	19,290
Amortization		2,283	5,105
CDC and share registrar services		13,094	16,513
Brokerage and commission		10,807	6,985
Stamp duty & registration charges		15,319	33
Others		72,412	46,410
		<u>1,319,546</u>	<u>1,188,726</u>
		<u>6,795,997</u>	<u>6,281,537</u>

29.1 Total compensation expense

Note 2018 | 2017

Rupees in '000

Managerial remuneration			
(i) Fixed		1,239,749	1,221,669
(ii) Variable - Cash bonus / awards		7,984	2,792
Charge for defined benefit plan	37.8.1	88,717	81,236
Contribution to defined contribution Plan	38	87,831	86,632
Rent & house maintenance allowance		498,706	507,301
Utilities allowance		110,783	114,910
Medical allowance		149,928	151,001
Car maintainance allowance		169,795	164,703
Conveyance allowance		4,221	3,629
Fuel allowance		9,694	8,329
Sports & welfare		1,817	1,800
Staff life takaful		8,323	7,597
Overtime allowance		2,127	1,817
Training		18,638	25,344
Special allowance		41,285	24,991
Phone banking allowance		557	391
Relocation allowance		587	429
Sales commission		129,047	140,430
Contract staff cost		178,312	165,916
Others		17	44
Sub-total		2,748,118	2,710,961
Sign-on bonus (Paid to 1 person as per contract)		10,000	-
Grand Total		2,758,118	2,710,961

29.2 Auditors' remuneration

Audit fee		6,439	5,775
Fee for the review of half yearly financial statements		1,733	1,650
Fee for other statutory certifications		2,017	1,921
Special certifications and sundry advisory services		531	507
Tax services		1,400	8,527
Out-of-pocket expenses		813	910
		12,933	19,290

30 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan		54,359	21,733
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31 PROVISIONS / (REVERSAL OF PROVISIONS) AND WRITE OFFS - NET

Provision for diminution in value of investments-net	10.6.1	61,383	210,600
Reversal of provsion against Islamic financing and related assets and advances - net	11.15.2	(35,875)	(477,688)
Other provisions / reversal of provision - net		11,327	(124,882)
		36,835	(391,970)

32 TAXATION

	Note	2018	2017
		Rupees in '000	
Current year		168,353	141,459
Prior years		33,591	-
Deferred	32.1	(12,040)	(1,547,246)
		<u>189,904</u>	<u>(1,405,787)</u>

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

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the return of income for the tax years 2006 to 2018 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.

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

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

33 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2018	2017
		Rupees in '000	
Profit after taxation for the year		<u>212,664</u>	<u>1,563,149</u>
		Number of shares	
Weighted average number of ordinary shares in issue		<u>1,007,912,090</u>	<u>1,007,912,090</u>
		Rupees	
Earnings per share - basic / diluted	33.1	<u>0.2110</u>	<u>1.5509</u>

- 33.1** There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2018 and December 31, 2017.

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

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2018:

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

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

Key features and risk & reward characteristics of all pools

The 'General Deposit Mudarabah Pool' for both local and foreign currency is to cater all depositors of 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, wherein the Bank and partner (Financial Institution) share actual return earned by the pool according to pre-defined profit sharing ratio.

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

- 1 **Asset Risk:** The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Bank has prepared detailed product manuals in order to identify and properly mitigate such risk. The Bank also analyses transaction structure of each customer to further ensure proper safeguard of depositors'

interest. The review is done by experienced team of professionals having considerable experience in the field of Islamic banking and finance. Nevertheless since Islamic banking is a nascent industry, we believe that the process of further improvement will continue as the business grows.

- 2 **Credit Risk:** Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 45.1 to these financial statements.

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

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

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

2018								
General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					Rupees in '000			
						Rupees in '000		
PKR Pool	Monthly	8.86%	50.00%	50.00%	3,295,314	4.30%	21.69%	669,619
USD Pool	Monthly	1.26%	50.00%	50.00%	14,677	0.63%	0.25%	34
GBP Pool	Monthly	0.40%	50.00%	50.00%	581	0.23%	7.08%	18
EURO Pool	Monthly	0.03%	54.05%	45.95%	22	0.02%	0.00%	-
Specific Musharakah Pool	Profit Rate and Weightages announcement Period	Profit rate return earned	Client Share %	Bank Share %	Bank Share	Profit rate return distributed	Percentage of Hiba to Client	Amount of Hiba to IERS Client
					Rupees in '000			
						Rupees in '000		
Islamic Export Refinance (IERS) Musharakah Pool	Monthly	4.29%	46.80%	53.20%	2,359,406	1.99%	0.00%	-

2018

Specific Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to special remunerative deposits
					Rupees in '000			
(i) Mutual Fund	Monthly	8.73%	70.12%	29.88%	121,550	6.24%	47.41%	53,677
(ii) Special Term Deposit	Monthly	8.08%	71.24%	28.76%	164,696	5.61%	23.72%	35,906
(iii) Special Saving	Monthly	9.72%	70.00%	30.00%	39,140	6.82%	51.51%	20,904
(iv) 1 year special Term Deposit monthly profit	Monthly	10.93%	70.00%	30.00%	6,136	7.73%	50.35%	3,460

(v) In addition to the above, 92 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

35 CASH AND CASH EQUIVALENTS

	Note	2018	2017
Rupees in '000			
Cash and balances with treasury banks	7	14,292,752	11,784,180
Balances with other banks	8	832,621	801,807
		<u>15,125,373</u>	<u>12,585,987</u>

36 STAFF STRENGTH

	Number of employees	
Permanent	2,252	2,534
Contractual basis	800	816
Total staff strength	<u>3,052</u>	<u>3,350</u>

37 DEFINED BENEFIT PLAN

37.1 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.

37.2 Number of Employees under the scheme

The number of employees covered under the defined scheme are 2,252 (2017: 2,534)

37.3 Principal actuarial assumptions

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

	2018	2017
- Valuation Discount rate	9.50%	9.50%
- Salary Increase Rate	9.50%	8.50%
- Expected Return on Plan Assets	13.75%	9.50%

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

37.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	2018	2017
	Rupees in '000	
The amount recognised in the statement of financial position (in respect of the gratuity scheme) is determined as follows:		
Present value of defined benefit obligations	380,601	327,613
Fair value of plan assets	(302,155)	(281,620)
	<u>78,446</u>	<u>45,993</u>

37.5 Movement in defined benefit obligations

Obligations at the beginning of the year	327,613	271,262
Current service cost	86,723	84,578
Return expense	29,023	24,324
Benefits paid by the Bank	(44,217)	(30,441)
Re-measurement gain	(18,541)	(22,110)
Obligations at the end of the year	<u>380,601</u>	<u>327,613</u>

37.6 Movement in fair value of plan assets

Fair value at the beginning of the year	281,620	306,437
Return earned on plan assets	27,029	27,666
Contribution by the Bank - net	5,783	(30,441)
Re-measurements: Net return on plan assets over return expense	(12,277)	(22,042)
Fair value at the end of the year	<u>302,155</u>	<u>281,620</u>

37.7 Movement in payable under defined benefit schemes

Opening balance	45,993	(35,175)
Charge for the year	88,717	81,236
Contribution by the Bank - net	(5,783)	30,441
Re-measurement gain recognised in OCI during the year	(6,264)	(68)
Benefits paid by the Bank	(44,217)	(30,441)
Closing balance	<u>78,446</u>	<u>45,993</u>

37.8 Charge for defined benefit plans

37.8.1 Cost recognised in profit and loss

	2018	2017
	Rupees in '000	
Current service cost	86,723	84,578
Net financial charges	1,994	(3,342)
	88,717	81,236

37.8.2 Re-measurements recognised in OCI during the year

Gain on obligation		
- Financial assumptions	24,874	(9,129)
- Experience adjustment	(43,415)	(12,981)
Return on plan assets over profit earned	12,277	22,042
Total re-measurements	(6,264)	(68)
Deferred tax impact	2,192	24
Total re-measurements recognised in OCI	(4,072)	(44)

37.9 Components of plan assets

Bank balance	250,563	227,662
Units of Mutual Funds	51,592	53,958
	302,155	281,620

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

37.10 Sensitivity analysis

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

	2018	2017
	Rupees in '000	
1% increase in discount rate	343,694	366,908
1% decrease in discount rate	424,301	294,215
1 Year increase in Life expectancy / Withdrawal rate	380,589	327,666
1 Year decrease in Life expectancy / Withdrawal rate	380,613	327,558

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

	Rupees in '000	
37.11 Expected contributions to be paid to the funds in the next financial year		88,288
37.12 Expected charge / (reversal) for the next financial year		90,004

37.13 Maturity profile

The weighted average duration of the defined benefit obligation is 11.61 years.

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

At December 31, 2018	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	Rupees in ' 000				
Gratuity	17,661	21,610	69,444	3,124,610	3,233,325

37.14 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. 90.004 million as per the actuarial valuation report of the Bank as of December 31, 2018.

37.15 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.

38 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. 87.831 million (2017: Rs. 86.632 million) each.

39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Compensation of directors and executives

	President / Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Fees	-	-	6,900	4,153	-	-
Managerial remuneration	61,145	29,883	-	-	169,670	457,784
Charge for defined benefit plan	-	-	-	-	16,266	15,925
Salary in lieu of provident fund	-	2,327	-	-	-	-
Contribution to defined contribution plan	636	-	-	-	13,129	35,587
Rent and house maintenance	-	642	-	-	67,160	190,757
Utilities	-	2,327	-	-	14,925	42,391
Medical	-	2,327	-	-	13,886	42,390
Others	4,136	-	-	-	35,101	92,101
	65,917	37,506	6,900	4,153	330,137	876,935
Number of persons	2*	1	7	7	82	517

* During the year Mr. Hasan A Bilgrami vacated his office as the President and CEO with effect from September 30, 2018 and Mr. Syed Amir Ali was appointed as the President and CEO of the Bank with effect from October 01, 2018. Amounts reported include remuneration of both the current and former President and CEO.

- 39.1.1** The SBP, vide its BPRD Circular No. 01 January 25, 2017, issued "Guidelines and Disclosures on Governance and Remuneration Practices". Certain disclosure related to remuneration of Directors and management of the Bank were required to be presented in the financial statements in terms of such guidelines. Accordingly, revised format of the financial statement issued by the SBP incorporates such disclosure requirements. However, SBP through its circular number BPRD/R&PD/2018/17232 dated August 08, 2018 deferred the reporting of such disclosures till December 31, 2019. Therefore, the management has reported the remuneration disclosures in these financial statements in accordance with previous disclosure requirements of the SBP.
- 39.1.2** The Bank's former President and Chief Executive was also provided with car allowance of Rs. 5.599 million (2017: Rs. 5.449 million) as per the policy of the Bank.
- 39.1.3** In addition to above, the Executives have also been given car allowance amounting to Rs. 45.273 million (2017: Rs. 124.918 million) during the current year.
- 39.1.4** The count for Executives has been reduced from 517 in 2017 to 82 in 2018 due to a change in definition of the Executives. Earlier, any employee having an annual basic salary of Rs. 0.5 million or above was defined as an Executive. This threshold has now been increased to Rs. 1.2 million.

39.2 Remuneration paid to Shariah Board Members

Items	2018			2017		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
Rupees in '000						
a. Meeting Fees and Allowances	-	-	1,350	-	-	900
b. Managerial remuneration & allowances	8,568	2,364	-	7,056	1,581	-
Total Amount	8,568	2,364	1,350	7,056	1,581	900
Total Number of Persons	1	1	1	1	1	1

40 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 debt 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.

40.1 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:

	2018			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	26,513,606	-	26,513,606
Shares	440,067	-	-	440,067
Non-Government Debt Securities	-	10,045,048	-	10,045,048
Units of open ended mutual funds	65	-	-	65
Non-Financial Assets - measured at fair value				
Operating fixed assets				
- Land and building	-	-	4,565,588	4,565,588
Non-banking assets	-	-	2,317,671	2,317,671
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	9,846,491	-	9,846,491
Forward sale of foreign exchange	-	6,950,378	-	6,950,378
Shariah compliant future purchase of shares	161	-	-	161
Shariah compliant future sale of shares	144,789	-	-	144,789
On balance sheet financial instruments				
	2017			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	34,256,300	-	34,256,300
Shares	413,361	-	-	413,361
Non-Government Debt Securities	-	101,038	-	101,038
Units of open ended mutual funds	65	-	-	65
Non-Financial Assets - measured at fair value				
Operating fixed assets				
- Land and building	-	-	3,728,602	3,728,602
Non-banking assets	-	-	1,136,170	1,136,170
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,583,801	-	1,583,801
Forward sale of foreign exchange	-	1,270,703	-	1,270,703
Shariah compliant future sale of shares	30,029	-	-	30,029

Valuation techniques used in determination of fair values within level 2

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

Valuation techniques used in determination of fair values within level 3

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

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

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

41 SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities

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

2018

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Balance Sheet					
Assets					
Cash & Bank balances	8,309,890	6,815,483	-	-	15,125,373
Investments	38,832,093	-	-	-	38,832,093
Net inter segment lending	-	156,041,540	-	-	156,041,540
Due from financial institutions	18,173,504	-	-	-	18,173,504
Islamic financing and related assets - performing	-	22,423,321	89,165,423	2,511,581	114,100,325
- non-performing	-	746,700	3,649,429	74,357	4,470,486
Others	1,727,663	1,873,391	3,166,067	18,274,354	25,041,475
Total Assets	67,043,150	187,900,435	95,980,919	20,860,292	371,784,796
Liabilities					
Borrowings	5,331,216	5,730,496	-	-	11,061,712
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	184,681,628	-	11,735	184,693,363
Net inter segment borrowing	61,630,487	-	94,411,053	-	156,041,540
Others	81,447	699,280	1,569,866	3,122,773	5,473,366
Total liabilities	67,043,150	191,111,404	95,980,919	3,134,508	357,269,981
Equity				14,514,815	14,514,815
Total Equity & liabilities	67,043,150	191,111,404	95,980,919	17,649,323	371,784,796
Contingencies & Commitments	2,704,990	-	10,416,069	10,013,710	23,134,769

2017 (Restated)

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Profit & Loss					
Net profit / return	3,007,322	(2,866,946)	4,884,560	79,031	5,103,967
Inter segment revenue - net	(2,904,587)	5,822,341	(2,917,754)	-	-
Total other income	257,419	351,318	254,670	101,288	964,695
Total Income	360,154	3,306,713	2,221,476	180,319	6,068,662
Segment direct expenses	51,400	2,058,460	1,427,078	2,641,450	6,178,388
Inter segment expense allocation	128,764	1,758,191	586,028	(2,472,983)	-
Total expenses	180,164	3,816,651	2,013,106	168,467	6,178,388
Provisions	210,599	38,952	(506,008)	(10,631)	(267,088)
Profit / (loss) before tax	(30,609)	(548,890)	714,378	22,483	157,362
Assets					
Cash & Bank balances	6,336,431	6,249,556	-	-	12,585,987
Investments	42,092,166	-	-	-	42,092,166
Net inter segment lending	-	157,428,908	-	-	157,428,908
Due from financial institutions	21,371,787	-	-	-	21,371,787
Islamic financing and related assets - performing	-	18,331,666	94,214,242	2,222,155	114,768,063
- non-performing	-	529,355	3,828,375	29,246	4,386,976
Others	931,598	1,383,147	4,513,315	15,759,359	22,587,419
Total Assets	70,731,982	183,922,632	102,555,932	18,010,760	375,221,306

2017 (Restated)

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Liabilities					
Borrowings	12,439,042	3,131,348	-	-	15,570,390
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	178,268,662	-	41,155	178,309,817
Net inter segment borrowing	58,103,363	-	99,325,545	-	157,428,908
Others	189,577	4,879,294	3,230,387	1,936,464	10,235,722
Total liabilities	70,731,982	186,279,304	102,555,932	1,977,619	361,544,837
Equity	-	-	-	-	13,676,469
Total Equity & liabilities	70,731,982	186,279,304	102,555,932	1,977,619	375,221,306
Contingencies & Commitments	(338,538)	-	15,905,758	6,867,793	22,435,013

42 TRUST ACTIVITIES

Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These 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	
		2018	2017	2018	2017
		Rupees in '000			
Insurance Companies	Sukuks	2	2	479,500	278,000
Asset Management Companies	Sukuks	38	22	3,407,030	1,206,740
Employee Funds / NGO's	Sukuks	7	4	40,500	28,000
Individuals	Sukuks	7	8	154,470	103,295
Others	Sukuks	13	25	2,951,500	6,091,965
		67	61	7,033,000	7,708,000

43 RELATED PARTY TRANSACTIONS

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

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

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

	2018					2017				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	Rupees in ' 000									
Investments										
Opening balance	-	-	2,690,723	1,660,111	-	-	-	2,690,723	1,660,111	-
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	2,690,723	1,660,111	-	-	-	2,690,723	1,660,111	-
Provision for diminution in value of investments	-	-	(2,063,033)	(1,032,169)	-	-	-	(2,023,033)	(1,032,169)	-
Islamic financing and related assets										
Opening balance	27,464	184,202	162,777	582,084	1,880,378	29,090	195,125	150,000	722,105	836,022
Addition during the year	-	258,618	128,348	675,000	3,196,861	-	31,426	440,976	674,190	6,780,093
Repaid during the year	(2,184)	(82,809)	(34,275)	(864,231)	(4,180,572)	(1,626)	(42,349)	(428,199)	(814,211)	(5,735,737)
Transfer in / (out) - net	-	4,494	-	-	(435,000)	-	-	-	-	-
Closing balance	25,280	364,505	256,850	392,853	461,667	27,464	184,202	162,777	582,084	1,880,378
Other Assets										
Profit receivable on financings	135	118	782	8,225	15,470	148	51	1,236	6,797	11,882
Other receivable	-	-	-	-	-	-	830	-	-	-
Deposits and other accounts										
Opening balance	2,458	32,016	247,712	25,849	902,081	1,317	26,645	573,309	36,199	770,305
Received during the year	34,119	579,006	17,161,595	2,738,230	8,232,318	51,657	215,793	39,446,895	8,143,322	12,843,245
Withdrawn during the year	(34,528)	(563,296)	(17,145,460)	(2,684,170)	(7,850,192)	(50,516)	(210,422)	(39,772,492)	(8,153,672)	(12,711,469)
Transfer in / (out) - net	1,647	(1,634)	-	360	(52,101)	-	-	-	-	-
Closing balance	3,696	46,092	263,847	80,269	1,232,106	2,458	32,016	247,712	25,849	902,081
Other Liabilities										
Profit / return payable	-	11	125	-	-	3	10	101	54	20
Contingencies and Commitments										
Other contingencies	-	-	-	19,760	91,572	-	-	-	128,170	722,177

RELATED PARTY TRANSACTIONS (Contd.)

	2018					2017				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	Rupees in ' 000									
Income										
Profit / return earned	2,096	12,267	20,489	51,832	78,085	2,262	8,326	30,907	51,455	68,119
Dividend income	-	-	40,000	-	-	-	-	-	-	-
Advisory Fee	-	-	-	7,910	-	-	-	-	-	-
Proceeds on disposal of operating fixed assets	-	-	-	-	-	-	-	3,225	-	-
Gain on sale of operating fixed assets	-	-	-	-	-	-	-	3,138	-	-
Other income	-	17	658	96	-	-	20	600	176	-
Expense										
Profit / return expensed	39	1,848	12,704	2,921	61,748	33	87	18,577	738	44,905
Other administrative expenses	3,079	2,609	253	239	-	5,129	2,952	9	240	-
Meeting Fee / Remuneration	6,900	213,757	-	-	-	4,153	135,717	-	-	-
Contribution to employees provident fund	-	-	-	-	87,831	-	-	-	-	86,632
Contribution to employees gratuity fund	-	-	-	-	88,717	-	-	-	-	81,236
Operating expenses	-	623	-	-	-	-	-	-	-	-

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The State Bank of Pakistan vide its letter no. BPRD (R&P-02)/625-112/2017/4809 dated February 24, 2017 has given relaxation to the Bank for non-deduction of goodwill and deferred tax assets pertaining to defunct KASB Bank Limited portfolio from CET 1 capital till December 31, 2018 for the purpose of calculating the Capital Adequacy Ratio (CAR) of the Bank. Accordingly, the amounts of goodwill and deferred tax assets have not been deducted from CET 1 Capital.

	2018	2017
	Rupees in ' 000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,000,079	10,000,079
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	11,995,695	11,674,706
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	11,995,695	11,674,706
Eligible Tier 2 Capital	4,151,812	3,717,741
Total Eligible Capital (Tier 1 + Tier 2)	16,147,507	15,392,447
Risk Weighted Assets (RWAs):		
Credit Risk	94,255,376	94,448,259
Market Risk	1,373,209	984,462
Operational Risk	11,284,350	9,435,075
Total	106,912,935	104,867,796
Common Equity Tier 1 Capital Adequacy ratio	11.22%	11.13%
Tier 1 Capital Adequacy Ratio	11.22%	11.13%
Total Capital Adequacy Ratio	15.10%	14.68%

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)	1.90%	1.28%
Total Capital plus CCB	11.90%	11.28%

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

2018

2017

Rupees in ' 000

Leverage Ratio (LR):

Eligible Tier-1 Capital	11,995,695	11,674,706
Total Exposures	230,798,907	236,195,159
Leverage Ratio	5.20%	4.94%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	42,125,500	40,611,752
Total Net Cash Outflow	21,949,912	29,218,971
Liquidity Coverage Ratio	191.92%	138.99%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	187,439,582	187,595,928
Total Required Stable Funding	97,963,189	123,518,551
Net Stable Funding Ratio	191.34%	151.88%

- 44.1 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

45 **RISK MANAGEMENT**

The objective of Risk Management is to effectively manage uncertainties that arise in the normal course of business activities. The risk management function is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. The Bank follows effective risk governance which commensurate well with its current size and structure.

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

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

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it then needs to be reinforced through a strong control culture that promotes sound risk governance. The Bank's Risk Management Framework has been developed keeping in mind, that:

- To be effective, control activities should be an integral part of the regular activities of the Bank;
- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and mitigation,
- While the reward may well commensurate the level of risk, it has to be viewed in entirety and not in isolation; and
- Critical decision making should be based on relevant research, proper analysis and effective communication within the Bank.

Strategic Level

At the strategic level, the risk related functions are approved by the senior management and the Board. These include: defining risks, setting parameters, ascertaining the institution's risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates for the risk taken.

Macro Level

It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical review of various portfolios; stress test and scenario analysis for portfolio resilience; application of statistical tools and information in time series for developing strong inferences are all performed at this level.

Micro Level

Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management includes:

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

Risk appetite of the Bank

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

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of various portfolios.

Risk organization

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Banks risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run at an enterprise level. Risk governance must involve all relevant parties and should be sanctioned by the bank's leadership.

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

Business line accountability

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

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

45.1 Credit Risk

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

(i) Price risk

There is a risk that the asset repossessed due to default of the customer may be sold or leased out to another party at a price lower than the original contract price.

(ii) Counter party risk

The risk that the counter-party defaults during the term of a transaction (Murabahah, Ijarah etc.).

(iii) Settlement risk

The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Bank has already met its commitments.

(iv) Country risk

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

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

45.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross Due from Financial Institutions		Non-performing Due from Financial Institutions		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/ Government	-	-	-	-	-	-
Private	18,205,904	21,404,187	32,400	32,400	32,400	32,400
	18,205,904	21,404,187	32,400	32,400	32,400	32,400

45.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	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	-
Power (electricity), Gas, Water, Sanitary	9,078,277	4,698,522	-	-	-	-
Financial	717,571	567,571	25,571	25,571	25,571	25,571
Services	70,273	82,316	70,273	82,316	70,273	82,316
Others	26,732,963	34,061,786	221,250	221,250	-	-
	37,186,307	39,997,418	904,317	916,360	628,067	607,310

Credit risk by public
/ private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/ Government	35,589,990	38,539,058	-	-	-	-
Private	1,596,317	1,458,360	904,317	916,360	628,067	607,310
	37,186,307	39,997,418	904,317	916,360	628,067	607,310

45.1.3 Islamic financing, related assets and advances - net

Credit risk by industry sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Agriculture, Forestry, Hunting and Fishing	855,863	1,262,160	132,612	77,247	35,323	33,316
Mining and Quarrying	983	983	-	-	-	-
Textile	11,676,817	10,148,614	3,602,362	4,644,114	3,491,143	4,145,397
Chemical and Pharmaceuticals	2,855,252	3,009,832	788,132	992,808	713,175	764,418
Cement	1,328,298	1,776,578	540,000	540,000	540,000	540,000
Sugar	5,041,129	4,623,716	847,195	9,750	665,195	-
Footwear and Leather garments	5,078	30,660	2,459	2,459	2,459	2,459
Automobile and transportation equipment	332,005	1,211,606	100,359	100,359	100,359	100,359
Education	95,796	18,543	-	-	-	-
Electronics and electrical appliances	2,668,437	2,703,726	494	5,081	494	5,081
Construction	2,962,636	7,788,465	925,256	971,411	924,770	955,180
Power (electricity), Gas, Water, Sanitary	15,436,217	12,807,899	21,833	21,964	21,235	21,366
Wholesale and Retail Trade	4,510,763	3,832,338	844,260	619,696	788,596	576,431
Exports / Imports	244,458	857,503	47,644	-	8,059	-
Transport, Storage and Communication	884,979	590,972	345,110	1,206,473	345,110	739,053
Financial	1,789,874	3,592,453	254,323	245,401	240,189	245,189
Insurance	-	2,433	-	-	-	-
Services	19,451,355	24,795,027	155,420	129,678	71,016	58,404
Individuals	30,267,672	25,849,649	2,770,532	2,346,387	1,749,119	2,001,122
Food and beverages	15,201,404	19,767,396	2,744,956	2,749,955	183,001	183,945
Private Trust & NGO	3,789	4,424	-	-	-	-
Packing and Paper products	664,326	709,282	13,000	13,000	13,000	13,000
Others	13,300,813	5,252,395	1,267,487	1,161,262	1,040,708	1,065,349
	<u>129,577,944</u>	<u>130,636,654</u>	<u>15,403,434</u>	<u>15,837,045</u>	<u>10,932,951</u>	<u>11,450,069</u>

Credit risk by public / private sector

Public/ Government	32,756,879	44,963,174	-	-	-	-
Private	96,821,065	85,673,480	15,403,434	15,837,045	10,932,951	11,450,069
	<u>129,577,944</u>	<u>130,636,654</u>	<u>15,403,434</u>	<u>15,837,045</u>	<u>10,932,951</u>	<u>11,450,069</u>

45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
	Rupees in ' 000	
Agriculture, Forestry, Hunting and Fishing	52,555	52,103
Mining and Quarrying	14,441	427,414
Textile	361,084	755,041
Chemical and Pharmaceuticals	58,545	221,603
Cement	212,417	271,113
Sugar	48,865	300,500
Footwear and Leather garments	-	13,073
Automobile and transportation equipment	1,123,364	1,259,916
Education	54,621	54,621
Electronics and electrical appliances	183,050	942,548
Production and transmission of energy	1,384	1,468,113
Construction	1,321,998	2,539,833
Power (electricity), Gas, Water, Sanitary	388,138	150
Wholesale and Retail Trade	2,045,169	4,325,869
Exports / Imports	60,508	165,055
Transport, Storage and Communication	384,611	248,473
Financial	2,660,572	3,099,866
Services	3,033,200	1,024,108
Individuals	107,416	312,635
Food and beverages	159,055	723,020
Manufacturing	625,564	-
Packing and Paper products	56,954	-
Others	10,181,258	4,229,959
	<u>23,134,769</u>	<u>22,435,013</u>

Credit risk by public / private sector

Public/ Government	682,170	704,137
Private	<u>22,452,599</u>	<u>21,730,876</u>
	<u>23,134,769</u>	<u>22,435,013</u>

45.1.5 Concentration of Financing

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 38,485.639 million (2017: Rs. 60,646.152 million) are as following:

	2018	2017
	Rupees in ' 000	
Funded	33,727,023	52,947,060
Non Funded	<u>4,758,616</u>	<u>7,699,092</u>
Total Exposure	<u>38,485,639</u>	<u>60,646,152</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 65,909 million (2017: Rs. 64,291 million)

45.1.6 Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
	Rupees in ' 000			
OAEM	267,237	220	95,345	-
Substandard	734,484	87,997	3,056,420	108,551
Doubtful	523,501	112,035	939,044	375,817
Loss	13,878,212	10,732,699	11,746,236	10,965,701
Total	15,403,434	10,932,951	15,837,045	11,450,069

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

45.1.7 Financing - Province/Region-wise Disbursement & Utilization

Province / Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in ' 000						
Punjab	58,795,634	58,795,634	-	-	-	-	-
Sindh	70,975,610	-	70,975,610	-	-	-	-
KPK including FATA	379,151	-	-	379,151	-	-	-
Balochistan	518,866	-	-	-	518,866	-	-
Islamabad	5,206,806	-	-	-	-	5,206,806	-
AJK including Gilgit-Baltistan	2,501	-	-	-	-	-	2,501
Total	135,878,568	58,795,634	70,975,610	379,151	518,866	5,206,806	2,501

Province / Region	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in ' 000						
Punjab	63,074,991	63,074,991	-	-	-	-	-
Sindh	96,963,476	-	96,963,476	-	-	-	-
KPK including FATA	174,216	-	-	174,216	-	-	-
Balochistan	52,046	-	-	-	52,046	-	-
Islamabad	29,572,331	-	-	-	-	29,572,331	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	189,837,060	63,074,991	96,963,476	174,216	52,046	29,572,331	-

45.2 Market Risk

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

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

Moreover, since the Bank does not deal in interest based products, the impact of the above risks will be very minimal. The Bank does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

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

45.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	14,292,752	-	14,292,752	11,784,180	-	11,784,180
Balances with other banks	832,621	-	832,621	801,807	-	801,807
Due from financial institutions - net	18,173,504	-	18,173,504	21,371,787	-	21,371,787
Investments - net	38,687,556	144,537	38,832,093	42,062,017	30,149	42,092,166
Islamic financings, related assets & advances - net	118,570,811	-	118,570,811	119,155,039	-	119,155,039
Fixed assets	6,663,467	-	6,663,467	5,944,358	-	5,944,358
Intangible assets	3,121,906	-	3,121,906	3,128,129	-	3,128,129
Deferred tax assets - net	7,530,221	-	7,530,221	7,701,906	-	7,701,906
Other assets - net	7,725,881	-	7,725,881	5,813,026	-	5,813,026
	215,598,719	144,537	215,743,256	217,762,249	30,149	217,792,398

45.2.2 Foreign Exchange Risk

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

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

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

	2018				2017			
	Foreign Cur- rency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Cur- rency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000							
Pakistan Rupee	213,407,437	196,060,268	(2,870,624)	14,476,545	214,285,952	200,374,198	(7,206,404)	6,705,350
United States Dollar	1,428,762	4,174,304	2,840,238	94,696	2,611,705	2,924,961	6,242,049	5,928,793
Great Britain Pound	481,183	473,797	-	7,386	479,939	477,915	300,010	302,034
Japanese Yen	16,135	10,603	-	5,532	12,381	6,690	388,986	394,677
Euro	326,163	489,947	30,386	(133,398)	301,912	314,384	258,114	245,642
UAE Dirham	17,928	11,059	-	6,869	22,344	14,803	6,407	13,948
Asian Currency Unit	36,255	-	-	36,255	71,996	-	-	71,996
Swiss Franc	3,682	-	-	3,682	1,306	-	10,838	12,144
Chinese Yuan	16,517	-	-	16,517	-	-	-	-
Australian Dollar	1,472	1,586	-	(114)	2,921	1,147	-	1,774
Saudi Riyal	4,325	19	-	4,306	1,493	-	-	1,493
Canadian Dollar	3,275	6,858	-	(3,583)	313	1,831	-	(1,518)
Turkish Lira	122	-	-	122	136	-	-	136
	215,743,256	201,228,441	-	14,514,815	217,792,398	204,115,929	-	13,676,469

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			

Impact of 1% change in foreign exchange rates on

- Profit and loss account	383	-	69,711	-
- Other comprehensive income	-	-	-	-

45.2.3 Equity Position Risk

Equity position includes the following:

- Strategic investments
- Investment in equities for generating revenue in short term

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Financial Reporting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to the profit and loss account.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			

Impact of 5% change in equity prices on

- Profit and loss account	-	7,227	-	1,507
- Other comprehensive income	11,275	-	12,135	-

45.2.4 Yield / Profit Rate Risk

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

The Bank estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the bank by applying upward and downward shocks.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
- Profit and loss account	60,340	-	51,040	-
- Other comprehensive income	-	-	-	-

45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2018

Exposed to yield / profit risk											
Effective Yield / Profitrate	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	Non-interest bearing financial instruments
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	14,292,752	-	-	-	-	-	-	-	-	-	14,292,752
Balances with other banks	832,621	4,575	-	-	-	-	-	-	-	-	828,046
Due from financial institutions	18,173,504	17,639,465	534,039	-	-	-	-	-	-	-	-
Investments	38,832,093	1,082,272	26,513,617	9,126,799	-	-	-	-	-	-	2,109,405
Islamic financing related assets and advances	118,570,811	11,013,126	24,593,875	35,124,501	24,818,119	9,578,114	863,085	334,547	1,010,902	1,388,678	9,845,864
Other assets	6,839,843	-	-	-	-	-	-	-	-	-	6,839,843
	197,541,624	29,739,438	51,641,531	44,251,300	24,818,119	9,578,114	863,085	334,547	1,010,902	1,388,678	33,915,910
Liabilities											
Bills payable	3,242,180	-	-	-	-	-	-	-	-	-	3,242,180
Due to financial institutions	7,819,532	2,568,000	640,000	1,788,675	-	-	-	-	2,822,857	-	-
Deposits and other accounts	184,693,363	124,947,742	-	-	-	-	-	-	-	-	59,745,621
Other liabilities	4,690,832	-	-	-	-	-	-	-	-	-	4,690,832
	200,445,907	127,515,742	640,000	1,788,675	-	-	-	-	2,822,857	-	67,678,633
On-balance sheet gap											
	(2,904,283)	(97,776,304)	51,001,531	42,462,625	24,818,119	9,578,114	863,085	334,547	(1,811,955)	1,388,678	(33,762,723)
Off-balance sheet financial instruments											
Documentary credits and short-term trade-related transactions	10,416,069	10,416,069	-	-	-	-	-	-	-	-	-
Commitments in respect of:											
- forward foreign exchange contracts	2,870,623	376,321	2,359,265	-	135,037	-	-	-	-	-	-
Other commitments	7,394,908	7,394,908	-	-	-	-	-	-	-	-	-
Off-balance sheet gap											
	20,681,600	18,187,298	2,359,265	-	135,037	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap											
		(79,589,006)	53,360,796	42,462,625	24,953,156	9,578,114	863,085	334,547	(1,811,955)	1,388,678	(33,762,723)
Cumulative Yield / Interest Risk Sensitivity Gap											
		(79,589,006)	(26,228,210)	16,234,415	41,187,571	50,765,685	51,628,770	51,963,317	50,151,362	51,540,040	17,777,317

2017

Exposed to yield / profit risk

Effective Yield / Profit rate	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	Non-interest bearing financial instruments
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with Treasury Banks	11,784,180	-	-	-	-	-	-	-	-	-	11,784,180
Balances with other Banks	801,807	97	-	-	-	-	-	-	-	-	801,710
Due from financial institutions	21,371,787	13,174,971	7,644,730	441,669	110,417	-	-	-	-	-	-
Investments	42,092,166	732,344	220,000	4,697,936	-	34,256,300	-	-	-	-	2,185,586
Islamic financing, related assets and advances	119,155,039	9,815,376	26,072,520	41,199,331	19,935,001	961,445	1,187,921	2,759,615	130,689	1,891,292	15,201,849
Other assets	3,798,449	-	-	-	-	-	-	-	-	-	3,798,449
	199,003,428	23,722,788	33,937,250	46,338,936	20,045,418	35,217,745	1,187,921	2,759,615	130,689	1,891,292	33,771,774
Liabilities											
Bills payable	3,928,469	-	-	-	-	-	-	-	-	-	3,928,469
Due to financial institutions	15,570,390	4,983,365	1,088,045	1,917,492	5,000,000	-	-	-	2,581,488	-	57,869,791
Deposits and other accounts	178,309,817	120,440,026	-	-	-	-	-	-	-	-	1,425,381
Other liabilities	1,425,381	-	-	-	-	-	-	-	-	-	63,223,641
	199,234,057	125,423,391	1,088,045	1,917,492	5,000,000	-	-	-	2,581,488	-	(29,451,867)
	(230,629)	(101,700,603)	32,849,205	44,421,444	15,045,418	35,217,745	1,187,921	2,759,615	(2,450,799)	1,891,292	
Off-balance sheet financial instruments											
Documentary credits and short-term trade-related transactions	15,905,758	15,905,758	-	-	-	-	-	-	-	-	-
Commitments in respect of:											
- forward foreign exchange contracts	306,336	306,336	-	-	-	-	-	-	-	-	-
Other commitments	6,198,844	6,198,844	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	22,410,938	22,410,938	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(79,289,665)	32,849,205	44,421,444	15,045,418	35,217,745	1,187,921	2,759,615	(2,450,799)	1,891,292	(29,451,867)
Cumulative Yield/Interest Risk Sensitivity Gap		(79,289,665)	(46,440,460)	(2,019,016)	13,026,402	48,244,147	49,432,068	52,191,683	49,740,884	51,632,176	22,180,309

45.3 Operational Risk

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

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

45.3.1 Operational Risk-Disclosures Basel II Specific

The Bank uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average annual gross income of the bank over the past three years with 15% as per guidelines issued by State Bank of Pakistan.

To reduce losses arising from operational risk, the Bank has strengthened its risk management framework by developing strategies, policies, guidelines and manuals. It also includes risk and control self-assessment, key risk indicator, loss data management, improving efficiency and effectiveness of operations and improving quality of human resource through training and mitigation of operational risk.

45.4 Liquidity Risk

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

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, 2018, Bank's LCR stood at 191.92% 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 from December 31, 2017.

Governance of Liquidity risk management

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

Funding Strategy

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

Liquidity Risk Mitigation techniques

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

Liquidity Stress Testing

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

Contingency Funding Plan

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

Main drivers of LCR Results

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

Composition of High Quality Liquid Assets - HQLA

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

Concentration of Funding Sources

Being a commercial bank, it relies on funds provided by depositors. However the Bank has been continuously improving upon its ratio of core deposits. Current and Saving accounts consist of 69.06% of total deposits, term deposits are 30.94% and borrowing from SBP and financial institutions is 4.23% 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 2.79% of Bank's total deposits.

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

2018

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	14,292,752	14,292,752	-	-	-	-	-	-	-	-
Balances with other banks	832,621	832,621	-	-	-	-	-	-	-	-
Due from financial institutions	18,173,504	17,639,465	534,039	-	-	-	-	-	-	-
Investments	38,832,093	1,294,050	26,513,617	-	-	-	74,340	-	9,694,459	1,255,627
Islamic financing and related assets and advances	118,570,811	12,537,840	18,308,272	13,062,925	20,080,633	3,321,592	4,340,251	26,787,041	8,423,837	11,708,420
Operating fixed assets	6,663,467	205	454,956	18,963	45,775	103,961	114,112	418,354	1,802,901	3,704,240
Intangible assets	3,121,906	54	34,108	48	16,327	26,630	26,980	73,463	-	2,944,296
Deferred tax assets	7,530,221	-	-	-	419,984	1,506,787	559,788	1,517,046	3,526,616	-
Other assets	7,725,881	1,005,109	1,882,867	1,248,752	692,633	-	-	50,000	-	2,846,520
	215,743,256	47,602,096	47,727,859	14,330,688	21,255,352	4,958,970	5,115,471	28,845,904	23,447,813	22,459,103
Liabilities										
Bills payable	3,242,180	3,242,180	-	-	-	-	-	-	-	-
Due to financial institutions	7,819,532	2,568,000	640,000	1,788,675	-	-	-	-	2,822,857	-
Deposits and other accounts	184,693,363	140,857,116	11,620,360	9,324,277	15,569,946	2,125,461	2,377,820	2,543,421	274,962	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,473,366	1,463,715	494,121	1,073,118	81,363	85,063	222,947	2,053,039	-	-
	201,228,441	148,131,011	12,754,481	12,186,070	15,651,309	2,210,524	2,600,767	4,596,460	3,097,819	-
Net assets	14,514,815	(100,528,915)	34,973,378	2,144,618	5,604,043	2,748,446	2,514,704	24,249,444	20,349,994	22,459,103
Share capital - net	10,000,079									
Reserves	968,799									
Unappropriated profit	1,695,290									
Surplus on revaluation of assets	1,850,647									
	14,514,815									

2017

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	11,784,180	-	-	-	-	-	-	-	-
Balances with other banks	801,807	-	-	-	-	-	-	-	-
Due from financial institutions	21,371,787	13,174,971	441,669	110,417	-	-	-	-	-
Investments	42,092,166	1,300,303	-	-	34,256,300	-	100,452	5,139,484	1,295,627
Islamic financing and related assets and advances	119,155,039	13,401,546	23,663,254	32,868,536	12,191,042	6,841,411	12,678,907	6,335,879	8,723,989
Operating fixed assets	5,944,358	155,509	1,458	2,289	29,562	137,618	311,484	1,396,937	3,793,573
Intangible assets	3,128,129	9,992	3	195	1,051	74,848	82,274	-	2,953,189
Deferred tax assets	7,701,906	-	-	-	163,726	1,506,787	2,076,834	3,526,615	-
Other assets	5,813,026	3,453,427	-	206,216	384,965	-	-	1,768,418	-
	217,792,398	44,081,735	31,309,445	33,518,905	12,880,763	8,560,664	15,249,951	18,167,333	16,766,378
Liabilities									
Bills payable	3,928,469	-	-	-	-	-	-	-	-
Due to financial institutions	15,570,390	4,983,365	1,088,045	1,917,492	5,000,000	-	-	2,581,488	-
Deposits and other accounts	178,309,817	140,384,501	8,666,098	6,710,912	14,176,195	2,339,785	3,549,667	1,552	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	6,307,253	2,983,845	233,350	247,278	398,506	-	2,444,274	-	-
	204,115,929	152,280,180	9,987,493	8,875,682	19,574,701	2,339,785	5,993,941	2,583,040	-
Net assets	13,676,469	(108,198,445)	21,321,952	24,643,223	(6,693,938)	6,220,879	9,256,010	15,584,293	16,766,378
Share capital - net	10,000,079								
Reserves	926,266								
Unappropriated profit	1,473,784								
Surplus on revaluation of assets	1,276,340								
	13,676,469								

45.4.2 Maturities of Assets and Liabilities - based on expected maturity of the assets and liabilities of the Bank

2018

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	14,292,752	14,292,752	-	-	-	-	-	-	-	-
Balances with other banks	832,621	832,621	-	-	-	-	-	-	-	-
Due from financial institutions	18,173,504	17,639,465	534,039	-	-	-	-	-	-	-
Investments	38,832,093	1,294,050	26,513,617	-	-	-	74,340	-	9,694,459	1,255,627
Islamic financing and related assets and advances	118,570,811	12,537,840	18,308,272	13,062,925	20,080,633	3,321,592	4,340,251	26,787,041	8,423,837	11,708,420
Operating fixed assets	6,663,467	205	454,956	18,963	45,775	103,961	114,112	418,354	1,802,901	3,704,240
Intangible assets	3,121,906	54	34,108	48	16,327	26,630	26,980	73,463	-	2,944,296
Deferred tax assets	7,530,221	-	-	-	419,984	1,506,787	559,788	1,517,046	3,526,616	-
Other assets	7,725,881	1,005,109	1,882,867	1,248,752	692,633	-	-	50,000	-	2,846,520
	215,743,256	47,602,096	47,727,859	14,330,688	21,255,352	4,958,970	5,115,471	28,845,904	23,447,813	22,459,103
Liabilities										
Bills payable	3,242,180	3,242,180	-	-	-	-	-	-	-	-
Due to financial institutions	7,819,532	2,568,000	640,000	1,788,675	-	-	-	-	2,822,857	-
Deposits and other accounts	184,693,363	17,885,616	17,954,266	14,193,719	19,350,638	9,680,064	13,713,115	21,433,319	38,060,733	32,421,893
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,473,366	1,463,715	494,121	1,073,118	81,363	85,063	222,947	2,053,039	-	-
	201,228,441	25,159,511	19,088,387	17,055,512	19,432,001	9,765,127	13,936,062	23,486,358	40,883,590	32,421,893
Net assets	14,514,815	22,442,585	28,639,472	(2,724,824)	1,823,351	(4,806,157)	(8,820,591)	5,359,546	(17,435,777)	(9,962,790)
Share capital - net	10,000,079									
Reserves	968,799									
Unappropriated profit	1,695,290									
Surplus on revaluation of assets	1,850,647									
	14,514,815									

2017

	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	11,784,180	11,784,180	-	-	-	-	-	-	-	-
Balances with other banks	801,807	801,807	-	-	-	-	-	-	-	-
Due from financial institutions	21,371,787	13,174,971	7,644,730	441,669	110,417	-	-	-	-	-
Investments	42,092,166	1,300,303	-	-	-	34,256,300	-	100,452	5,139,484	1,295,627
Islamic financing and related assets and advances	119,155,039	13,401,546	23,663,254	32,868,536	12,191,042	2,450,475	6,841,411	12,678,907	6,335,879	8,723,989
Operating fixed assets	5,944,358	155,509	1,458	2,289	29,562	115,928	137,618	311,484	1,396,937	3,793,573
Intangible assets	3,128,129	9,992	3	195	1,051	6,577	74,848	82,274	-	2,953,189
Deferred tax assets	7,701,906	-	-	-	163,726	427,944	1,506,787	2,076,834	3,526,615	-
Other assets	5,813,026	3,453,427	-	206,216	384,965	-	-	-	1,768,418	-
	217,792,398	44,081,735	31,309,445	33,518,905	12,880,763	37,257,224	8,560,664	15,249,951	18,167,333	16,766,378
Liabilities										
Bills payable	3,928,469	3,928,469	-	-	-	-	-	-	-	-
Due to financial institutions	15,570,390	4,983,365	1,088,045	1,917,492	5,000,000	-	-	-	2,581,488	-
Deposits and other accounts	178,309,817	21,178,825	8,666,098	6,710,912	14,176,195	62,083,945	61,942,623	3,549,667	1,552	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,307,253	2,983,845	233,350	247,278	398,506	-	-	2,444,274	-	-
	204,115,929	33,074,504	9,987,493	8,875,682	19,574,701	62,083,945	61,942,623	5,993,941	2,583,040	-
Net assets	13,676,469	11,007,231	21,321,952	24,643,223	(6,693,938)	(24,826,721)	(53,381,959)	9,256,010	15,584,293	16,766,378

45.5 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Bank follows a deliberate low-risk strategy. Within the general constraints of its niche market the Bank is aware of the need of reducing risk. The Bank has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

45.6 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Bank actively supports these organizations through its membership of the relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Bank also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

45.7 Shariah Non-compliance Risk

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

45.8 Shariah compliant forward and future contracts

Shariah compliant forward and future contracts are recognized at fair value. In case of equity futures, the fair value is calculated with reference to quoted market price. Shariah compliant forward and future contracts with positive market values (i.e. unrealized gains) are included in other receivables and derivatives with negative market values (i.e. unrealized losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to the profit and loss account.

46 GENERAL

Captions, as prescribed by BPRD Circular No. 02 of 2018, dated: January 25, 2018 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.

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

46.1 Corresponding figures

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

Transfer from	Transfer to	Aggregate
		Rupees in '000
Profit / return earned - Financings	Profit / return earned - Placements	1,126,436
Deposits	Bills Payable	939,473

As a result of change in forms for the preparation of financial statements issued by SBP, corresponding figures have been rearranged wherever necessary, for purposes of comparison. There were no reclassification to report except as follows:

Transfer from	Transfer to	Aggregate
		Rupees in '000
Contingencies & Commitments - Acceptances	Other Assets - Acceptances	1,627,253
Surplus on revaluation of assets - net	Equity	1,276,340
Other Expenses	Provisions / (reversal of provisions) and write offs - net	124,882
Gain on securities	Income from shariah compliant forward and future contracts	2,359
Income from dealing in foreign currencies	Income from shariah compliant forward and future contracts	13,365
Foreign exchange income	Profit / return expensed	803

47 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial information were authorised for issue on February 28, 2019 by the Board of Directors of the Bank.



PRESIDENT /
CHIEF EXECUTIVE



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR

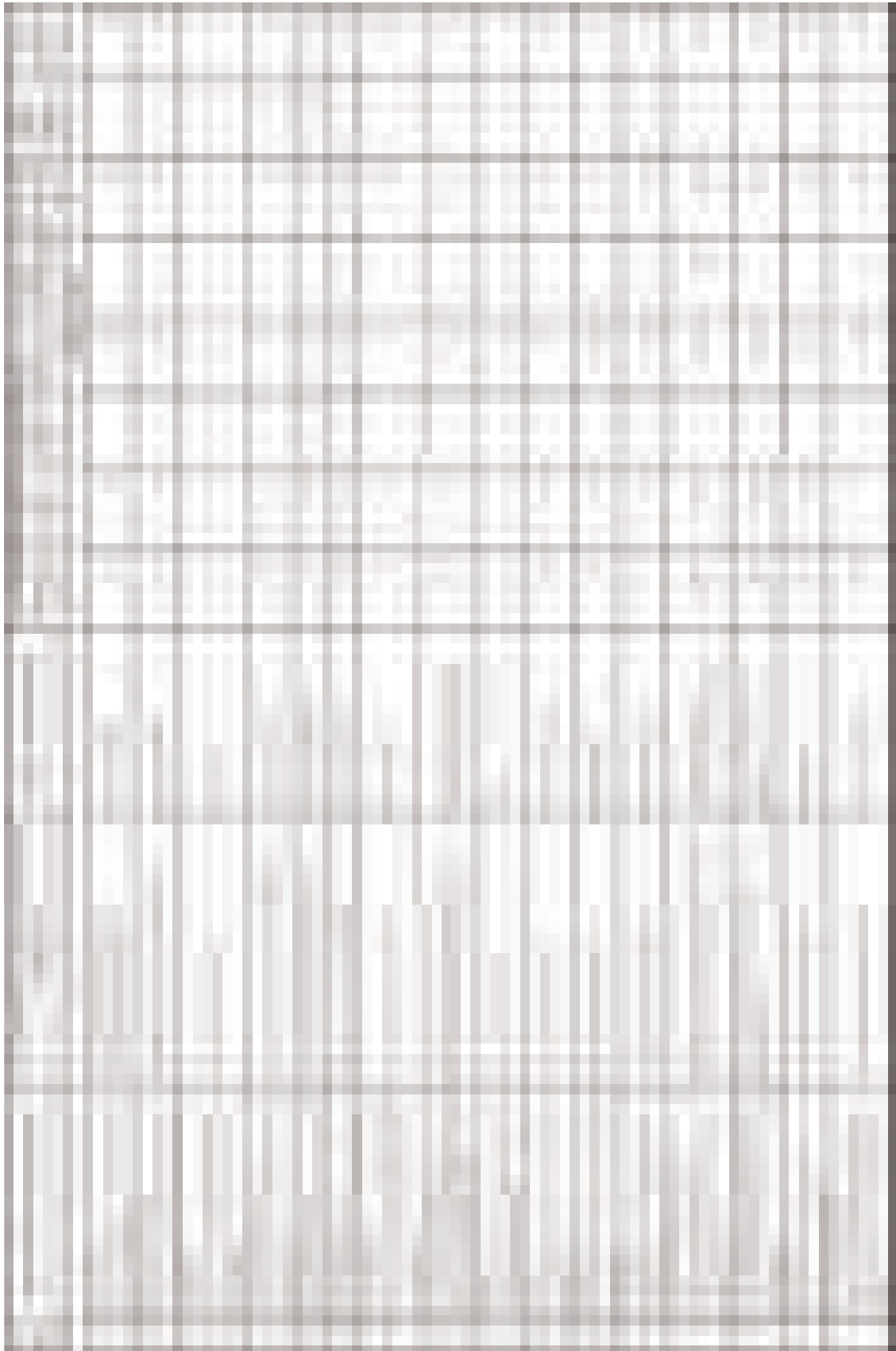


DIRECTOR

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31 2018

The image shows the front cover of a book. The cover is divided into two main sections. The top section is a dark, textured material, possibly leather or cloth, with a grid-like pattern. The bottom section is a lighter, textured material, possibly paper or cloth, with a grid-like pattern. The book is standing upright, and the spine is visible on the left side.





Annexure-II

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

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
Rupees in '000							
ATM Machine	1,170	1,170	1	7	7	Tender	Liaqat Transporter
ATM Machine	1,086	1,086	1	7	7	Tender	Liaqat Transporter
ATM Machine	1,084	1,084	1	7	7	Tender	Liaqat Transporter
ATM Machine	1,170	1,170	1	8	8	Tender	Zain & Brother Steel Work
40 KVA Genset	1,040	1,040	1	4	4	Tender	M/s. Adam Traders
40 KVA Genset	1,011	1,011	1	4	4	Tender	M/s. Adam Traders
NCR Selfserve ATM Machine	339	27	311	339	27	Takaful Claim	M/s. Pak Qatar Takaful
Total	6,900	6,589	317	376	64		

Directors' Report

On behalf of the Board, I am pleased to present the Consolidated Results of the Group for the year ended December 31, 2018.

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

Names of Directors – Holding Company

Mr. Ali Hussain – Chairman

Mr. Fawad Anwar

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali

Dr. Amjad Waheed

Mr. Muhammad Nadeem Farooq

Mr. Noman Yakooob

Mr. Siraj Ahmed Dadabhoy

Mr. Syed Amir Ali, President and Chief Executive Officer *

* Mr. Syed Amir Ali replaced Mr. Hasan A Bilgrami as President & Chief Executive Officer on October 1, 2018.

Financial Highlights

	Dec-18	Dec-17	Growth
	Rupees in million		
Total Deposits	184,430	178,062	3.58%
Total Assets	216,833	218,861	-0.93%
Total Financing and related assets-net	118,321	119,007	-0.58%
Total Investments-net	39,237	42,364	-7.38%
Shareholder's Equity	15,276	14,227	7.38%
Profit After Tax	324	1,690	-80.83%
Earnings per Share (in Rupees)	0.332	1.664	-80.04%

The Deposit Base of the group increased by 3.58%, while assets declined by 0.93%. Growth in deposits was primarily attributable to focused approach adapted by the Banking segment to increase its core current and saving account base (excluding financial institution deposit). Going forward, the growth trend is expected to continue on the back of planned and aggressive strategy adopted by the Holding Company on long-term horizon. The decline in overall assets was mainly due to reduction in money market placements and corresponding borrowing activities towards the end of the year.

The Group reported profit after tax of Rs. 324 million in the year 2018 as compared to Rs. 1,690 million of last year. This variation mainly pertains to one-off deferred tax adjustment considered in the year 2017. The operating profits of the Banking segment have remained under stress since its amalgamation with a defunct bank, however signs of improvement have now turned up owing to increase in its net spreads earned, higher non funded income, controlled growth in its expenses and efforts made by the Management of the Bank in generating synergies.

Profit from Group's Associated entity grew by around 40% which was in-line with its expansion in operations and product offerings. However, Group's Brokerage segment (Subsidiary) has declared a loss due to lower business volumes ensuing from capital market's overall sluggish performance during 2018. Stability in exchange rates, foreign currency reserves, trade balances and monetary indicators will remain a key factor for improvement in country's equity market going forward, which in turn will also generate stable business volumes for Group's Brokerage business. Moreover, the Subsidiary entity has also planned an expansion in its operations during the year 2019 through onboarding high quality sales team and increasing its branch network which is expected to aid in attracting new clientele and enhancing its high net-worth customer base.

Statement of Internal Controls

The system of internal control, including internal controls over financial reporting, is sound in design and has been effectively implemented and monitored. The Board is pleased to endorse the statement made by the management of the Holding Company relating to internal controls including management's evaluation of Internal Control over Financial Reporting, included in the Annual Report.

The Board of Directors acknowledges its responsibility for ensuring that an adequate and effective internal control system covering all aspects of our Group's operations is in place and actively followed by senior management.

Risk Management

Holding Company

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 Holding Company manages enterprise wide risks with the objective of maximizing risk-adjusted returns while remaining within the risk appetite. The Risk Management Division has the following divisions, headed by senior executives, reporting to the Head - Risk Management:

- Corporate Credit Management
- Consumer Credit Management
- Risk Policy & Analytics (Market, Liquidity & Operational Risk)
- IT Security
- Special Assets Management
- Internal Control over Financial Reporting (ICFR) and Bank's Policy & Procedures

Specialized committees, comprising 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's approved policies, regulatory requirements, Holding Company's risk appetite and best industry practices. ALCO reviews market, liquidity and country risk exposures, assets and liabilities maturity profile, sets pricing and takes decisions for sound liquidity management with respect to consumer assets and quality acquisitions. Policies and processes have been amended with a view to be made more stringent which would lead to further improvement in asset quality.

The risk associated with Equity, Foreign Exchange and Liquidity are being continuously measured and monitored by the Market Risk function. Stress testing and sensitivity measures are used as risk management tools to monitor and manage the market risk. Assets quality is being ensured through comprehensive financing policies and procedures, appropriately delegated financing approval authorities, adequate collateral coverage, its documentation and periodic reviews. Growth in financing is ensured while focusing on comprehensive risk analysis and portfolio diversification. The Holding Company 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 mitigates demonstrate continuous improvements in operational risk management framework.

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

The Group has maintained its CAR at 15.0% well above the regulatory thresholds of 11.90% throughout the year under the prescribed Basel-III regulations.

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

Subsidiary Company

The Subsidiary Company's business operations are exposed to a variety of financial risks, namely market risk, liquidity risk and credit risk. The overall risk management program of the Subsidiary Company focuses on minimizing potential adverse effects on the financial performance ensuing from unpredictability of financial markets.

The Board of Directors of the Subsidiary Company has overall responsibility for the establishment and oversight of its Risk Management Framework. All treasury related transactions are carried out within the parameters of this framework.

The management of the Subsidiary Company has also developed its own set of internal guidelines to manage liquidity, market and credit risk to which it is exposed. Monitoring of the performance of the company in compliance with these guidelines is done by the Executive Committee of the Subsidiary Company.

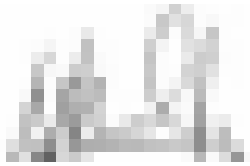
Pattern of Shareholding

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

Acknowledgement

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

On behalf of the Board



Syed Amir Ali
President and Chief Executive Officer

February 28, 2019



Ali Hussain
Chairman of the Board of Directors

بیٹنگ سلاہی

ہولڈنگ کمپنی نے ایک وسیع انفارمیشن سیکورٹی (آئی ایس) پروگرام اور معلومات پر مبنی اثاثوں کی سیکورٹی کے انتظام کیلئے گورننس سٹرکچر قائم کیا ہے۔ ہولڈنگ کمپنی کی جانب سے منظم کردہ حساس معلومات بشمول اپنے صارفین، شراکت داروں اور سٹاف کی جانب سے دیا گیا ڈیٹا، ادارہ کے قیمتی اثاثوں میں سے ایک ہے۔ بیٹنگ کاروبار کی مسابقتی فطرت اور اس کے زیر انتظام ڈیٹا کی اہمیت کو دیکھتے ہوئے رسک ڈویژن نے کاروبار اور ٹیکنالوجی کے ساتھ مل کر خطرے کو کم کرنے کے لئے ضروری اقدامات اٹھائے ہیں۔

ذیلی کمپنی

سبسڈری کمپنی کے کاروباری آپریشنز مختلف قسم کے مالیاتی خطرات جن میں مارکیٹ رسک، لیکویڈیٹی رسک اور کریڈٹ رسک کے حامل ہیں۔ سبسڈری کمپنی کا مجموعی رسک مینجمنٹ پروگرام مالیاتی مارکیٹوں کی غیر متوقع صلاحیتوں سے آنے والے مالیاتی کارکردگی پر ممکنہ منفی اثرات کو کم کرتا ہے۔ سبسڈری کمپنی کے بورڈ آف ڈائریکٹرز کی رسک مینجمنٹ فریم ورک کے قیام اور نگرانی کیلئے اجتماعی ذمہ داری ہے۔ خزانے سے متعلق تمام لین دین اس فریم ورک کے پیرامیٹرز کے مطابق کیا جاتا ہے۔

سبسڈری کمپنی کی انتظامیہ نے لیکویڈیٹی، مارکیٹ اور کریڈٹ رسک کے انتظام کیلئے انٹرل گائیڈ لائنز بھی تشکیل دی ہیں۔ کمپنی کی کارکردگی کی مانیٹرنگ ان گائیڈ لائنز کی تعمیل کے ساتھ سبسڈری کمپنی کی ایگزیکٹو کمیٹی کی جانب سے طے کی گئی ہے۔

شیئر ہولڈنگ کا پیٹرن

ہولڈنگ کمپنی پاکستان اسٹاک ایکسچینج لمیٹڈ میں درج ہے۔ اس کے شیئر ہولڈنگ بشمول ہولڈنگ کمپنی کے ڈائریکٹرز اور ایگزیکٹوز کی جانب سے حاصل کئے گئے حصص کے تفصیلی پیٹرن اور اقسام، اگر کوئی ہے، سالانہ رپورٹ کے مطابق شامل ہیں۔

اظہار تشکر

ہم اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مسلسل تعاون اور ان کی رہنمائی کو خراج تحسین پیش کرتے ہیں۔ ہم گروپ کے ملازمین کو بھی خراج تحسین پیش کرتے ہیں جنہوں نے گروپ کی ترقی کے لئے سخت محنت اور لگن سے کام کیا۔



سید عامر علی
چیف ایگزیکٹو آفیسر



علی حسین
چیئر مین بورڈ آف ڈائریکٹرز

28 فروری 2019ء

ایسٹس منجمنٹ

انٹرنل کنٹرول اور فنانشل رپورٹنگ (آئی سی ایف آر) اینڈ بینکس پالیسی اینڈ پروسیجرز

مخصوص کمیٹیاں جن میں متعلقہ تجربہ اور مہارت کی حامل سینئر منجمنٹ سے ارکان شامل ہیں، بورڈ کی جانب سے مقرر کی گئی مجموعی حکمت عملی کے تناظر میں اپنی ذمہ داریاں ادا کرتی ہیں تاکہ کسی بھی ممکنہ خطرے کا سامنا کرنے کو یقینی بنایا جاسکے۔ ان کمیٹیوں میں

1- منجمنٹ کریڈٹ کمیٹی (ایم سی سی)

2- ایسٹ لائبلٹی کمیٹی (ای ایل سی او)

شامل ہیں۔

ایم سی سی اس امر کو یقینی بناتی ہے کہ کریڈٹ رسک سرگرمیاں بورڈ کی منظور کردہ پالیسیوں، ریگولیٹری ضروریات، ہولڈنگ کمپنی کے ممکنہ خطرے، اور صنعت کے بہترین رائج العمل طریقوں سے ہم آہنگ ہو۔ ALCO مارکیٹ، لیکویڈیٹی اور ملک کے رسک ایکسپوزرز، اثاثوں اور لائبلٹی میچوریٹی پروفائل کا جائزہ لیتی ہے، قیمتوں کا تعین کرتی ہے اور صارفین کے اثاثوں اور کوالٹی ایکوزیشنز کے ضمن میں انتظامیہ کیلئے فیصلے کرتی ہے۔ پالیسیوں اور طریقہ کار کو مزید فعال بنانے کے لئے ان میں ترامیم کی گئی ہیں جس سے ایسٹ کوالٹی میں مزید بہتری آئے گی۔

ایکویٹی، غیر ملکی زرمبادلہ اور لیکویڈیٹی سے وابستہ خطرے کو مارکیٹ رسک فنکشن کے ذریعے تسلسل سے جانچا جاتا ہے۔ مارکیٹ رسک کی نگرانی کرنے اور اس کے مطابق انتظامات کرنے کے لئے سٹرٹس ٹیسٹنگ اور حساسیت کے اقدامات کو رسک منجمنٹ کے آلہ کے طور پر استعمال کیا جاتا ہے۔ اثاثوں کے معیار کو جامع مالیاتی پالیسیوں اور طریقہ کار، وضع کردہ مالیاتی منظوری دینے والی اتھارٹیز، مناسب مشترکہ کوریج، اس کے دستاویزی اور وقتاً فوقتاً جائزہ کے ذریعے یقینی بنایا جاتا ہے۔ فنانشل کی ترقی کو خطرے کے جامع تجزیہ اور متنوع پورٹ فولیو کے ذریعے یقینی بنایا جاتا ہے۔ ہولڈنگ کمپنی مارکیٹ رسک ایسیمنٹ کے لئے خطرے کے حجم کا تعین کرتی ہے۔ روزانہ کی بنیاد پر لیکویڈیٹی سے کیش فلو میچنگ، ریگولیٹری ریزرو کی ضروریات کو پورا کرنے اور مناسب لیکویڈیٹی ایسٹس کے ذریعے نمٹا جاتا ہے۔ کسی بھی ممکنہ لیکویڈیٹی کے خطرے کا جائزہ لینے کے لئے مختلف لیکویڈیٹی کی شرحوں کی نگرانی کی جاتی ہے۔

مارکیٹ کے کردار اور ریزیوری کی سرگرمیوں اور لیکویڈیٹی کے خطرے کی نگرانی کو مختلف حدود کی تشکیل، رپورٹنگ اور نظام کو بہتر بنانے کے ذریعے مضبوط بنایا گیا ہے۔ نقصانات کی ڈیٹا رپورٹنگ، خطرے کی خود تشخیص اور اس پر کنٹرول، خطرے کے اہم اشاریوں کی بڑھتی ہوئی کوریج، بینک کے طریقہ کار کی بہتری اور اس کو دستاویزی شکل دینے کے ذریعے خطرے کی نشاندہی اور اس سے نمٹنے کے لئے آپریشنل رسک منجمنٹ فریم ورک میں مسلسل بہتری کا اظہار ہوتا ہے۔ ”آپریشنل رسک منجمنٹ فریم ورک“ کے ایک مضبوط موقع کو بڑھانے کیلئے مسلسل کوششیں کی جا رہی ہیں۔ ہولڈنگ کمپنی کا آپریشنل خطرے سے آگاہی کا انٹرنل پروگرام ہے جس کا مقصد خطرے سے آگاہی کو فروغ دینے کے لئے ملازمت کے دوران آگاہی اور تربیت کے ذریعے عملی صلاحیتوں کی تعمیر اور رسک فری کلچر کو فروغ دینا ہے۔ گروپ نے مقررہ ہیزل III قواعد کے تحت پورے سال کے دوران اپنی CAR کو 15.00 فیصد پر برقرار رکھا ہے جو 11.90 فیصد کی ریگولیٹری حد سے اوپر ہے۔

گروپ کے ڈیپازٹس میں 3.58 فیصد اضافہ ہوا جبکہ اثاثوں میں 0.93 فیصد کمی ہوئی۔ ڈیپازٹس میں اضافہ بینکنگ کے شعبہ کی جانب سے اختیار کئے گئے توجہ کے حامل نکتہ نظر کیلئے بنیادی طور پر منسوب تھا تا کہ اس کے بنیادی کرنٹ اور سیونگ اکاؤنٹس میں اضافہ کیا جاسکے (فنانشل انسٹیٹیوشن ڈیپازٹس کے علاوہ)۔ آگے بڑھتے ہوئے، جارحانہ حکمت عملی کے پیچھے ترقی کے رجحان کو جاری رکھنا متوقع ہے جسے ہولڈنگ کمپنی نے طویل المدت بنیادوں پر اختیار کیا۔ مجموعی اثاثوں میں کمی کی بنیادی وجہ منی مارکیٹ کے تعین میں کمی اور سال کے اختتام پر متعلقہ قرضوں کی سرگرمیاں تھیں۔

گروپ نے گزشتہ سال کے 1,690 ملین روپے کے مقابلے میں سال 2018ء میں 324 ملین روپے کا منافع بعد از ٹیکس ظاہر کیا۔ یہ تبدیلی بنیادی طور پر 2017ء میں کی گئی ون آف ڈیفریڈ ٹیکس ایڈجسٹمنٹ سے متعلق ہے۔ بینک کے حصہ کا آپریٹنگ منافع اس کے کالعدم بینک کے ساتھ انضمام کے بعد سے دباؤ کا شکار رہا ہے تاہم اب اس کے خالص منافع میں اضافہ، بڑھتی ہوئی نان فنڈڈ آمدن، اخراجات پر قابو پانے اور بینک کی انتظامیہ کی طرف سے کئے گئے اقدامات کے بعد بہتری کے آثار نمایاں ہیں۔

گروپس ایسوسی ایٹڈ سے منافع میں تقریباً 40 فیصد اضافہ ہوا جو کہ آپریشنز اور مصنوعات کی پیشکش میں توسیع کے تناظر میں ہے۔ تاہم گروپ بروکریج سیگمنٹ (سبسڈری) کو 2018ء کے دوران کمپیٹل مارکیٹ کی مجموعی سست کارکردگی کے باعث کم کاروباری حجم کے باعث نقصان کا سامنا ہوا ہے۔ زرمبادلہ کے نرخوں میں استحکام، غیر ملکی زرمبادلہ کے ذخائر، تجارتی توازن اور مالیاتی اشاریے ملک کی ایکویٹی مارکیٹ میں بہتری کا اہم عنصر رہے ہیں جو گروپ کے بروکریج بزنس کیلئے مستحکم کاروباری حجم پیدا کریں گے۔ دریں اثناء سبسڈری نے 2019ء کے دوران اعلیٰ معیار کی سیلڈ ٹیم اور اپنی برانچ نیٹ ورک میں اضافہ کے ساتھ اپنے آپریشنز کو توسیع دینے کا منصوبہ بنایا ہے جس سے نئے صارفین کو راغب کرنے اور بڑے صارفین تک رسائی میں مدد ملے گی۔

انٹرنل کنٹرول کا نظام بشمول مالیاتی رپورٹنگ پر انٹرنل کنٹرولز ایک بہترین منصوبہ ہے اور اس پر کامیابی سے عمل کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔ بورڈ، ہولڈنگ کمپنی کی انتظامیہ کی طرف سے انتظامیہ کی فنانشل رپورٹنگ پر انٹرنل کنٹرول کے جائزہ بشمول سالانہ رپورٹ سے متعلق دیئے گئے بیان پر خوش ہے۔

بورڈ آف ڈائریکٹرز گروپ آپریشنز کے تمام پہلوؤں پر مشتمل انٹرنل کنٹرول سسٹم کے موثر اور کافی ہونے کو یقینی بنانے کے لئے اپنی ذمہ داریوں سے آگاہ ہے۔

رسک مینجمنٹ

ہولڈنگ کمپنی

رسک مینجمنٹ کا مقصد ان بے یقینیوں سے موثر طور پر نہر آ زما ہونا ہے جو کہ معمول کی کاروباری سرگرمیوں کے دوران پیش آتی ہیں۔ یہ بینکنگ کے کاروبار کے انتہائی اہم شعبوں میں سے ایک ہے جس کے ذریعے ہولڈنگ کمپنی کسی بھی ممکنہ خطرے سے نمٹنے کی پیش بندی کرتی ہے۔ رسک مینجمنٹ ڈویژن کے درج ذیل ڈویژنز ہیں جن کی سربراہی سینئر ہیڈ۔ رسک مینجمنٹ کرتے ہیں۔

- کارپوریٹ کریڈٹ مینجمنٹ
- کنزیومر کریڈٹ مینجمنٹ
- رسک پالیسی اینڈ اینالائٹکس (مارکیٹ، لیکویڈیٹی اینڈ آپریشنل رسک)
- آئی ٹی سیکورٹی

ڈائریکٹرز کی رپورٹ

مجھے بورڈ کی جانب سے 31 دسمبر 2018ء کو ختم ہونے والے سال کے لئے گروپ کے اجتماعی نتائج پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

اہم سرگرمیاں

گروپ کی مادی اور اہمیت کے حامل آپریشنز کی اہم سرگرمیاں حسب ذیل ہیں:

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

بی آئی پی ایل سیکورٹیز لمیٹڈ (ذیلی ادارہ) - بروکریج سروسز

شکر گنج فوڈ پروڈکٹس لمیٹڈ (ایسوسی ایٹ) - مینوفیکچرنگ، پروسیسنگ اینڈ سیلز آف فوڈ پروڈکٹس

ڈائریکٹرز - ہولڈنگ کمپنی کے نام

جناب علی حسین - چیئرمین

جناب فواد انور

جناب علی محمد حسین علی محمد الشمالي

ڈاکٹر امجد وحید

جناب محمد ندیم فاروق

جناب نعمان یعقوب

جناب سراج احمد دادا بھائی

جناب سید عامر علی، صدر، چیف ایگزیکٹو آفیسر *

* جناب سید عامر علی نے یکم اکتوبر 2018ء سے جناب حسن اے بلگرامی کی جگہ بحیثیت صدر و چیف ایگزیکٹو آفیسر پوزیشن لی ہے۔

مالیاتی نکات

مجموعی ڈپازٹس

مجموعی اثاثے

مجموعی فنانسنگ اور متعلقہ اثاثے - صافی

مجموعی سرمایہ کاری - صافی

شیر ہولڈرز کا حصہ

منافع بعد از ٹیکس

فی حصص آمدن (روپے میں)

نمو (فیصد)	دسمبر 2017ء	دسمبر 2018ء
	روپے بلین میں	
3.58%	178,062	184,430
-0.93%	218,861	216,833
-0.58%	119,007	118,321
-7.38%	42,364	39,237
7.38%	14,227	15,276
-80.83%	1,690	324
-80.04%	1.664	0.332

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 2018, 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Cyber Crime Incident	
As disclosed in note 23.3.3 to the consolidated financial statements, with respect to the cybercrime incident involving the Bank's payment card facility, the international payment scheme has claimed an amount of USD 6.1 million (PKR 738 million) from the Bank.	We applied a range of audit procedures including the following: <ul style="list-style-type: none"> - Involving our information technology specialists to obtain an understanding of the nature of the cyberattack, the circumstances in which the acts occurred, and understanding of other relevant information to evaluate the impact on the consolidated financial statements. - Analyzing the judgements used by management based on the available information. Among other procedures, we sent confirmation letters to, and obtained
The Bank has challenged this claim in the court of law and a stay has been granted in favor of the Bank. Considering the significant management judgment involved in-respect of accounting of this contingent liability we have identified the same as a key audit matter.	

Key audit matters	How the matter was addressed in our audit
	<p>responses from the lawyers used by the Bank while focusing on matters relating to the court proceedings in progress. Further, we engaged an independent legal expert to review the facts of the case to assist us in determining the impact of this incident on the consolidated financial statements.</p> <ul style="list-style-type: none"> - We considered the accounting treatment of the liabilities, contingent liabilities and disclosures under applicable financial reporting framework, to conclude whether these were appropriate in all the circumstances.

2. Provision against Non Performing Islamic Financing and Related Assets

<p>The Bank's credit portfolios include Islamic financing and related assets, and non-funded credit facilities. The credit portfolio is spread across various branches in Pakistan.</p> <p>As disclosed in the notes to the consolidated financial statements, Gross non performing Islamic Financings (NPF) to customers as at December 31, 2018 amount to Rs. 15,403 million, provision against NPF to Rs. 10,933 million.</p> <p>As per the Bank's accounting policy (refer note 6.4 to the consolidated financial statements), the Bank periodically assess the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such 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 certain vulnerable corporate loans, 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. In view of the significance of this area in terms of its impact on the consolidated 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>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 Islamic financing and related assets including the quality of underlying data and systems. - We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations. <p>In addition, we selected a representative sample of borrowers from the credit portfolio including individually significant financings and performed tests and procedures such as review of credit 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;</p> <p>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 as existed in such cases;</p>
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Key audit matters	How the matter was addressed in our audit
	<p>We also assessed adequacy of disclosures as included in note 11.15 to the financial statements regarding the non-performing Islamic financing and related assets and provisions made for the same in the financial statements in accordance with the requirements of the applicable financial reporting framework.</p>

3. Recoverability of deferred tax assets

As disclosed in note 14 to the consolidated financial statements, as at 31 December 2018, Rs. 7,471.963 million was recorded on the consolidated Statement of financial position with respect to deferred tax assets, of which Rs. 3,674.23 million represents carryforward accumulated tax losses.

The carry-forward of unused tax losses requires a deferred tax asset to be recognised to the extent that it is probable that future tax profits are available against which the unused tax losses can be set off.

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.

We applied a range of audit procedures including the following:

- We involved our internal valuation specialists to assist in evaluating the Bank's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on most recent budgets and plans, prepared by management by using the same criteria described for testing the impairment of assets and goodwill, principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognized.
- We ascertained that information used was derived from the Bank's business plans has been subject to internal reviews and were approved by those charged with governance.
- we reviewed the adequacy of the disclosures made by the Bank in this area.

4. Impairment testing of goodwill

As at 31 December 2018, Intangible assets include goodwill amounting to Rs. 2.9 billion acquired as a result of scheme of amalgamation as disclosed in note 13 to the consolidated financial statements.

Goodwill is required to be annually assessed for impairment under IAS 36 "Impairment of Assets", Accordingly, Management performed

Our procedures included, amongst others:

- 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

Key audit matters	How the matter was addressed in our audit
<p>an impairment test on the recoverability of the goodwill which is subjective in nature due to assumptions made about future performance.</p> <p>As disclosed in notes 13.2, 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>and economic information, as well as testing the underlying calculations;</p> <ul style="list-style-type: none"> - We involved our internal valuation specialists to assist in evaluating management's key assumptions used in the impairment calculations. - Performed sensitivity analyses around the key assumptions used in the models. <p>We assessed the adequacy of the related disclosures in the consolidated financial statements.</p>

5. Preparation of financial statements under BPRD circular no. 02 of 2018 and Companies Act, 2017

As referred to in note 2.4 to the accompanying consolidated financial statements, State Bank of Pakistan (SBP) vide its BPRD circular no. 02 of 2018 (the circular) has revised the format of the annual financial statements of the Bank for the year ended 31 December 2018. Further, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

Due to the above changes, certain additional disclosures have been included in the financial statements as referred to note 2.4 to the consolidated financial statements.

Further, the Group has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 2.4 to the consolidated financial statements.

The above changes and enhancements in the financial statements are considered a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the circular and the Act.

We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the circular and the Act. We considered the adequacy and appropriateness of the revised reporting format and additional disclosures based on the requirements of the circular and the Act. We also evaluated the sources of information used by the management for the preparation of the consolidated financial statements and the internal consistency of the disclosures with other elements thereof.

In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to note 2.4.1.1 to the consolidated financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Bank.

Information Other than the Consolidated and Unconsolidated 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 and unconsolidated financial statements and our auditors' report thereon.

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

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

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

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

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

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: February 28, 2019

Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2018

	Note	2018	Restated 2017	Restated 2016
Rupees in '000				
ASSETS				
Cash and balances with treasury banks	7	14,292,752	11,784,180	8,921,433
Balances with other banks	8	1,164,553	1,149,355	1,324,167
Due from financial institutions - net	9	18,173,504	21,371,787	27,218,665
Investments - net	10	39,236,762	42,363,753	46,643,174
Islamic financing, related assets and advances - net	11	118,320,811	119,006,779	77,667,276
Fixed assets	12	6,683,785	5,967,362	6,199,142
Intangible assets	13	3,173,692	3,180,702	3,212,987
Deferred tax assets	14	7,471,963	7,613,022	5,820,956
Other assets - net	15	8,315,446	6,424,228	6,969,274
Total Assets		216,833,268	218,861,168	183,977,074
LIABILITIES				
Bills payable	16	3,242,180	3,928,469	2,937,746
Due to financial institutions	17	7,819,532	15,570,390	6,066,307
Deposits and other accounts	18	184,429,521	178,062,105	153,162,536
Subordinated debt		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	19	6,066,223	7,072,968	8,744,151
		201,557,456	204,633,932	170,910,740
NET ASSETS		15,275,812	14,227,236	13,066,334
REPRESENTED BY				
Share capital - net	20	10,000,079	10,000,079	10,000,079
Reserves	21	968,799	926,266	613,636
Surplus on revaluation of assets - net of tax	22	1,875,495	1,201,913	1,741,327
Unappropriated profit		2,236,825	1,893,736	518,942
		15,081,198	14,021,994	12,873,984
Non-controlling interest		194,614	205,242	192,350
		15,275,812	14,227,236	13,066,334
CONTINGENCIES AND COMMITMENTS				
	23			

The annexed notes 1 to 48 and Annexure-I & II form an integral part of these consolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Consolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		Rupees in '000	
Profit / return earned	24	12,204,667	10,323,727
Profit / return expensed	25	6,145,543	5,231,305
Net Profit / return		6,059,124	5,092,422
OTHER INCOME			
Fee and commission income	26	842,235	647,468
Dividend income		23,029	33,030
Foreign exchange income		92,182	71,652
Income from shariah compliant forward and future contracts		138,673	15,723
Gain on securities	27	46,818	119,414
Other income	28	82,246	77,853
Total other income		1,225,183	965,140
Total Income		7,284,307	6,057,562
OTHER EXPENSES			
Operating expenses	29	6,810,250	6,295,778
Workers Welfare Fund		8,216	-
Other charges	30	54,359	21,733
Total other expenses		6,872,825	6,317,511
Profit / (loss) before provisions		411,482	(259,949)
Reversal of provisions and write offs - net	31	(3,165)	(391,970)
Extraordinary / unusual items		-	-
(Loss) / profit for the year from BIPL Securities Limited - net of tax	32	(46,755)	34,441
Share of profit from associate		145,830	104,530
PROFIT BEFORE TAXATION		513,722	270,992
Taxation	33	190,084	(1,418,576)
PROFIT AFTER TAXATION		323,638	1,689,568
ATTRIBUTABLE TO:			
Equity shareholders of the Bank		334,266	1,676,676
Non-controlling interest		(10,628)	12,892
		323,638	1,689,568
		Rupees	
Basic earnings per share	34	0.3316	1.6635
Diluted earnings per share	34	0.3316	1.6635

The annexed notes 1 to 48 and Annexure-I & II form an integral part of these consolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE



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CHAIRMAN



DIRECTOR



DIRECTOR

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	Restated 2017
	Rupees in '000	
Profit after taxation for the period attributable to:		
Equity shareholders of the Bank	334,266	1,676,676
Non-controlling interest	(10,628)	12,892
	<u>323,638</u>	<u>1,689,568</u>
Other Comprehensive Income		
Movement in surplus on revaluation of investments - net of tax	(160,633)	(637,226)
Items that may not be reclassified to profit and loss account in subsequent periods		
Re-measurement gain on defined benefit obligations - net of tax	4,053	80
Movement in surplus on revaluation of operating fixed assets - net of tax	659,648	-
Movement in surplus on revaluation of non-banking assets - net of tax	221,870	108,480
	<u>885,571</u>	<u>108,560</u>
Total comprehensive income for the year	<u>1,048,576</u>	<u>1,160,902</u>

The annexed notes 1 to 48 and Annexure-I & II form an integral part of these consolidated financial statements.



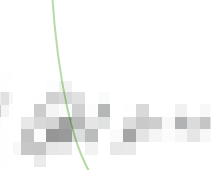
PRESIDENT /
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CHAIRMAN



DIRECTOR



DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital	Discount on issue of shares	Statutory reserve	Reserve for bad debts & contingencies	Surplus/(Deficit) on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
					Investment	Fixed / Non Banking Assets				
Rupees in '000										
Balance as at December 31, 2016 (as reported)	10,079,121	(79,042)	363,636	250,000	-	-	518,942	11,132,657	192,350	11,325,007
Effect of retrospective change in accounting policy										
Reclassification of surplus on revaluation of assets to equity (Note 2.4)	-	-	-	-	832,695	908,632	-	-	-	-
Balance as at December 31, 2016 (restated)	10,079,121	(79,042)	363,636	250,000	832,695	908,632	518,942	12,873,984	192,350	13,066,334
Profit after taxation for the year	-	-	-	-	-	-	1,676,676	1,676,676	12,892	1,689,568
Other comprehensive income for the year	-	-	-	-	(637,226)	108,480	80	(528,666)	-	(528,666)
Total comprehensive income for the year	-	-	-	-	(637,226)	108,480	1,676,756	1,148,010	12,892	1,160,902
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(10,398)	10,398	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(270)	270	-	-	-
Transfer to statutory reserve	-	-	312,630	-	-	-	(312,630)	-	-	-
Balance as at December 31, 2017 (restated)	10,079,121	(79,042)	676,266	250,000	195,469	1,006,444	1,893,736	14,021,994	205,242	14,227,236
Profit after taxation for the year	-	-	-	-	-	-	334,266	334,266	(10,628)	323,638
Other comprehensive income for the year	-	-	-	-	(160,633)	881,518	4,053	724,938	-	724,938
Total comprehensive income for the year	-	-	-	-	(160,633)	881,518	338,319	1,059,204	(10,628)	1,048,576
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(10,398)	10,398	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(308)	308	-	-	-
Surplus on revaluation of non banking assets transferred to unappropriated profit	-	-	-	-	-	(36,597)	36,597	-	-	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-	-	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	34,836	1,840,659	2,236,825	15,081,198	194,614	15,275,812

The annexed notes 1 to 48 and Annexure-I & II form an integral part of these consolidated financial statements.




PRESIDENT /
CHIEF EXECUTIVE



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Consolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOW FROM OPERATING ACTIVITIES

	Note	2018	Restated 2017
Rupees in '000			
Profit before taxation		513,722	270,992
Less: Dividend Income		(23,029)	(33,030)
Less: Share of profit from associates		(145,830)	(104,530)
		<u>344,863</u>	<u>133,432</u>
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets	12.2	649,522	707,844
Depreciation on non banking assets	15.1.1	6,653	6,634
Amortisation	13	68,314	63,180
Depreciation on operating Ijarah assets	11.13	1,160,722	1,383,698
Reversal of provisions and write offs - net	31	(3,165)	(391,970)
Unrealised loss/(gain) on revaluation of investments classified as held for trading	27	19,686	(2,007)
Charge for defined benefit plan	29.1	89,186	81,604
Gain on sale of property and equipment	28	(11,542)	(13,577)
Loss on sale of non-banking assets	28	10,570	-
		<u>1,989,946</u>	<u>1,835,406</u>
		<u>2,334,809</u>	<u>1,968,838</u>
(Increase) / decrease in operating assets			
Due from financial institutions		3,198,283	5,846,878
Held-for-trading securities		17,953	415,752
Islamic financing and related assets and advances		(438,879)	(42,245,513)
Others assets (excluding defined benefit assets)		(1,556,842)	186,302
		<u>1,220,515</u>	<u>(35,796,581)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(686,289)	715,062
Due to financial institutions		(7,750,858)	9,504,083
Deposits and other accounts		6,367,416	25,175,230
Other liabilities (excluding current taxation and unrealised loss on forward sale promises)		(1,011,082)	(1,369,485)
		<u>(3,080,813)</u>	<u>34,024,890</u>
		<u>474,511</u>	<u>197,147</u>
Payments against defined benefit plan		(50,469)	-
Income tax paid		(220,411)	(168,906)
Net cash generated from operating activities		<u>203,631</u>	<u>28,241</u>

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities		3,053,169	3,120,046
Dividend received		23,029	33,030
Investments in operating fixed assets		(769,424)	(511,029)
Proceeds from disposal of operating fixed assets		13,365	17,647
Net cash generated from investing activities		<u>2,320,139</u>	<u>2,659,694</u>
Increase in cash and cash equivalents		<u>2,523,770</u>	<u>2,687,935</u>
Cash and cash equivalents at the beginning of the year		<u>12,933,535</u>	<u>10,245,600</u>
Cash and cash equivalents at the end of the year	36	<u>15,457,305</u>	<u>12,933,535</u>

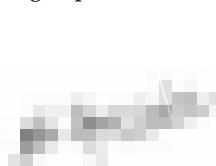
The annexed notes 1 to 48 and Annexure-I & II form an integral part of these consolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR

DIRECTOR

Notes to and forming part of the unconsolidated financial statements

FOR THE YEAR ENDED DECEMBER 31, 2018

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 Holding Company 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 330 branches including 81 sub branches as at December 31, 2018 (December 31, 2017: 330 branches including 112 sub branches). The registered office of The Holding Company is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of The Holding Company are quoted on the Pakistan Stock Exchange Limited.

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

1.2 Subsidiary Companies

1.2.1 BankIslami Modaraba Investments Limited - 100 percent holding

The subsidiary company was incorporated in Pakistan on January 22, 1986 as a public limited company. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The principal activity of the subsidiary company is to float and operate Modaraba. The subsidiary company is managing its Modaraba with the name of Modaraba-Al-Mali. The principal place of business of the subsidiary company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

The financial statements of the subsidiary company have been consolidated on the basis of reviewed condensed interim financial information for the half year ended December 31, 2018.

The financial statements of "Modaraba Al-Mali", a modaraba floated by the subsidiary company in which it has 13 percent holding, have not been consolidated although the Group has control over Modaraba Al-Mali by virtue of management rights. The management of the Group is of the view that consolidated financial statements are required to be prepared only for subsidiaries as defined in the Companies Ordinance, 1984 (now 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 Ordinance, 1984 (now Companies Act, 2017). Hence, the financial statements of "Modaraba Al-Mali" are not required to be consolidated in the Group's consolidated financial statements.

1.2.2 BIPL Securities Limited - 77.12 percent holding

BIPL Securities Limited was incorporated in Pakistan on October 24, 2000 and commenced its operations effective January 01, 2003, on the transfer of assets and liabilities of the securities

segment of the then Khadim Ali Shah Bukhari and Company Limited under a scheme of arrangement approved by the High Court of Sindh. The shares of the Company are listed on the Pakistan Stock Exchange Limited (PSX). The registered office of the company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Company is a TREC holder of the Pakistan Stock Exchange Limited (PSX) and Corporate member of Pakistan Mercantile Exchange Limited (PMEL) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in listed and unlisted equity and debt securities, economic research and advisory services.

1.2.3 My Solutions Corporation Limited - 100 percent holding

My Solutions Corporation Limited (the Company) was incorporated as a private limited company on November 05, 1995 and was converted into a public limited company on March 24, 2003. The Company is currently dormant. Its registered office is situated at the 9th floor, Trade Centre, I.I Chundrigar Road, Karachi.

1.2.4 Structured Ventures (Private) Limited - 77.12 percent holding - (Sub subsidiary)

Structured Venture (Private) Limited was incorporated in Pakistan on June 25, 2010. The registered office of the company is situated at 5th floor, Trade Centre, I. I. Chundrigar Road, Karachi. The company is a wholly owned subsidiary of BIPL Securities Limited. The ultimate parent company is BankIslami Pakistan Limited.

1.3 Material partly owned subsidiary

BIPL Securities Limited is the only significant subsidiary of the holding company that has a non-controlling interest (2018: 22.88%, 2017: 22.88%). The following table summarises key information relevant to the BIPL Securities Limited.

	2018	2017
	Rupees in '000	
Operating fixed assets	44,247	48,108
Investments	487,409	664,238
Advances, deposits, prepayments and other receivables	569,527	578,400
Deferred tax asset - net	70,783	35,721
Taxation - net	111,479	92,425
Cash and bank balances	546,138	496,966
Total Assets	1,829,583	1,915,858
Long-term loan	150,000	150,000
Short term financing-secured	100,000	-
Trade and other payables	701,685	840,873
Total Liabilities	951,685	990,873
Net Assets	877,898	924,985
Accumulated non-controlling interests of the subsidiary	200,863	211,637
Profit after tax of the subsidiary company	(26,959)	38,043
Intragroup eliminations	(19,796)	(3,602)
	(46,755)	34,441
Profit allocated to non-controlling interest	(10,698)	7,880

2 BASIS OF PRESENTATION

- 2.1 The Holding Company provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes as briefly explained in note 6.4 to these financial statements.

The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable as directed by the Shariah Board of The Holding Company.

2.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of The Holding Company and the financial statements of subsidiary companies from the date that control of the subsidiary by the Group commences until the date that control ceases. The financial statements of the subsidiary companies are incorporated on a line-by-line basis (except the profit and loss account of BIPL Securities Limited which is disclosed as a single line item in Consolidated Profit and Loss account as per letter No. BPRD(R&P-02)/625-112/2017/4911 dated February 27, 2017, see note 2.2.1 and the investment held by The Holding Company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of International Accounting Standard (IAS) 39: Financial Instruments Recognition and Measurement IAS 40: Investment Property and IFRS - 7: Financial Instruments: Disclosures, which are required to comply with local regulations enforced within the respective jurisdictions.

Material intra-group balances and transactions are eliminated.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Associates and joint ventures are accounted for using the equity method.

- 2.2.1 The SBP vide its letter No. BPRD(R&P-02)/625-112/2017/4911 dated February 27, 2017, has allowed the Group to disclose financial results (net) of BIPL Securities Limited as a single line item in the Consolidated Profit and Loss account as majority of the operations of BIPL Securities Limited are of conventional nature and line by line consolidation would result in non-compliance of Shariah requirements.
- 2.3 Effective May 07, 2015, the defunct KASB Bank Limited (amalgamated entity) was amalgamated within and into The 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.
- 2.4 **Adoption of new forms for the preparation of financial statements**

During the year, the SBP, vide its BPRD Circular No. 02 dated January 25, 2018, issued the revised forms for the preparation of the annual financial statements of The Holding Company's which

are applicable for annual periods beginning on or after January 01, 2018. The implementation of the revised forms has resulted in certain changes to the accounting policies of The Holding Company and the presentation and disclosures of various elements of the financial statements. These changes are summarized below:

2.4.1 Changes in the accounting polices:

2.4.1.1 As per the revised forms, “Surplus / deficit on revaluation of assets” is now required to be presented as a component of the equity of The Holding Company. Previously, such surplus / deficit was required to be presented separately from the equity of The Holding Company and changes in such surplus / deficit were not recognized in the statement of comprehensive income. Consequent upon the change in the presentation requirements, the surplus / deficit on revaluation of assets and changes in such surplus / deficit during the year are reflected in the relevant section of the statement of financial position, statement of comprehensive income and statement of changes in equity for the current and prior years presented in these financial statements. As a result, the comprehensive income and equity of The Holding Company have increased by Rs. 881.518 million (2017: Rs.108.480 million) and Rs. 1,875.495 million (2017: Rs.1,201.913 million) respectively.

2.4.1.2 The repealed Ordinance specified the accounting treatment for the surplus on revaluation on fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit is to be taken to the profit and loss account as an impairment.

Consequently, The Holding Company has changed its policy for accounting for a deficit arising on revaluation of fixed assets and accordingly, any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level. This change in accounting policy did not have any material effect on these financial statements.

2.4.1.3 Acceptances representing undertakings by The Holding Company to pay bills of exchange drawn on customers are now required to be recognized as liabilities of The Holding Company at the date of acceptance. Previously, acceptances were only recognized as off-balance sheet obligations and disclosed under contingent liabilities. As a result of the above change, the other assets and other liabilities of The Holding Company increased by Rs. 944.025 million, Rs. 1,627.253 million and Rs. 1,983.434 million as of 2018, 2017 and 2016 respectively.

2.4.2 Significant changes to the presentation and disclosures:

In addition, to above changes in accounting policies, certain changes to the presentation of the financial statements have been made such as other reversal of provisions / write offs have now been combined under provisions & write off - net (note 31), Business segments have been identified and reported as per the requirements of IFRS 8 - “Operating Segments” (note 42), cost of conversion of foreign currency deposits is now included in “Cost of foreign currency swaps against foreign currency deposits” which was previously reported under “Income from dealing in foreign currencies” (note 25).

Further, certain, new disclosures have been introduced which include category of classification for non-performing “Due from Financial Institutions” (Note 9.5) and “Investments” (note 10.6.2); movement in “Non-Banking Assets acquired in satisfaction of claims” (note 15.1.1); for

“Non- Banking Assets acquired in satisfaction of claims” sold during the year, disposal proceeds, cost of such asset, impairment / depreciation and realized gains or losses (note 15.1.2 and note 28); composition of deposits (note 18.1); breakdown of Fee and Commission (note 26); presentation of operating expenses has been changed (note 29); Concentration of Islamic financing and province wise disbursements and utilization of Islamic financing (note 46.1.5 and note 46.1.6); and assets split between trading and banking books (note 46.2.1).

The Holding Company has adopted the above changes in the presentation and made additional disclosure to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to current year’s presentation. Such reclassifications / re-arrangements are disclosed in note 47.1 to the consolidated financial statements.

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. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 “Financial Instruments: Disclosures” through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. However, investments and non-banking assets have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

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

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

Standard or Interpretation

- IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)
- IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

Improvements to Accounting Standards Issued by the IASB in December 2016

- IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

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

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

3.5.1 The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned there against:

Standard, Interpretations and Amendments	Effective date (accounting periods beginning on or after)
- IFRS 3 Definition of a Business (Amendments)	January 01, 2020
- IFRS 9 Financial Instruments: Classification and Measurement	July 01, 2018
- IFRS 9 Prepayment Features with Negative Compensation – (Amendments)	January 01, 2019
- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- IFRS 15 Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 Leases	January 01, 2019
- IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
- IAS 1/ IAS 8 Definition of Material (Amendments)	January 01, 2020
- IAS 19 Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
- IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the consolidated financial statements in the period of initial application, other than IFRS 9 and IFRS 16. With regard to IFRS 9, The Group considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, The Holding Company expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for The Banking sector of Pakistan. With regard to IFRS 16, The Holding Company is currently evaluating the impact of application of IFRS 16 on its financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Holding Company expects that such improvements to the standards will not have any impact on The Holding Company's financial statements in the period of initial application.

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

Standards

- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

3.6 Early adoption of standards

The Group has not early adopted any new or amended standard in 2018.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying The Holding Company's accounting policies. The significant accounting areas where various assumptions and estimates are significant to The Holding Company's financial statements or where judgment was exercised in the application of the accounting policies are as follows:

- (a) Classification and valuation of investments in accordance with The Holding Company's policy (notes 6.3 and 10).
- (b) Provision for non-performing Islamic financing and related assets and advances (notes 6.4.2 and 11.14).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 11.15.3.2).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 6.3.5 and 10.6.2).
- (e) Staff retirement benefits (notes 6.7 and 38).
- (f) Revaluation and depreciation / amortization of operating fixed assets (notes 6.5, 12.2 and 13).

(g) Valuation of non-banking assets acquired in satisfaction of claims (note 6.18 & 15.1)

(h) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.6, 14 and 33).

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

5 BASIS OF MEASUREMENT

5.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain fixed assets, certain investments, foreign currency balances, commitments in respect of foreign exchange contracts and non-banking assets acquired in satisfaction of claims have been marked to market and are carried at fair value. Further, staff retirement benefits as discussed in notes 6.7 and 38 to the financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

5.2 Functional and Presentation Currency

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

5.3 Rounding off

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Cash and cash equivalents

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

6.2 Due to / from financial and other institutions

6.2.1 Bai Muajjal

In Bai Muajjal, The 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 / Mudaraba

In Musharaka / Mudaraba, 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 amortised over the period of the financing.

Commodity Murabahah

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

Wakalah

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

6.3 Investments

6.3.1 Classification

Investments of The Group, other than investments in associates and subsidiaries are classified as follows:

(a) Held-for-trading

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

(b) Held- to-maturity

These are investments with fixed or determinable payments and fixed maturity and The 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.

6.3.2 Regular way contracts

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

6.3.3 Initial recognition and measurement

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

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

6.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

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

(b) Held-to-maturity

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

(c) Available for sale

Quoted / Government securities are measured at fair value. Surplus / (deficit) arising on re-measurement is included in the statement of comprehensive income and recognised 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 realised upon disposal.

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

(d) Investments in associates

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

6.3.5 Impairment

Available for sale and held to maturity investments

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk certificates) is recognised based on management's assessment of objective

evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered 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 recognised directly in surplus on revaluation of assets on the Statement of Financial Position in equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

6.4 Islamic financing and related assets

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

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

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

Specific provision

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

Small Enterprise Financing

The Holding Company maintains general provision in respect of small enterprise financing at the rate of 1% for unsecured portfolio.

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

6.4.3 Ijarah Financing

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

- (a) Under finance method, the present value of minimum Ijarah payments have been recognised and shown under Islamic financing and related assets. The unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).
- (b) Under IFAS-2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charge are taken to the profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir up to the date of maturity / termination of Ijarah agreement.

6.4.4 Murabahah

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

6.4.5 Istisna

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

6.4.6 Diminishing Musharakah

Diminishing Musharakah represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (The Holding Company).

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

6.4.8 Salam

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot. In Salam financing, the transaction consists of two stages: (i) Bai Salam whereby The Holding Company purchases goods from the client and (ii) Wakalah whereby The Holding Company after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

6.4.9 Muswammah / Karobar Financing

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

6.4.10 Musharakah / Mudarabah

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

6.4.11 Wakalah-tul-Istismar (Investment Agency Wakalah)

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

6.4.12 Running Musharakah

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

6.4.13 Ijarah

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

6.5 Operating fixed assets and depreciation

6.5.1 Property and equipment

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

Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 12.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Subsequent costs are included in the assets' carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to The 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 derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

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

6.5.2 Capital work in progress

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

6.5.3 Intangible assets

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

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

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

6.5.4 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 recognised as an expense immediately in the financial statements except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

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

6.6 Taxation

6.6.1 Current

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

6.6.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, The 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 recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

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

6.7 Staff retirement benefits

6.7.1 Defined benefit plan

The Holding Company operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2018.

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

6.7.2 Defined contribution plan

The Holding Company operates a recognised 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 recognised as employee benefit expense when they are due.

6.8 Revenue recognition

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

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

6.8.3 The Holding Company follows the finance method in recognising income on Ijarah contracts written up to December 31, 2008. Under this method the unearned income i.e. excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).

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

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

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

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

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

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

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

- 6.8.10** Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transactions consummate within an accounting period. Commission on guarantees, if considered material, is recognised over the period of guarantee. Fee, commission and brokerage income are recognized on receipt basis.
- 6.8.11** Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, the premiums / discounts are amortised through the profit and loss account over the remaining life of Sukuk, using the effective yield method.
- 6.8.12** Income earned from revenues that are not Shariah complaint are not recognised in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Board of The Holding Company.

6.9 Revenue from Conventional products

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

6.10 Financial Instruments

6.10.1 Financial assets and financial liabilities

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

6.10.2 Offsetting of financial instruments

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

6.10.3 Derivatives

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

6.11 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

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

Commitments

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

6.12 Fiduciary assets

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

6.13 Deposits

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

Deposits taken on Qard basis are classified as 'Current non-remunerative accounts' and Deposits generated on Mudaraba basis are classified as 'Current remunerative accounts', 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current non-remunerative account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of The Holding Company. No profit or loss is passed on to current account depositors. While the product features of each product differ, there is usually no

restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

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

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

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

6.14 Pool Management

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

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

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

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

General Pool

For General Pools, The Holding Company allocates PKR financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business

as mentioned in the note 46.1.3. Investments in Sovereign Guarantee Sukuk, Bai Muajjal with State Bank of Pakistan, Bai Muajjal with Government of Pakistan are also done through General Pools. All remunerative deposits are tagged to these general pools and their funds generated from the depositors are invested on priority basis. Due to limited investment options in USD, GBP and EURO pool, funds from FCY pools are invested in available International Sukuk, Shariah Complaint Nostro accounts and remaining funds are taken out and invested in PKR general pool as part of equity. In such cases return from PKR General pool is given back to FCY pools, so that returns can be passed on to FCY pool customers accordingly.

Special Mudarabah Pool

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

Islamic export refinance scheme Pool

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

Financial Institution (FI) Pool

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

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

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

6.16 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 recognised directly in the profit and loss account.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any.

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 recognised in equity.

6.17 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.

As disclosed in note 2.4 to the financial statements, during the year, the SBP issued the revised forms for the preparation of the annual financial statements of the banks which are applicable for annual periods beginning on or after January 01, 2018. The implementation of the revised forms also changed the segment disclosures which are now required to be prepared under 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.

The Holding Company, for its internal performance management purposes, assesses its performance as a single business unit only. However, recently the Holding Company has changed its internal management reporting system where it has introduced the business segment wise performance information and therefore the management expect that the business segment wise information would be available in future. Accordingly, the disclosure has been prepared on the basis given under the previous requirements.

6.17.1 Business segments

Trading and sales

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

Retail banking

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

Commercial banking

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

Support Centre

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

6.17.2 Geographical segment

The Group operates only in Pakistan.

6.18 Non-banking assets acquired in satisfaction of claims

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

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

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

6.19 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.

6.20 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. Previously, acceptances were only recognized as off-balance sheet obligations and disclosed under contingent liabilities.

6.21 Dividend distribution and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the consolidated financial statements in the year in which such dividends are declared / transfers are made.

7 CASH AND BALANCES WITH TREASURY BANKS

	Note	2018	2017
		Rupees in '000	
In hand:			
- local currency		3,619,317	3,648,276
- foreign currency		332,378	525,763
		3,951,695	4,174,039
With the State Bank of Pakistan in:			
- local currency current account	7.1	7,642,125	5,516,757
- foreign currency deposit accounts:			
- Cash Reserve Account	7.2	268,835	188,575
- Special Cash Reserve Account	7.3	323,828	227,477
- US Dollar Clearing Account		26,604	12,120
		619,267	428,172
With National Bank of Pakistan in:			
- local currency current account		2,079,665	1,665,212
		14,292,752	11,784,180
7.1	This represents Rs. 7,642.125 million (2017: Rs. 5,516.757 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement.		
7.2	As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).		
7.3	Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. Balance held under this account is non-remunerative.		

8 BALANCES WITH OTHER BANKS

	Note	2018	2017
		Rupees in '000	
In Pakistan:			
- in current accounts		7,665	4,499
- in deposit accounts	8.1	331,258	345,553
		338,923	350,052
Outside Pakistan:			
- in current accounts		825,630	799,303
		1,164,553	1,149,355
8.1	These represent deposits with various Islamic commercial banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 3.5% (2017: 2.8%) per annum.		

9 DUE FROM FINANCIAL INSTITUTIONS - NET

	Note	2018	2017
		Rupees in '000	
Wakalah Placement	9.1	534,039	1,716,767
Commodity Murabahah	9.2	17,639,465	19,655,020
		18,173,504	21,371,787
Other placements		32,400	32,400
		18,205,904	21,404,187
Provision against placements		(32,400)	(32,400)
		18,173,504	21,371,787

9.1 This represents foreign currency placements and the profit rates on these agreements range between 0.25% to 2.80% (2017: 0.15% to 2.85%) per annum. The agreements have maturities ranging from 62 days to 181 days (2017: 92 days to 365 days).

9.2 The Holding Company has entered into Commodity Murabahah agreements under which the Holding Company purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreements range between 10% to 10.75% (2017: 5.80% to 6.50%) per annum and the agreements have maturities ranging from 2 days to 55 days (2017: 4 days to 90 days).

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

	2018	2017
	Rupees in '000	
- In local currency	17,671,865	19,687,420
- In foreign currency	534,039	1,716,767
	18,205,904	21,404,187

9.4 Securities held as collateral against amounts due from financial institutions

	2018			2017		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
	Rupees in '000					
GOP Ijarah Sukuks	1,950,000	-	1,950,000	-	-	-

9.5 Category of classification

	2018		2017	
	Classified Placements	Provision held	Classified Placements	Provision held
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	32,400	32,400	32,400	32,400
Total	32,400	32,400	32,400	32,400

9.5.1 The Group does not hold overseas classified placements.

10 INVESTMENTS - NET

	Note	2018	2017
		Rupees in '000	
Investments - Islamic	10.1	36,940,559	40,090,963
Investments - Conventional (relating to amalgamated entity)	10.2	2,296,203	2,272,790
		<u>39,236,762</u>	<u>42,363,753</u>

10.1 Islamic Investments by type

	Note	2018				2017			
		Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		Rupees in '000							
Held for trading securities									
Shares		164,223	-	(19,686)	144,537	32,156	-	(2,007)	30,149
Available for sale securities									
Federal Government Securities		26,511,713	-	1,893	26,513,606	33,840,536	-	415,764	34,256,300
Non Government Debt Securities		10,086,345	(39,818)	(1,479)	10,045,048	5,556,590	(7,019)	(585)	5,548,986
Mutual fund units		5,021	-	(1,278)	3,743	5,021	-	(990)	4,031
Modaraba certificates		16,208	(13,866)	5,856	8,198	16,208	(13,866)	6,510	8,852
Shares		208,642	-	16,785	225,427	242,645	-	-	242,645
		<u>36,827,929</u>	<u>(53,684)</u>	<u>21,777</u>	<u>36,796,022</u>	<u>39,661,000</u>	<u>(20,885)</u>	<u>420,699</u>	<u>40,060,814</u>
Total Islamic investments		<u>36,992,152</u>	<u>(53,684)</u>	<u>2,091</u>	<u>36,940,559</u>	<u>39,693,156</u>	<u>(20,885)</u>	<u>418,692</u>	<u>40,090,963</u>

10.2 Conventional Investments by type*

Available for sale securities									
Non Government Debt Securities		270,586	(270,586)	-	-	282,629	(282,629)	-	-
Shares		1,733,766	(684,853)	18,437	1,067,350	2,555,994	(1,438,346)	(79,908)	1,037,740
		<u>2,004,352</u>	<u>(955,439)</u>	<u>18,437</u>	<u>1,067,350</u>	<u>2,838,623</u>	<u>(1,720,975)</u>	<u>(79,908)</u>	<u>1,037,740</u>
Held to maturity securities									
Non Government Debt Securities		321,601	(321,601)	-	-	321,601	(321,601)	-	-
Held for trading securities									
Non Government Debt Securities		45,369	(45,369)	-	-	45,369	(45,369)	-	-
Shares		-	-	-	-	151,254	-	773	152,027
Associates	10.10	2,293,228	(1,064,375)	-	1,228,853	2,147,398	(1,064,375)	-	1,083,023
Total conventional investments		<u>4,664,550</u>	<u>(2,386,784)</u>	<u>18,437</u>	<u>2,296,203</u>	<u>5,504,245</u>	<u>(3,152,320)</u>	<u>(79,135)</u>	<u>2,272,790</u>

10.3 Islamic Investments by segments

Federal Government Securities									
GOP Ijarah Sukuks		26,511,713	-	1,893	26,513,606	33,840,536	-	415,764	34,256,300
Non Government Debt Securities									
Sukuk certificates - unlisted		10,086,345	(39,818)	(1,479)	10,045,048	5,556,590	(7,019)	(585)	5,548,986
Mutual fund units									
Units of open-end mutual funds		5,021	-	(1,278)	3,743	5,021	-	(990)	4,031
Modaraba									
Modaraba Certificates		16,208	(13,866)	5,856	8,198	16,208	(13,866)	6,513	8,852
Shares									
Ordinary shares of listed companies		372,865	-	(2,901)	369,964	274,801	-	(2,007)	272,794
		<u>36,992,152</u>	<u>(53,684)</u>	<u>2,091</u>	<u>36,940,559</u>	<u>39,693,156</u>	<u>(20,885)</u>	<u>418,692</u>	<u>40,090,963</u>

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

10.4 Conventional Investments by segments*

Note	2018				2017			
	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 Companies	92,764	(92,764)	-	-	104,807	(104,807)	-	-
Unlisted Companies	544,792	(544,792)	-	-	544,792	(544,792)	-	-
	637,556	(637,556)	-	-	649,599	(649,599)	-	-
Shares								
Listed Companies	161,776	(73,498)	18,437	106,715	1,135,258	(826,991)	35,241	343,508
Unlisted Companies	1,571,990	(611,355)	-	960,635	1,571,990	(611,355)	(114,376)	846,259
	1,733,766	(684,853)	18,437	1,067,350	2,707,248	(1,438,346)	(79,135)	1,189,767
Associates - Unlisted								
KASB Capital Limited	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	432,302	(432,302)	-	-	432,302	(432,302)	-	-
New Horizon Exploration & Production Limited	590,206	(590,206)	-	-	590,206	(590,206)	-	-
Shakarganj Food Products Limited	1,228,853	-	-	1,228,853	1,083,023	-	-	1,083,023
	2,293,228	(1,064,375)	-	1,228,853	2,147,398	(1,064,375)	-	1,083,023
	4,664,550	(2,386,784)	18,437	2,296,203	5,504,245	(3,152,320)	(79,135)	2,272,790

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

10.5 Investments given as collateral

Note	2018	2017
	Rupees in '000	
GOP Ijarah Sukuks	5,000,000	10,000,000

10.6 Provision for diminution in value of investments

10.6.1 Opening balance

Charge / (reversals)

Charge for the year

Reversals for the year

Provision for diminution in value of investments - net 31

Amounts written off

Closing Balance

3,173,205	2,962,605
33,426	210,885
(12,043)	(285)
21,383	210,600
(754,119)	-
2,440,469	3,173,205

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

Investments - Islamic

Investments - Conventional

53,685	20,886
2,386,784	3,152,320
2,440,469	3,173,206

10.6.2 Particulars of provision against debt securities

Category of classification	2018		2017	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	953,624	677,374	965,667	652,679
Total	953,624	677,374	965,667	652,679

10.6.2.1 The Group does not hold overseas classified debt securities.

10.6.2.2 Sukuks amounting to Rs. 312.131 million have been placed under non performing status. The forced sale value (FSV) benefit of the collateral availed in respect of sukuku amounts to Rs. Nil (2017:Rs 32.8 million). Profit accrued on these sukuku has been suspended. The additional profit arising from availing the FSV benefit - net of tax amounting to Rs. Nil (2017: Rs. 21.32 million) is not available for distribution in either cash or stock dividend to shareholders.

10.7 Quality of Available for Sale Securities

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

10.7.1 Federal Government Securities - Government guaranteed

	2018	2017
	Cost	
	Rupees in '000	
GOP Ijarah Sukuku	26,511,713	33,840,536

10.7.2 Non Government Debt Securities*

Unlisted		
AAA	9,002,459	4,597,484
A	542,000	220,000
A+	50,000	322,000
AA-	100,000	-
Unrated	662,472	699,735
	10,356,931	5,839,219

10.7.3 Mutual Funds

A(f)	5,005	5,005
AA(f)	5	5
Unrated	11	11
	5,021	5,021

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

10.7.4 Shares (Equity Securities)

10.7.4.1 Listed Companies

	2018	2017
	Cost	
	Rupees in '000	
- Real Estate Investment Trust	143,771	242,645
- Banks	64,871	-
- Modarabas	107,883	107,883
- Chemical	53,783	876,011
- Investment Banks / Investment Companies / Securities Companies	16,298	16,298
- Power Generation and Distribution	20	20
	386,626	1,242,857

10.7.4.2 Unlisted Companies

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Pakistan Export Finance Guarantee Agency Limited	5,680	0.50	5,680	0.50
KASB Invest (Private) Limited	28,000	3.06	28,000	3.06
	33,680	3.56	33,680	3.56

10.7.5 Foreign Securities

Equity Securities

Unlisted

Evolve Capital Limited - Incorporated in British Virgin Islands
Al Jomaih Power Limited

	2018	2017
	Cost	
	Rupees in '000	
	1,155,350	1,155,350
	382,960	382,960
	1,538,310	1,538,310

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

Non Government Debt Securities

Unlisted

- Unrated

	321,601	321,601
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10.8.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Nil (December 31, 2017: Nil).

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

- 10.9** The Group's entitlement in respect of PSX's shares was determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and 4,007,383 shares of the face value of Rs. 10/- each were allotted to BIPL Securities Limited, out of which 2,404,430 shares were kept in the blocked account and the divestment of the same was to be made in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 [the Act] within two years from the date of promulgation of the Act.

On December 22, 2016, the Divestment Committee of PSX accepted the highest bid price of Rs. 28 per share from Chinese Consortium to divest 40% equity stake held by the existing shareholders of PSX, which were kept in the blocked account as mentioned above, under Stock Exchange (Corporatisation, Demutualisation and Integration) Act, 2012 and regulation framed thereunder.

Subsequent to above, PSX intimated vide letter dated December 29, 2016 that bidding process for the sale of PSX shares has been concluded. Further, consideration for the above sale will be paid by PSX after holding 10% of the sale price as Retention money in terms of Share Purchase Agreement executed among Anchor investor, Divestment Committee and PSX which will be retained for a period of one year to settle any outstanding liabilities of PSX. Accordingly, the Group revalued 4,007,383 of PSX after the discounting effect.

During the quarter ended March 31, 2017, the Group has received sale proceed of Rs. 40.39 million against disposal of 1,602,953 shares representing 90% of sale proceed as initially agreed with Chinese Consortium through sale purchase agreement mentioned above. During the quarter ended June 30 2017, the Group has received sale proceed of Rs. 21.99 million against disposal of 801,477 shares representing 20% holding to general public.

Further, PSX notified vide letter dated June 23, 2017 that SECP has approved the application for formal listing and quotation of shares of PSX pursuant to Stock Exchange (Corporatisation, Demutualisation and Integration) Act, 2012. The shares of PSX have been listed on June 29, 2017 on its Ready Counter, and currently it is measured at mark to market due to availability of active market. These shares are required to be blocked with CDC in-house / investor accounts under sub-regulation (1), (2) & (3) of Regulation 5 of Public offering Regulations, 2017. However CDC has kept these shares as frozen instead of blocked.

Furthermore, the Group has pledged 1,602,953 shares with PSX to meet the requirement of Base Minimum Capital (BMC) under clause 19.2 of the Risk Management Regulations in PSX Rule Book.

10.10 Reconciliation of investments in associates

Particulars	2018				
	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited*	Shakarganj Food Products Limited	Total
	Rupees in '000				
As at Jan 1, 2017	41,867	432,302	590,206	1,083,023	2,147,398
Recognised in the profit and loss account	-	-	-	145,830	145,830
As at December 31, 2018	41,867	432,302	590,206	1,228,853	2,293,228
Provision for diminution in the value of investment	(41,867)	(432,302)	(590,206)	-	(1,064,375)
As at December 31, 2018	-	-	-	1,228,853	1,228,853

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

Particulars	2017				
	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited*	Shakarganj Food Products Limited	Total
	Rupees in '000				
As at Jan 1, 2017	41,867	432,302	590,206	978,493	2,042,868
Recognised in the profit and loss account	-	-	-	104,530	104,530
As at December 31, 2017	41,867	432,302	590,206	1,083,023	2,147,398
Provision for diminution in the value of investment	(41,867)	(432,302)	(590,206)	-	(1,064,375)
As at December 31, 2017	-	-	-	1,083,023	1,083,023

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

** This represents the full US\$ amount.

	Note	2018	2017
		Rupees in '000	
Islamic financing and related assets - net	11.1	117,837,795	118,321,278
Advances (relating to amalgamated entity) - net	11.2	483,016	685,501
		<u>118,320,811</u>	<u>119,006,779</u>

11.1 Islamic Financing and Related Assets

		Performing		Non Performing		Total	
Note		2018	2017	2018	2017	2018	2017
In Pakistan		Rupees in '000					
- Murabahah financing and related assets	11.3 & 11.9	9,448,791	13,568,133	446,781	328,424	9,895,572	13,896,557
- Istisna financing and related assets	11.4 & 11.10	14,023,932	10,459,365	1,047,479	826,468	15,071,411	11,285,833
- Diminishing Musharakah - Housing		12,452,638	10,408,644	933,779	699,098	13,386,417	11,107,742
- Diminishing Musharakah financing and related assets - Auto		8,394,715	5,197,891	52,478	33,584	8,447,193	5,231,475
- Diminishing Musharakah financing and related assets - Others	11.6	19,712,598	9,827,899	633,515	811,649	20,346,113	10,639,548
- Against Bills - Murabahah		169,671	79,732	-	-	169,671	79,732
- Post Due Acceptance		94,806	37,241	13,922	-	108,728	37,241
- Salam	11.5	143,935	123,987	337	43,000	144,272	166,987
- Muswammah financing and related assets / Karobar financing	11.7	14,355,182	13,947,199	877,072	599,380	15,232,254	14,546,579
- Financing to employees	11.18	2,507,962	2,237,272	95,489	35,071	2,603,451	2,272,343
- Qardh e Hasana		205,100	202,881	394,094	359,075	599,194	561,956
- Running Musharakah		22,058,949	36,343,802	2,345,509	2,345,509	24,404,458	38,689,311
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000	6,250,000
- Housing finance portfolio - others		37,819	45,788	-	-	37,819	45,788
- Net investment in Ijarah financing in Pakistan	11.12	36,543	38,481	-	-	36,543	38,481
- Ijarah financing under IFAS 2 and related assets	11.8	3,714,311	5,413,304	167,097	216,360	3,881,408	5,629,664
Gross financing and related assets		113,606,952	114,181,619	7,007,552	6,297,618	120,614,504	120,479,237
Less: Provision against non-performing Islamic financing and related assets							
- Specific	11.14 & 11.15	-	-	(2,546,436)	(1,934,769)	(2,546,436)	(1,934,769)
- General	11.14 & 11.15	(230,273)	(223,190)	-	-	(230,273)	(223,190)
		(230,273)	(223,190)	(2,546,436)	(1,934,769)	(2,776,709)	(2,157,959)
Islamic financing and related assets - net of provisions		113,376,679	113,958,429	4,461,116	4,362,849	117,837,795	118,321,278

11.2 Advances

Loans, cash credits, running finances, etc. - In Pakistan		194,852	469,732	7,218,699	8,239,390	7,413,551	8,709,122
Net investment in finance lease - In Pakistan	11.12	255	-	584,988	585,391	585,243	585,391
Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan		122,451	-	592,195	714,646	714,646	714,646
Advances - gross		317,558	469,732	8,395,882	9,539,427	8,713,440	10,009,159
Provision against advances							
- Specific	11.14 & 11.15	-	-	(8,386,515)	(9,515,302)	(8,386,515)	(9,515,302)
- General	11.14 & 11.15	(369)	(688)	-	-	(369)	(688)
		(369)	(688)	(8,386,515)	(9,515,302)	(8,386,884)	(9,515,990)
Advances - net of provision		317,189	469,044	9,367	24,125	326,556	493,169
Fair Value adjustment	11.16	-	-	156,460	192,332	156,460	192,332
Advances - net of provision and fair value adjustment		317,189	469,044	165,827	216,457	483,016	685,501

11.3	Murabahah financing and related assets	Note	2018	2017
			Rupees in '000	
	Murabahah financing	11.3.1	7,928,163	11,064,353
	Deferred murabahah income		337,220	378,563
	Advances against Murabaha financing		1,630,189	2,453,641
			<u>9,895,572</u>	<u>13,896,557</u>
11.3.1	Murabahah receivable - gross	11.3.2	8,265,383	11,442,916
	Less: Deferred murabahah income	11.3.4	(123,982)	(146,828)
	Profit receivable		(213,238)	(231,735)
	Murabahah financings		<u>7,928,163</u>	<u>11,064,353</u>
11.3.2	The movement in Murabahah financing during the year is as follows:			
	Opening balance		11,442,916	10,816,499
	Sales during the year		27,387,581	66,360,039
	Received during the year		(30,565,114)	(65,733,622)
	Adjusted during the year		-	-
	Closing balance		<u>8,265,383</u>	<u>11,442,916</u>
11.3.3	Murabahah sale price (for transactions during the year)		27,387,581	66,360,039
	Murabahah Purchase price (for transactions during the year)		(26,682,001)	(65,104,250)
			<u>705,580</u>	<u>1,255,789</u>
11.3.4	Deferred Murabahah income			
	Opening balance		146,828	134,490
	Arising during the year		705,580	1,255,789
	Recognised during the year		(728,426)	(1,243,451)
	Closing balance		<u>123,982</u>	<u>146,828</u>
11.4	Istisna financing and related assets			
	Istisna financing		10,180,982	5,949,944
	Advance against Istisna financing		4,624,429	5,269,236
	Istisna inventories		266,000	66,653
			<u>15,071,411</u>	<u>11,285,833</u>
11.5	Salam			
	Salam financing		52,305	67,001
	Advance against Salam		91,967	99,986
			<u>144,272</u>	<u>166,987</u>
11.6	Diminishing Musharakah financing and related assets - Others			
	Diminishing Musharakah financing		20,292,427	10,584,893
	Advance against Diminishing Musharakah financing		53,686	204,655
			<u>20,346,113</u>	<u>10,789,548</u>

11.7	Muswammah financing and related assets / Karoobar financing	Note	2018	2017						
			Rupees in '000							
	Muswammah financing		13,496,828	9,622,350						
	Muswammah inventories		1,735,426	4,924,229						
			15,232,254	14,546,579						
11.8	Ijarah financing under IFAS 2 and related assets									
	Net book value of assets under IFAS 2	11.13	3,880,726	5,427,911						
	Advance against Ijarah financing		682	201,753						
			3,881,408	5,629,664						
11.9	Murabahah financing and related assets includes financing amounting to Rs. 600 million (2017: Rs. 827.897 million) and advance amounting to Rs. 500 million (2017: Rs. 797.250 million) under Islamic Export Refinance Scheme.									
11.10	Istisna financing and related assets includes financing amounting to Rs. 901.300 million (2017: Rs. 444.654 million) and advance amounting to Rs. 530.375 million (2017: Rs. 1,094.541 million) under Islamic Export Refinance Scheme.									
11.11	Particulars of Islamic financing and related assets and advances - gross									
			2018	2017						
			Rupees in '000							
	In local currency		129,327,944	130,488,396						
	In foreign currency		-	-						
			129,327,944	130,488,396						
11.12	Break up of net investment in Ijarah financing and Finance lease									
	Islamic financing and related assets - net		36,543	38,481						
	Advances - net		585,243	585,391						
			621,786	623,872						
11.12.1	Net investment in Ijarah financing in Pakistan and finance lease									
			2018	2017						
			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		575,290	-	-	575,290	576,718	-	-	576,718
	Residual value		90,794	-	-	90,794	91,452	-	-	91,452
	Minimum Ijarah payments		666,084	-	-	666,084	668,170	-	-	668,170
	Profit for future periods		(44,298)	-	-	(44,298)	(44,298)	-	-	(44,298)
	Present value of minimum Ijarah payments		621,786	-	-	621,786	623,872	-	-	623,872

2018

Category of Classification	Classified Islamic financing and related assets and advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets especially mentioned (OAEM)	267,237	-	267,237	220	-	220	220	-	220
Substandard	734,484	-	734,484	87,997	-	87,997	87,997	-	87,997
Doubtful	523,501	-	523,501	112,035	-	112,035	112,035	-	112,035
Loss	13,878,212	-	13,878,212	10,732,699	-	10,732,699	10,732,699	-	10,732,699
	15,403,434	-	15,403,434	10,932,951	-	10,932,951	10,932,951	-	10,932,951

2017

Category of Classification	Classified Islamic financing and related assets and advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets especially mentioned (OAEM)	95,345	-	95,345	-	-	-	-	-	-
Substandard	3,056,420	-	3,056,420	108,551	-	108,551	108,551	-	108,551
Doubtful	939,044	-	939,044	375,817	-	375,817	375,817	-	375,817
Loss	11,746,236	-	11,746,236	10,965,701	-	10,965,701	10,965,701	-	10,965,701
	15,837,045	-	15,837,045	11,450,069	-	11,450,069	11,450,069	-	11,450,069

11.14.1 In case of one of the non-performing Islamic financing and related assets amounting to Rs. 2,562 million (2017: Rs. 2,562 million), SBP has granted relaxation vide letter no. BPRD/BRD/PRs/7388/2018 dated April 4, 2018 on creating a provision till December 31, 2018. The outstanding amount of relaxation e.g. provisioning will not be available for distribution of cash & stock dividend and performance bonus to employees. Had the provision been made as per the requirements of applicable Prudential Regulations, the 'provision against Islamic financing and related assets and advances' would have been higher by Rs. 490.864 million (2017: Rs. 474.822 million) and profit before taxation would have been lower by Rs. 490.864 million (2017: Rs. 474.822 million).

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

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	11,450,069	223,878	11,673,947	11,939,357	192,927	12,132,284
Charge for the year	824,518	6,764	831,282	519,502	30,951	550,453
Reversals	(903,028)	-	(903,028)	(997,966)	-	(997,966)
	(78,510)	6,764	(71,746)	(478,464)	30,951	(447,513)
Amount written off	(438,608)	-	(438,608)	(10,824)	-	(10,824)
Closing balance	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947

11.15.1

	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Islamic	2,546,436	230,273	2,776,709	1,934,769	223,190	2,157,959
Conventional	8,386,515	369	8,386,884	9,515,300	688	9,515,988
	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947

11.15.2 Reversal of provision net of fair value adjustment taken to the profit and loss account

	2018	2017
	Rupees in '000	
Gross reversals	903,028	997,966
Charge for the year	(831,282)	(550,453)
	71,746	447,513
Fair value adjusted - net	(35,871)	30,175
Net reversals taken to the profit and loss account	35,875	477,688

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

	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947
In foreign currency	-	-	-	-	-	-
	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947

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

11.15.3.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2018 amounts to Rs. 493.169 million (2017: Rs. 432.630 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 320.560 million (2017: Rs. 281.209 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders of the Holding Company.

11.16 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.

	2018	2017
	Rupees in '000	
Particulars of write offs		
Against provisions	438,608	10,824
Directly charged to the profit and loss account	-	-
	438,608	10,824
Write offs Rs. 500,000 and above	438,608	10,339
Write offs below Rs. 500,000	-	485
	438,608	10,824

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

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

11.18 Particulars of financing to directors, executives or officers of the Holding Company

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

	Note	2018	2017
		Rupees	
Balance at the beginning of the year		2,272,343	2,062,322
Financing granted during the year		1,014,232	1,022,092
Repayments made during the year		(683,124)	(812,071)
Balance at the end of the year	11.18.1	2,603,451	2,272,343

11.18.1 This includes Rs. 5.413 million (2017: Rs. 5.609 million) mark up free financing to employees of the Holding Company given under the holding company's Human Resource Policy.

12 FIXED ASSETS

	Note	2018	2017
		Rupees	
Capital work-in-progress	12.1	87,761	54,437
Property and equipment	12.2	6,596,024	5,912,925
		6,683,785	5,967,362

12.1 Capital work-in-progress

Advances to suppliers and contractors	87,761	54,437
Advance for acquiring properties:		
- Office premises	721,903	721,903
	809,664	776,340
Provision for impairment against advance for acquiring floor / office premises	(721,903)	(721,903)
	87,761	54,437

12.2 Property and Equipment

	2018					
	Freehold / Lease hold land	Freehold / Lease hold Building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	Rupees in '000					
At January 1, 2018						
Cost / Revalued amount	1,003,803	3,588,091	2,126,934	2,760,859	24,193	9,503,880
Accumulated depreciation	-	(450,493)	(1,057,727)	(2,066,399)	(16,336)	(3,590,956)
Net book value	1,003,803	3,137,598	1,069,207	694,460	7,857	5,912,924
Year ended December 2018						
Opening net book value	1,003,803	3,137,598	1,069,207	694,460	7,857	5,912,924
Additions						
Additions	-	-	113,669	269,598	40,785	424,052
Other adjustments* / transfers	356,592	(356,592)	-	-	-	-
	356,592	(356,592)	113,669	269,598	40,785	424,052
Disposals						
Disposals	-	-	(2,853)	(51,059)	(3,759)	(57,671)
Other adjustments* / transfers	-	-	-	801	2,007	2,808
	-	-	(2,853)	(50,258)	(1,752)	(54,863)
Movement in surplus on assets revalued during the year						
Movement in surplus on assets revalued during the year	178,814	461,110	-	-	-	639,924
Depreciation charge						
Depreciation charge	-	(82,781)	(260,259)	(300,999)	(5,483)	(649,522)
Reversal of Depreciation on revaluation	-	278,634	-	-	-	278,634
Reversal of Depreciation on disposal	-	-	(5,562)	49,187	1,250	44,875
	-	195,853	(265,821)	(251,812)	(4,233)	(326,013)
Closing net book value	1,539,209	3,437,969	914,201	661,988	42,657	6,596,024
At December 31, 2018						
Cost / revalued amount	1,539,209	3,692,609	2,237,750	2,980,199	63,226	10,512,993
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	6,596,024
Rate of depreciation (percentage)	0	2	10	15-25	20	

* This represents rectification / reclassification of land previously classified as building on freehold land.

2017

	Freehold / Lease hold land	Freehold / Lease hold Building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
Rupees in '000						
At January 1, 2017						
Cost / Revalued amount	1,016,199	3,570,355	2,286,467	3,141,074	43,449	10,057,544
Accumulated depreciation	-	(332,544)	(1,121,602)	(2,409,338)	(33,280)	(3,896,764)
Net book value	1,016,199	3,237,811	1,164,865	731,736	10,169	6,160,780
Year ended December 2017						
Opening net book value	1,016,199	3,237,811	1,164,865	731,736	10,169	6,160,780
Additions						
Additions	-	511	183,481	300,062	1,558	485,612
Other adjustments* / transfers	(12,396)	17,225	-	-	-	4,829
	(12,396)	17,736	183,481	300,062	1,558	490,441
Disposals						
Disposals	-	-	(3,992)	(33,195)	(516)	(37,703)
Other adjustments* / transfers	-	-	(339,022)	(647,082)	(20,298)	(1,006,402)
	-	-	(343,014)	(680,277)	(20,814)	(1,044,105)
Depreciation charge						
Depreciation charge	-	(104,835)	(280,264)	(330,556)	(3,870)	(719,525)
Reversal of depreciation in disposal	-	-	2,141	30,976	516	33,633
Other adjustments* / transfers	-	(13,114)	341,998	642,519	20,298	991,701
	-	(117,949)	63,875	342,939	16,944	305,808
Closing net book value	1,003,803	3,137,598	1,069,207	694,460	7,857	5,912,924
At December 31, 2017						
Cost / revalued amount	1,003,803	3,588,091	2,126,934	2,760,859	24,193	9,503,880
Accumulated depreciation	-	(450,493)	(1,057,727)	(2,066,399)	(16,336)	(3,590,956)
Net book value	1,003,803	3,137,598	1,069,207	694,460	7,857	5,912,924
Rate of depreciation (percentage)	0	2	10	15-25	20	

* This represents rectification / reclassification of land previously classified as building on freehold land.

12.2.1 Details of property and equipment disposed-off

Details of disposal of fixed assets to the Chief Executive Officer or to a Director or to Executives, irrespective of the value, and to any other person having cost more than Rs. 1 million or net book value of Rs. 250,000 or above during the year are disclosed in 'Annexure II'.

12.3 Cost of fully depreciated properties and equipment that are still in the Holding Company's use, as at December 31, 2018, amounted to Rs. 1,939.726 million (2017: Rs. 1,490.711 million).

12.4 During the year 2018, the Bank's freehold land and buildings on leasehold land were revalued by M/s. Harvester Services (Pvt.) Ltd., Gandhara Consultants (Pvt.) Ltd. and Akbani & Javed Associates on the basis of their professional assessment of the present market value. As a result of revaluation the market value of freehold land and buildings on leasehold land were determined at Rs. 4,565.588 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2018 would have been as follows:

	COST			DEPRECIATION			Net book value as at December 31, 2018	
	As at January 01, 2018	Addition	(Disposals)	As at December 31, 2018	As at January 01, 2018	Charge for the year		As at December 31, 2018
	Rupees in '000							
Freehold / Leasehold Land	434,928	-	-	434,928	-	-	-	434,928
Building on leasehold land	2,524,622	-	-	2,524,622	288,216	51,341	339,557	2,185,065
	2,959,550	-	-	2,959,550	288,216	51,341	339,557	2,619,993

13 INTANGIBLE ASSETS

2018

	Computer software	Core deposits	Customer list	Membership Cards (Notes 13.1 & 13.2)	Room at PSX	Booths at PSX	Contract and Mandates	License and Trademark	Foreign Affiliate Relationships	Goodwill (Note 13.4)	Total
	Rupees in '000										
At January 1, 2018											
Cost	472,105	40,600	7,799	2,100	5,804	950	89,353	872	89,327	2,991,308	3,700,218
Accumulated amortisation and impairment	(320,969)	(6,318)	(7,745)	-	(5,804)	-	(89,353)	-	(89,327)	-	(519,516)
Net book value	151,136	34,282	54	2,100	-	950	-	872	-	2,991,308	3,180,702
Year ended December 2018											
Opening net book value	151,136	34,282	54	2,100	-	950	-	872	-	2,991,308	3,180,702
Additions:											
- directly purchased	62,345	-	-	-	-	-	-	-	-	-	62,345
Amortisation charge	(66,907)	(2,394)	-	-	-	-	-	-	-	-	(69,301)
Other adjustments	-	-	(54)	-	-	-	-	-	-	-	(54)
Closing net book value	(66,907)	(2,394)	(54)	-	-	-	-	-	-	-	(69,355)
At December 31, 2018											
Cost	534,450	40,600	7,799	2,100	5,804	950	89,353	872	89,327	2,991,308	3,762,563
Accumulated amortisation and impairment	(387,876)	(8,712)	(7,799)	-	(5,804)	-	(89,353)	-	(89,327)	-	(588,871)
Net book value	146,574	31,888	-	2,100	-	950	-	872	-	2,991,308	3,173,692
Rate of amortisation (percentage)	20	5.5-20	10	-	-	-	-	-	-	-	-
Useful life	5	5-18	10	-	-	-	-	-	-	-	-

2017

	Computer software	Core deposits	Customer list	Membership Cards (Notes 13.1 & 13.2)	Room at PSX	Booths at PSX	Contract and Mandates	License and Trademark	Foreign Affiliate Relationships	Goodwill (Note 13.4)	Total
Rupees in '000											
At January 1, 2017											
Cost	677,745	40,600	30,735	2,100	5,804	950	89,353	-	89,327	2,991,308	3,927,922
Accumulated amortisation and impairment	(498,557)	(3,925)	(27,969)	-	(5,804)	-	(89,353)	-	(89,327)	-	(714,935)
Net book value	179,188	36,675	2,766	2,100	-	950	-	-	-	2,991,308	3,212,987
Year ended December 2017											
Opening net book value	179,188	36,675	2,766	2,100	-	950	-	-	-	2,991,308	3,212,987
Additions:											
- through acquisitions / purchased	28,437	-	-	-	-	-	-	872	-	-	29,309
- through business combinations	(234,077)	-	(22,936)	-	-	-	-	-	-	-	(257,013)
	(205,640)	-	(22,936)	-	-	-	-	872	-	-	(227,704)
Impairment loss recognised in the profit and loss account - net	-	-	-	-	-	-	-	-	-	-	-
Amortisation charge	(59,134)	(2,393)	(2,712)	-	-	-	-	-	-	-	(64,239)
Other adjustments	236,722	-	22,936	-	-	-	-	-	-	-	259,658
Closing net book value	177,588	(2,393)	20,224	-	-	-	-	-	-	-	195,419
At December 31, 2017											
Cost	472,105	40,600	7,799	2,100	5,804	950	89,353	872	89,327	2,991,308	3,700,218
Accumulated amortisation and impairment	(320,969)	(6,318)	(7,745)	-	(5,804)	-	(89,353)	-	(89,327)	-	(519,516)
Net book value	151,136	34,282	54	2,100	-	950	-	872	-	2,991,308	3,180,702
Rate of amortisation (percentage)	20	5.5-20	10	-	-	-	-	-	-	-	-
Useful life	5	5-18	10	-	-	-	-	-	-	-	-

13.1 The cost of fully amortised intangible assets that are still in the Group's use, as at December 31, 2018 amounted to Rs. 196.261 million (2017: Rs. 181.765 million).

13.2 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a stock exchange had been segregated from right to trade on the exchange. Accordingly, the BIPL Securities Limited received equity shares of PSX and a Trading Right Entitlement Certificate (TRECs) in lieu of its membership card of PSX. BIPL Securities Limited's entitlement in respect of PSX's shares was determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and BIPL Securities Limited had been allotted 4,007,383 shares of the face value of Rs 10/- each, out of which 2,404,430 shares were kept in the blocked account and the divestment of the same was to be made in accordance with the requirements of the Act within two years from the date of Demutualization.

On December 29, 2016, the divestment committee of PSX formed for the purpose confirmed the sale of 40% equity stake of PSX shares as detailed in Note 10.9 to these financial statements.

The cost / book value of the PSX membership card amounted to Rs. 4.95 million as at December 31, 2012. In absence of an active market of the shares of PSX and TREC, the allocation of the carrying value of the membership card between the shares (financial asset) and TREC (an intangible asset) was made by BIPL Securities Limited on the basis of the face of ordinary shares and the TREC value assigned by the PSX for minimum capital requirement purpose applicable to the stock exchange brokers.

- 13.3** BIPL Securities Limited has pledged / hypothecated its TREC in favor of PSX to meet the requirement of Base Minimum Capital (BMC) under clause 19.2 of the Risk Management Regulation of PSX Rule Book.
- 13.4** This represents goodwill recognised upon acquisition of KASB Bank Undertakings based on fair values of assets and liabilities. The SBP vide its letter no. BPRD(R&P-02)/625-112/2017/4089 dated February 24, 2017 had allowed the Bank exemption from “Goodwill impairment” under the applicable accounting standards till December 30, 2018 and thereafter the Bank is required to start goodwill impairment testing as per applicable accounting rules. Accordingly, the Bank carried out goodwill impairment testing as at December 31, 2018.

As described in note 6.17 to the financial statements, the Holding Company historically assessed its performance as a single business unit. Accordingly, Goodwill has been tested for impairment by considering the Bank as a single operating unit as currently the management does not monitor its results at a segment level.

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	21.55
Terminal growth rate	7.04

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 stabilisation in line with industry trends.

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

d) Sensitivity to changes in assumption

The estimated recoverable amount of Goodwill exceeds its carrying amount by approximately Rs. 2,443.212 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

Changes required for carrying amount to equal recoverable amount

	%
Discount rate	4.45
Terminal growth rate	(8.46)

- 13.5 The amount of goodwill that will be deductible for taxable purposes is Rs. 5,896.832 million. The difference represents the fair value benefit of the financial assistance granted by the State Bank of Pakistan.

14 DEFERRED TAX ASSETS

		2018			
Note		At Jan 1 2018	Recognised in P&L & Unappropriated profit	Recognised in OCI	At Dec 31 2018
Rupees in '000					
Deductible Temporary Differences on:					
Accumulated tax losses	14.1	3,576,408	98,015	-	3,674,423
Tax credit against minimum tax		2,143	169,391	-	171,534
Provision for diminution in the value of investments		455,097	(253,937)	-	201,160
Provision against non-performing Islamic financing and related assets and advances		4,040,512	21,282	-	4,061,794
Provision for gratuity		21,253	8	-	21,261
Impairment of goodwill		37,001	(37,001)	-	-
Ijarah financing and related assets		108,229	71,708	-	179,937
Others		275,280	(14,302)	-	260,978
		8,515,923	55,164	-	8,571,087
Taxable Temporary Differences on:					
Fair value adjustments relating to net assets acquired upon amalgamation		(163,641)	(109,355)	-	(272,996)
Accelerated tax depreciation		(120,472)	43,560	-	(76,911)
Surplus on revaluation of fixed assets	22	(386,711)	-	(253,312)	(640,023)
Surplus on revaluation of non-banking assets	22	(5,149)	19,706	(36,769)	(22,213)
Surplus on revaluation of available for sale securities	22	(145,325)	-	139,947	(5,378)
Net investment in finance lease		(81,603)	-	-	(81,603)
		(902,901)	(65,795)	(150,134)	(1,099,124)
		7,613,022	(10,630)	(150,134)	7,471,963

2017				
Note	At Jan 1 2018	Recognised in P&L & Unappropriated profit	Recognised in OCI	At Dec 31 2018
Rupees in '000				
Deductible Temporary Differences on:				
Accumulated tax losses	1,893,706	1,682,702	-	3,576,408
Tax credit against minimum tax	354,905	(352,762)	-	2,143
Provision for diminution in the value of investments	369,462	85,635	-	455,097
Provision against non-performing Islamic financing and related assets and advances	3,871,299	169,213	-	4,040,512
Provision for gratuity	21,253	-	-	21,253
Impairment of goodwill	74,118	(37,117)	-	37,001
Ijarah financing and related assets	1,018	107,211	-	108,229
Others	348,069	(72,789)	-	275,280
	6,933,830	1,582,093	-	8,515,923
Taxable Temporary Differences on:				
Fair value adjustments relating to net assets acquired upon amalgamation	(38,157)	(125,484)	-	(163,641)
Accelerated tax depreciation	(192,081)	71,609	-	(120,472)
Surplus on revaluation of fixed assets	22 (392,310)	-	5,599	(386,711)
Surplus on revaluation of non-banking assets	22 (4,632)	-	(517)	(5,149)
Surplus on revaluation of available for sale securities	22 (404,091)	-	258,766	(145,325)
Net investment in finance lease	(81,603)	-	-	(81,603)
	(1,112,874)	(53,875)	263,848	(902,901)
	5,820,956	1,528,218	263,848	7,613,022

- 14.1** The Holding Company has aggregate tax losses of Rs. 10,373.525 million as at December 31, 2018 which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Bank). The management has carried out an assessment for estimating the benefit of these losses. The 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 recognised deferred tax debit balance amounting to Rs. 3,630.734 million. The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Holding Company, deposit's composition, kibor rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

15 OTHER ASSETS - NET

	Note	2018	Restated 2017
		Rupees in '000	
Profit / return accrued in local currency		2,615,177	2,533,016
Profit / return accrued in foreign currency		3,804	4,972
Advances, deposits, advance rent and other prepayments		1,146,991	775,157
Non-banking assets acquired in satisfaction of claims	15.1	2,462,019	1,586,419
Branch Adjustment Account		85,453	-
Insurance claim receivable		24,280	28,704
Car Ijarah repossession		-	-
Receivable against First WAPDA Sukuk	15.1.2	50,000	50,000
Stationery and stamps in hand		5	13
Trade debts		122,520	117,803
Acceptances		944,025	1,627,253
Receivable from PSX against sale of shares		-	4,488
Unrealized gain on forward foreign exchange contracts		25,489	-
Unrealized gain on future sale contracts		21,006	2,359
Amount held with financial institution	23.3.3	738,477	-
Other receivables		374,648	184,933
		8,613,894	6,915,117
Less: Provision held against other assets	15.3	(682,950)	(672,888)
Other Assets (Net of Provision)		7,930,944	6,242,229
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		384,502	181,999
Total other assets		8,315,446	6,424,228
15.1 Market value of non-banking assets acquired in satisfaction of claims	15.1.1	2,317,671	1,239,568

The properties of the Holding Company have been revalued by independent professional valuers as at 31 December 2018. The revaluation was carried out by M/s. Harvester Services (Pvt.) Ltd., Gandhara Consultants (Pvt.) Ltd., Akbani & Javed Associates, Sadruddin Associates, Fairwater Property Valuers & Surveyors (Pvt.) Ltd., MYK Associates (Pvt.) Ltd. and Tristar International Consultant Pvt. Ltd. on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 258.806 million.

Impairment amounting to Rs. 528.850 million (2017: Rs. 528.850 million) is included in provision held against other assets.

15.1.1 Non-banking assets acquired in satisfaction of claims

	2018	2017
	Rupees in '000	
Opening Balance	1,239,568	1,137,060
Additions	952,620	-
Disposals	(70,367)	-
Revaluation	202,503	109,142
Depreciation	(6,653)	(6,634)
Closing Balance	2,317,671	1,239,568

15.1.2 Loss on disposal of non-banking assets acquired in satisfaction of claims

	2018	2017
	Rupees in '000	
Disposal Proceeds	116,100	-
Less: Carrying Value	(126,670)	-
Loss on disposal	(10,570)	-

15.2 The Group had purchased 10,000 certificates on June 25, 2009 of first WAPDA sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Group's CDC account. However, the periodic Ijarah Rental dues were not paid to the Group on the plea that there exists certain discrepancy with respect to ownership of the asset. The amount has been shown under "other assets" as the certificates were matured in 2012 as per the terms of the sukuk issue. The Bank has not recognised any provision in respect of the above amount as it is fully secured through a lien over a deposit account.

	Note	2018	2017
		Rupees in '000	
15.3 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		26,692	26,692
Non banking assets acquired in satisfaction of claims		528,850	528,850
Others		127,408	117,346
	15.3.1	682,950	672,888
15.3.1 Movement in provision held against other assets			
Opening balance		672,888	665,281
Charge for the year		11,327	7,607
Reversals		(1,265)	-
Closing balance		682,950	672,888

16 BILLS PAYABLE

In Pakistan	3,242,180	3,928,469
Outside Pakistan	-	-
	3,242,180	3,928,469

17 DUE TO FINANCIAL INSTITUTIONS

Secured

Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	17.1	2,496,675	3,103,902
Acceptances from State Bank of Pakistan for financial assistance	17.2	2,822,857	2,581,488
		5,319,532	5,685,390
Musharakah Acceptance	17.3	-	5,000,000
Total secured		5,319,532	10,685,390

Unsecured

Wakalah Acceptance	17.4	-	585,000
Musharakah Acceptance	17.5	2,500,000	4,300,000
Total unsecured		2,500,000	4,885,000
		7,819,532	15,570,390

- 17.1** The acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favour of the State Bank of Pakistan (SBP). A limit of Rs. 5,000 million (2017: Rs. 5,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2018.
- 17.2** 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 Government of Pakistan Ijarah Sukuk. The 10 year facility was provided on the basis of Mudarabah to be remunerated at profit sharing ratio declared by the Bank on its remunerative current accounts on monthly basis. Accordingly, the profit amortization rate applied by the Bank in this respect is 0.01% per annum.
- 17.3** The profit rates on this agreement is Nil (2017: 5.83%) per annum and has matured during the year.
- 17.4** The profit rate on this agreement is Nil (2017: 5.75%) per annum and the agreement has matured during the year.
- 17.5** The profit rates on these agreements are varying between 9.10% to 9.60% (2017: 5.65% to 5.70%) per annum and has maturity in 3 to 25 days (2017: 2 to 18 days).
- 17.6** **Particulars of due to financial institutions with respect to currencies**

	2018	2017
	Rupees in '000	
In local currency	7,819,532	15,570,390
In foreign currencies	-	-
	<u>7,819,532</u>	<u>15,570,390</u>

18 DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	57,544,632	1,571,063	59,115,695	55,643,395	1,443,557	57,086,952
Savings deposits	57,397,384	2,932,484	60,329,868	54,757,724	2,097,995	56,855,719
Term deposits	54,272,975	617,886	54,890,861	42,233,594	170,911	42,404,505
Others	438,238	17,697	455,935	577,988	14,608	592,596
	<u>169,653,229</u>	<u>5,139,130</u>	<u>174,792,359</u>	<u>153,212,701</u>	<u>3,727,071</u>	<u>156,939,772</u>
Financial Institutions						
Current deposits	161,741	11,425	173,166	179,441	9,984	189,425
Savings deposits	7,218,996	-	7,218,996	20,360,908	-	20,360,908
Term deposits	2,245,000	-	2,245,000	572,000	-	572,000
	<u>9,625,737</u>	<u>11,425</u>	<u>9,637,162</u>	<u>21,112,349</u>	<u>9,984</u>	<u>21,122,333</u>
	<u>179,278,966</u>	<u>5,150,555</u>	<u>184,429,521</u>	<u>174,325,050</u>	<u>3,737,055</u>	<u>178,062,105</u>

18.1 Composition of deposits

	2018	2017
	Rupees in '000	
Individuals	53,743,188	52,004,962
Government (Federal and Provincial)	7,786,734	6,736,395
Public Sector Entities	10,074,411	4,430,687
Banking Companies	4,350	107,964
Non-Banking Financial Institutions	9,638,911	21,014,369
Private Sector	103,181,927	93,767,728
	<u>184,429,521</u>	<u>178,062,105</u>

18.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 110,586.391 million.

19 OTHER LIABILITIES

	Note	2018	Restated 2017
		Rupees in '000	
Profit / return payable in local currency		845,669	774,724
Profit / return payable in foreign currencies		9,837	4,676
Accrued expenses		545,345	445,870
Deferred Murabahah Income - Financing and IERS		173,447	153,187
Deferred Murabahah Income - Commodity Murabahah		17,561	94,091
Payable to defined benefit plan		4,880	2,210
Payable to defined contribution plan		2,917	5,023
Defined Benefit Plan liabilities		78,223	45,742
Security deposits against Ijarah		2,053,274	2,403,247
Provision against off-balance sheet obligations	19.1	129,093	129,093
Surplus income of quarantined entity held for future admissible expenses		-	95,860
Acceptances		944,025	1,627,253
Receipt appropriation account		74,056	159,543
Current taxation (provisions less payments)		89,994	120,321
Provision against other tax liabilities		58,683	27,251
Sundry creditors		802,422	870,536
Payable to brokers against purchase of shares - net		33,444	31
Charity payable	19.2	12,966	2,679
Retention money payable		10,857	17,474
Provision for Workers' Welfare Fund		31,939	23,723
Branch adjustment account		-	38,247
Others		147,591	31,289
		<u>6,066,223</u>	<u>7,072,968</u>

19.1 Provision against off-balance sheet obligations

Opening balance		129,093	299,093
Transferred to provision against Investment		-	(170,000)
Closing balance	19.1.1	<u>129,093</u>	<u>129,093</u>

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

19.2 Charity payable

Note	2018	2017
	Rupees in '000	
Opening balance	2,679	2,145
Additions during the period		
- Received from customers on account of delayed payment	51,213	8,864
- Shariah non-compliant income	2,773	239
- Profit on charity saving account	101	81
	54,087	9,184
Distribution of Charity		
- Education	(1,700)	(3,400)
- Health	(37,500)	(2,300)
- Islamic microfinance program	(500)	(700)
- Community Development	(4,100)	(2,250)
19.2.1	(43,800)	(8,650)
Closing balance	12,966	2,679

19.2.1 Charity was paid to the following:

Ahmed E. H. Jaffer Foundation	-	350
Akhuwat Foundation	500	700
Alamgir Welfare Trust International	2,600	950
Bait us Salam Education Foundation	-	200
Bait us Salam Welfare Trust	1,000	500
Centre for Development of Social Services	500	300
Child Aid Association	100	-
Diya Pakistan	-	200
Ghousia Free Dispensary	500	200
Indus Hospital	35,500	700
Institute of Behavioural Psychology	500	-
Karachi Relief Trust	-	150
Karewan-e-Hayat	300	-
Kharadar General Hospital	500	700
Koochi Goth Hospital	300	200
Markaz-e-Umeed	-	200
Mrs. Shahnaz Khan	-	150
National University of Sciences & Technology	-	500
Nigahban Welfare Association	100	-
Pakistan Association of The Blind (Sindh)	100	-
Pakistan Navy Education Trust (PNET)	-	200
Pakistan Navy Educational Trust - Bahria Model School	-	250
Sahara Public Rights Welfare	-	200
Shoukat Khanum Memorial	300	500
Tasha Trust	-	500
The Citizen Foundation	1,000	1,000
	43,800	8,650

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

20 SHARE CAPITAL - NET

	2018	2017		2018	2017
	Number of Shares			Rupees in '000	
20.1 Authorised capital					
	1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000
20.2 Issued, subscribed and paid up capital					
	2018	2017		2018	2017
	Number of Shares			Rupees in '000	
	1,007,912,090	1,007,912,090	Ordinary shares of Rs. 10 each	10,079,121	10,079,121
	-	-	Fully paid in cash		
			Less: Discount on issue of shares	(79,042)	(79,042)
	1,007,912,090	1,007,912,090		10,000,079	10,000,079

21 RESERVES

Statutory Reserves	21.1	718,799	676,266
Reserve for bad debts and contingencies	21.2	250,000	250,000
		968,799	926,266
21.1	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.		
21.2	The Board of Directors in its meeting held on March 6, 2015 had approved transfer of an amount of Rs. 250 million out of "unappropriated profit" to "reserve for bad debts and contingencies".		

22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	Note	2018	2017
		Rupees in '000	
Surplus on revaluation of:			
Available for sale securities	10.1	40,214	340,794
Fixed Assets	22.1	2,119,539	1,216,977
Non-banking assets acquired in satisfaction of claims	22.2	383,356	181,327
		2,543,109	1,739,098
Deferred tax liability on surplus on revaluation of:			
Available for sale securities		(5,378)	(145,325)
Fixed Assets	22.1	(640,023)	(386,711)
Non-banking assets acquired in satisfaction of claims	22.2	(22,213)	(5,149)
		(667,614)	(537,185)
		1,875,495	1,201,913

22.1 Surplus on revaluation of fixed assets

Freehold / Leasehold Land

Surplus on revaluation of fixed assets at January 1
Surplus recognised during the year
Surplus transferred to non-banking assets during the year

Building on leasehold land

Surplus on revaluation of fixed assets at January 1
Surplus recognised during the year
Surplus transferred to non-banking assets during the year

Transferred to un-appropriated profit in respect of incremental depreciation charged during the year
Related deferred tax liability in respect of incremental depreciation charged during the year

Related deferred tax liability on surplus as at January 1
Related deferred tax liability on surplus arising during the year
Related deferred tax liability in respect of incremental depreciation charged during the year

	2018	2017
	Rupees in '000	
Surplus on revaluation of fixed assets at January 1	112,087	112,087
Surplus recognised during the year	178,814	-
Surplus transferred to non-banking assets during the year	-	-
	<u>290,901</u>	<u>112,087</u>
Surplus on revaluation of fixed assets at January 1	1,104,890	1,120,887
Surplus recognised during the year	739,745	-
Surplus transferred to non-banking assets during the year	-	-
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(10,398)	(10,398)
Related deferred tax liability in respect of incremental depreciation charged during the year	(5,599)	(5,599)
	<u>(15,997)</u>	<u>(15,997)</u>
	<u>1,828,638</u>	<u>1,104,890</u>
Related deferred tax liability on surplus as at January 1	(386,711)	(392,310)
Related deferred tax liability on surplus arising during the year	(258,911)	-
Related deferred tax liability in respect of incremental depreciation charged during the year	5,599	5,599
	<u>(640,023)</u>	<u>(386,711)</u>
	<u>1,188,615</u>	<u>718,179</u>
	<u>1,479,516</u>	<u>830,266</u>

22.2 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
Surplus recognised during the year
Surplus transferred from fixed assets during the year

Building on leasehold land

Surplus on revaluation of Non Banking Assets at January 1
Surplus recognised during the year
Surplus transferred from fixed assets during the year
Surplus transferred to unappropriated profit

Transferred to un-appropriated profit in respect of incremental depreciation charged during the year
Related deferred tax liability in respect of incremental depreciation charged during the year

Related deferred tax liability on surplus as at January 1
Related deferred tax liability on surplus arising during the year
Related deferred tax liability on surplus on revaluation transferred to unappropriated profit
Related deferred tax liability in respect of incremental depreciation charged during the year

Surplus on revaluation of Non Banking Assets at January 1	166,619	59,367
Surplus recognised during the year	153,276	107,252
Surplus transferred from fixed assets during the year	-	-
	<u>319,895</u>	<u>166,619</u>
Surplus on revaluation of Non Banking Assets at January 1	14,708	13,233
Surplus recognised during the year	105,530	1,890
Surplus transferred from fixed assets during the year	-	-
Surplus transferred to unappropriated profit	(56,303)	-
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(308)	(270)
Related deferred tax liability in respect of incremental depreciation charged during the year	(166)	(145)
	<u>(474)</u>	<u>(415)</u>
	<u>63,461</u>	<u>14,708</u>
Related deferred tax liability on surplus as at January 1	(5,149)	(4,632)
Related deferred tax liability on surplus arising during the year	(36,936)	(662)
Related deferred tax liability on surplus on revaluation transferred to unappropriated profit	19,706	-
Related deferred tax liability in respect of incremental depreciation charged during the year	166	145
	<u>(22,213)</u>	<u>(5,149)</u>
	<u>41,248</u>	<u>9,559</u>
	<u>361,143</u>	<u>176,178</u>

23 CONTINGENCIES AND COMMITMENTS

	Note	2018	2017
		Rupees in '000	
- Guarantees	23.1	6,709,789	10,097,695
- Commitments	23.2	13,971,812	11,575,068
- Other contingent liabilities	23.3	2,459,366	1,243,036
		23,140,967	22,915,799
23.1 Guarantees:			
Financial guarantees		123,320	261,139
Performance guarantees		4,701,791	4,414,134
Other guarantees		1,884,678	5,422,422
		6,709,789	10,097,695
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		3,706,280	5,808,063
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	2,870,624	(306,336)
- future sale of shares	23.2.2	(165,634)	(157,705)
- operating leases	23.2.3	4,913,424	4,324,670
Commitments for acquisition of:			
- operating fixed assets		198,145	142,682
- intangible assets		114,207	10,286
Other commitments	23.2.4	2,334,766	1,753,408
		13,971,812	11,575,068
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		9,694,236	1,269,645
Sale		(6,823,612)	(1,575,981)
		2,870,624	(306,336)
23.2.2 Future sale of shares			
Purchase		170	-
Sale		(165,804)	(157,705)
		(165,634)	(157,705)
23.2.3 Commitments in respect of operating leases			
Not later than one year		160,769	19,356
Later than one year and not later than five years		1,524,244	115,319
Later than five years		3,228,411	4,189,995
		4,913,424	4,324,670
23.2.4 Other commitments			
Bills for collection		2,334,766	1,753,408
23.2.4.1	The Holding Company makes commitments to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		

23.3 Other contingent liabilities

	Note	2018	2017
		Rupees in '000	
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	23.3.1	161,200	161,200
Tax Contingencies	23.3.5	2,298,166	1,081,836
		2,459,366	1,243,036

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

23.3.2 Consequent to the amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited (the Holding Company) as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation, at Honorable Sindh High Court, Honorable Lahore High Court and Islamabad High Court, in which the Holding Company has been made a party. The double bench of Honorable Sindh High Court has disposed-off the prayers in three Constitutional Petitions, without any negative inference to the Holding Company, and issued certain directions to SBP which were then complied with. Subsequently, an appeal was filed against the decision of the Honorable Sindh High Court which has also been dismissed by the Honorable Supreme Court. Thereafter, Civil Review Petitions were filed in Honorable Supreme Court against dismissal order of the appeal, which have also been dismissed by the Honorable Supreme Court of Pakistan. The cases at Honorable Lahore High Court are also disposed off in the light of Honorable Supreme Court and Honorable Sindh High Court order. The cases at Honorable Islamabad High Court are pending. The management based on the opinion of its legal counsel is confident that these cases will also be dismissed by the Honorable Courts.

23.3.2.1 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 hearing. The management based on the opinion of its legal counsel is confident that the main Suit will be dismissed by the Honorable Courts.

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

23.3.3 The Holding Company has filed suit No. 2038 of 2018 in Honorable High Court of Sindh against the international payment scheme & 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. 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 incident. The Holding Company on the advice of the international PCI Forensic Investigator (PFI). Accordingly, the management based on the advice of its legal counsel believes that it has a sound arguable case insofar as it is not liable to settle the amount of the fraudulent transactions since the Holding Company had immediately complied with all the security requirements.

23.3.4 The ownership of the Group in respect of its investment in 400,000 certificates of Modaraba Al-Mali costing Rs. 2,972,822 was disputed by a person. The Group rejected this claim and filed a suit against that party in the High Court of Sindh claiming damages of Rs 20,000,000. The High Court granted an injunction in favour of the Group along with an order restraining the person to deal with the shares pending future hearing and disposal of the suit. The winding up petition as filed by the same party was also dismissed by the High Court.

After dismissal, the party filed a suit against the Group in the Banking Court, Karachi, claiming Rs 19,200,000. The management of the Group, based on the opinion of the Group's lawyer, is confident that the Group has a strong case and the suit filed against the Group will be dismissed. Accordingly, no provision has been made in these financial statements in respect of the above.

23.3.5 Tax Contingencies

23.3.5.1 The income tax returns of the Holding Company have been filed upto tax year 2018 whereas the tax assessments have been made by the tax authorities upto tax year 2017. The returns filed for the tax year 2014 to tax year 2018 are treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.

23.3.5.2 During the year 2014 (relating to defunct KASB Bank Limited), the learned Additional Commissioner Inland Revenue (ACIR) passed amended assessments order under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2011 and 2013 by imposing minimum tax on turnover disregarding gross loss position of the Holding Company. ACIR has also amended taxability of capital gain and dividend income. The aggregate tax impact comes to Rs. 116.002 million. Against the said order, the Holding Company filed an appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year 2016, the learned CIRA issued order under section 129 of the Ordinance by deleting the tax charged on capital gain and dividend income and upheld the levy of minimum tax. The learned ACIR has passed appeal effect order under section 124 of the Ordinance. After appeal effect order the aforesaid demand has now been reduced to Rs. 89.928 million. Against the order of the learned CIRA, the Holding Company has filed an appeal before the Honorable Appellate Tribunal Inland Revenue (ATIR). However, the department has filed an appeal against the CIRA Order on the issue of capital gain and dividend income. Therefore, cross appeal for the tax year 2011 and 2013 is pending before ATIR.

- 23.3.5.3** During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the CIRA (in respect of Income tax assessments of International Housing Finance Limited, amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007) for tax year 2005 maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs. 12.997 million. The defunct KASB Bank Limited has preferred appeals before the ATIR for tax year 2005 which are pending finalization.
- 23.3.5.4** During the year 2013 (relating to defunct KASB Bank Limited), the Appellate Tribunal Inland Revenue (ATIR) passed an order for the tax years 2005 to 2009 in favour of the defunct KASB Bank Limited by allowing certain deductions including provision for non-performing advances, impairment on investments, other provisions, amortization of goodwill and allocation of expenses having an aggregate tax impact of Rs. 712.550 million. However, the ATIR has disallowed deductions relating to carry over transactions having tax impact of Rs. 86.377 million for the tax years 2005 to 2008. The defunct KASB Bank Limited has preferred an appeal before the Honorable High Court of Sindh against the said decision of the ATIR. No development has taken place during the current year.
- 23.3.5.5** During the year 2013 (relating to defunct KASB Bank Limited), the Income tax assessments of KASB Capital Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2008) for tax years 2008 and 2009 were amended by the Taxation Officer to the extent of apportionment of expenses having an aggregate tax impact of Rs. 125.880 million. The Holding Company has preferred an appeal before the Honorable High Court of Sindh against the said decision of tax authorities. No development has taken place during the current year.
- 23.3.5.6** For tax years 2003 and 2004 (relating to defunct KASB Bank Limited), the CIRA has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of Rs. 33.748 million. The defunct KASB Bank Limited has preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above referred orders of the CIR Appeals. No development has taken place during the current year.
- 23.3.5.7** For assessment years 2001-2002 and 2002-2003 and tax years 2003, 2004 and 2005 (relating to defunct KASB Bank Limited) the income tax authorities of AJK region have passed appellate orders by adding interest on surplus funds transferred to head office, resulting in an additional tax demand of Rs. 14.587 million. The defunct KASB Bank Limited has filed reference with the Honorable Azad Kashmir High Court against such additions for the above mentioned assessment / tax years up to 2004. For the tax year 2005, the CIRA - AJK has passed order in favour of the defunct KASB Bank Limited. However, the tax department has preferred appeal before the ATIR - AJK against interest on surplus head office funds, having tax impact of Rs. 5.337 million. For tax years 2006 and 2008, AJK tax department passed orders under section 122(5A) of the Ordinance. As a result of these orders, aggregate demand of Rs. 19.178 million was raised against the defunct KASB Bank Limited. However, the order for the tax year 2008 was subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax years 2006 and 2008 reduced to Rs. 13.304 million. Subsequently the learned CIRA - AJK has passed orders under section 129 of the Ordinance for the tax years 2006 and 2008 whereby he has confirmed all additions. Therefore, the defunct KASB Bank Limited has preferred an appeal before the ATIR - AJK. An appeal against the order of CIRA for the tax years 2006 and 2008 has been filed by the Bank before the Appellate Tribunal Inland Revenue (ATIR) - AJK.

23.3.5.8 In respect of tax year 2015, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Holding Company by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by Rs. 32.893 million and levied super tax. As a result, a tax demand of Rs. 124.134 million was created.

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

23.3.5.9 In respect of the tax years 2016 and 2017, 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 Holding Company by Rs. 3.358 billion and Rs. 755.414 million for the tax years 2016 and 2017 respectively.

Against the disallowances in tax year 2016, an appeal has been filed before the CIRA which is pending finalization.

For the tax year 2017, the Holding Company filed an appeal against the said decision before CIRA as a result of which an appellate order has been passed. In the appellate order, the CIRA remanded disallowance of Rs. 39.50 million and whereas disallowances of Rs. 13.381 million were upheld. Remaining disallowances made by the CIR amounts to Rs. 702.533 million were deleted by the CIRA. Against the treatment meted out by the CIRA in favour of the Bank, the tax authorities have filed an appeal before the ATIR which is pending.

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

23.3.5.10 The Income Tax authorities Substituted Section 5A of Income Tax Ordinance 2001 through Finance Act 2017 which requires one of the Group company to be subjected to additional tax of 7.5% of the accounting profit before tax if it fails to distribute at least 40% of profit after tax within six months of the end of tax year through cash or bonus. However, the subsidiary company has filed an appeal before the Honorable High Court of Sindh at Karachi dated September 29, 2017. The Honorable High Court of Sindh has granted Stay orders in favour of the company and the proceedings thereof are pending till date. The management is confident that the eventual outcome of the matters will be decided in favour of the company. Accordingly, no provisions has been made in these financial statements.

24 PROFIT / RETURN EARNED

	2018	2017
	Rupees in '000	
Profit earned on:		
Financing	8,377,339	6,665,541
Investments	2,685,833	2,408,000
Placements	1,041,192	1,170,352
Others	100,303	79,834
	<u>12,204,667</u>	<u>10,323,727</u>

25 PROFIT / RETURN EXPENSED

Note	2018	2017
	Rupees in '000	
Deposits and other accounts	5,354,877	4,663,305
Due to financial institutions	789,873	567,197
Cost of foreign currency swaps against foreign currency deposits	793	803
	<u>6,145,543</u>	<u>5,231,305</u>

26 FEE & COMMISSION INCOME

Branch banking customer fees	92,812	65,956
Commission on bancatakaful	53,684	95,906
Card related fees	272,409	248,227
Financing related fees	1,572	3,293
Commission on arrangement with financial institutions	21,401	27,870
Consumer finance related fees	26,532	31,665
Commission on guarantees	54,737	37,818
Investment banking fees	150,047	5,055
Commission on cash management	8,495	-
Commission on remittances including home remittances	61,844	35,161
Commission on trade	92,478	91,326
Others	6,224	5,191
	<u>842,235</u>	<u>647,468</u>

27 GAIN ON SALE OF SECURITIES

Realised gain	27.1	66,504	121,421
Unrealised loss - held for trading	10.1	(19,686)	(2,007)
		<u>46,818</u>	<u>119,414</u>

27.1 Realised gain on:

Federal Government Securities	(5,581)	43,405
Shares	58,416	20,220
Mutual fund units	13,669	57,796
	<u>66,504</u>	<u>121,421</u>

28 OTHER INCOME

Rent on property	11,126	10,953
Gain on termination of financing	59,402	35,656
Gain on sale of property and equipment	11,542	13,577
Loss on sale of non-banking assets	(10,570)	-
Fee for attending board meetings of associates	120	112
Takaful claim	531	-
Recoveries against previously expensed items	9,657	16,991
Others	438	564
	<u>82,246</u>	<u>77,853</u>

29 OPERATING EXPENSES

	Note	2018	2017
		Rupees in '000	
Total compensation expense	29.1	2,769,794	2,731,870
Property expense			
Rent & taxes		968,708	835,610
Insurance		148,867	64,272
Utilities cost		327,767	313,645
Security (including guards)		325,536	305,408
Repair & maintenance (including janitorial charges)		109,669	95,029
Depreciation		278,082	310,258
Others		588	1,653
		2,159,217	1,925,875
Information technology expenses			
Software maintenance		95,577	71,569
Hardware maintenance		63,528	51,157
Depreciation		175,263	181,887
Amortisation		66,031	58,075
Network charges		158,873	93,440
		559,272	456,128
Other operating expenses			
Directors' fees and allowances		7,475	4,153
Fees and allowances to Shariah Board		12,282	900
Legal & professional charges		78,837	46,164
Travelling & conveyance		31,113	30,943
NIFT clearing charges		20,310	17,317
Depreciation		196,177	215,700
Depreciation on non banking assets		6,653	6,701
Entertainment expense		62,570	54,166
Postage & courier charges		46,729	47,584
Communication		45,974	40,693
Marketing, advertisement & publicity		125,959	89,137
Repairs and maintenance		78,740	82,107
Takaful, tracker and other charges on car Ijarah		158,998	195,075
Stationery & printing		105,353	103,919
Fee and subscription		115,503	89,671
Vehicle running and maintenance		102,003	72,167
Auditors Remuneration	29.2	13,494	10,347
Amortization		2,283	5,105
CDC and share registrar services		13,177	16,513
Brokerage and commission		10,554	6,985
Stamp duty & registration charges		15,319	33
Others		72,464	46,525
		1,321,967	1,181,905
		6,810,250	6,295,778

29.1 Total compensation expense

	Note	2018	2017
Rupees in '000			
Managerial remuneration			
(i) Fixed		1,250,793	1,238,075
(ii) Variable - Cash bonus / awards		7,984	2,792
Charge for defined benefit plan	38.8.1	89,186	81,604
Contribution to defined contribution Plan	39	87,831	86,632
Rent & house maintenance allowance		498,706	509,327
Utilities allowance		110,783	115,360
Medical allowance		149,928	151,451
Car maintenance allowance		169,795	165,795
Conveyance allowance		4,221	3,629
Fuel allowance		9,694	8,329
Sports & welfare		1,817	1,800
Staff life takaful		8,323	7,597
Overtime allowance		2,127	1,817
Training		18,801	25,344
Special allowance		41,285	25,108
Phone banking allowance		557	391
Relocation allowance		587	429
Janitorial		-	-
Sales commission		129,047	140,430
Contract staff cost		178,312	165,916
Others		17	44
Sub-total		2,759,794	2,731,870
Sign-on bonus (Paid to 1 person as per contract)		10,000	-
Grand Total		2,769,794	2,731,870

29.2 Auditors' remuneration

Audit fee	7,000	5,423
Fee for the review of half yearly financial statements	1,733	1,726
Fee for other statutory certifications	2,017	-
Special certifications and sundry advisory services	531	2,248
Tax services	1,400	-
Out-of-pocket expenses	813	950
	13,494	10,347

30 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	54,359	21,733
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31 REVERSAL OF PROVISIONS AND WRITE OFFS - NET

Provision for diminution in value of investments - net	10.6.1	21,383	210,600
Reversal of provision against Islamic financing and related assets and advances - net	11.15.2	(35,875)	(477,688)
Other provisions / reversal of provision / write offs - net	15.3.1	11,327	(124,882)
		(3,165)	(391,970)

32 FINANCIAL RESULTS OF BIPL SECURITIES LIMITED

	Note	2018	2017
		Rupees in '000	
Total income for the year		255,686	396,428
Total expenses for the year		317,003	317,392
(Loss) / profit before taxation		(61,316)	79,036
Taxation			
- Current		17,165	19,143
- Prior years		(1,172)	(941)
- Deferred		(30,555)	26,393
		(14,562)	44,595
(Loss) / profit after taxation		(46,755)	34,441

33 TAXATION

Current year		168,580	141,711
Prior years		33,591	74
Deferred	33.1	(12,087)	(1,560,361)
		190,084	(1,418,576)

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

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Holding Company has filed the return of income for the tax years 2006 to 2018 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.

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

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

34 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2018	2017
		Rupees in '000	
Profit after taxation for the year (Attributable to equity shareholders of the Bank)		334,266	1,676,676
		Number of shares	
Weighted average number of ordinary shares in issue		1,007,912,090	1,007,912,090
		Rupees	
Earnings per share - basic / diluted	34.1	0.3316	1.6635

34.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2018 and December 31, 2017.

35 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, 2018:

- (i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- (ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme;
- (iii) Special Mudarabah Deposits Pool; and
- (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 Ijarah 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 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 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, wherein the Holding Company and partner (Financial Institution) share actual return earned by the pool according to pre-defined profit sharing ratio.

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

- 1 **Asset Risk:** The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Holding Company has prepared detailed product manuals in order to identify and properly mitigate such risk. The Holding Company also analyses transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professionals having considerable experience in the field of Islamic banking and finance. Nevertheless since Islamic banking is a nascent industry, we believe that the process of further improvement will continue as the business grows.

- 2 Credit Risk:** Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 46.1 to these financial statements.

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

Gross income (Revenue less cost of goods sold and after deduction of other direct expenses), generated from relevant assets is calculated at the end of the month. The income is shared between the 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 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 Holding Company as Mudarib.

2018

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					Rupees in '000			
PKR Pool	Monthly	8.86%	50.00%	50.00%	3,295,314	4.30%	21.69%	669,619
USD Pool	Monthly	1.26%	50.00%	50.00%	14,677	0.63%	0.25%	34
GBP Pool	Monthly	0.40%	50.00%	50.00%	581	0.23%	7.08%	18
EURO Pool	Monthly	0.03%	54.05%	45.95%	22	0.02%	0.00%	-
Specific Musharakah Pool	Profit Rate and Weightages announcement Period	Profit rate return earned	Client Share %	Bank Share %	Bank Share	Profit rate return distributed	Percentage of Hiba to Client	Amount of Hiba to IERS Client
					Rupees in '000			
Islamic Export Refinance (IERS) Musharakah Pool	Monthly	4.29%	46.80%	53.20%	2,359,406	1.99%	0.00%	-

2018

Specific Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to special remunerative deposits
					Rupees in '000			
(i) Mutual Fund	Monthly	8.73%	70.12%	29.88%	121,550	6.24%	47.41%	53,677
(ii) Special Term Deposit	Monthly	8.08%	71.24%	28.76%	164,696	5.61%	23.72%	35,906
(iii) Special Saving	Monthly	9.72%	70.00%	30.00%	39,140	6.82%	51.51%	20,904
(iv) 1 year special Term Deposit	Monthly	10.93%	70.00%	30.00%	6,136	7.73%	50.35%	3,460

(v) In addition to the above, 92 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

36 CASH AND CASH EQUIVALENTS

Note	2018	2017
Rupees in '000		
Cash and balances with treasury banks	7 14,292,752	11,784,180
Balances with other banks	8 1,164,553	1,149,355
	<u>15,457,305</u>	<u>12,933,535</u>

37 STAFF STRENGTH

	Number of employees	
Permanent	2,400	2,694
Contractual basis	800	854
Total staff strength	<u>3,200</u>	<u>3,548</u>

38 DEFINED BENEFIT PLAN

38.1 General description

The Group operates separate gratuity funds for its employees of the holding company and the BankIslami Modaraba Investments Limited. The fund entitles the members to lump sum payment at the time of retirement, resignation or death. Permanent staff are eligible for such benefits after three years of service.

38.2 Number of Employees under the scheme

The number of employees covered under the defined schemes are 2,258 (2017: 2,538). The latest actuarial valuation of the holding company's gratuity scheme was carried out as at December 31, 2018 and BankIslami Modaraba Investments Limited as at June 30, 2018. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

38.3 Principal actuarial assumptions

The latest actuarial valuation of the Group's gratuity scheme was carried out as at December 31, 2018. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2018	2017
- Valuation Discount rate	9.50%	9.50%
- Salary Increase Rate	9.50%	8.50%
- Expected Return on Plan Assets	13.75%	9.50%

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

38.4 Reconciliation of payable to defined benefit plan

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

Note	2018	2017
	Rupees in '000	
Present value of defined benefit obligations	381,928	329,540
Fair value of plan assets	(303,705)	(283,799)
Payable	78,223	45,741

38.5 Movement in defined benefit obligation

Obligations at the beginning of the year	329,540	272,349
Current service cost	87,214	84,963
Return expensed	29,222	24,438
Benefits paid by the Group	(45,406)	(30,000)
Re-measurement gain	(18,643)	(22,210)
Obligations at the end of the year	381,928	329,540

38.6 Movement in fair value of plan assets

Fair value at the beginning of the year	283,798	307,723
Return earned on plan assets	27,251	27,797
Contribution by the Group - net	5,063	(29,632)
Re-measurements: net return on plan assets over profit expense	38.8.2 (12,407)	(22,089)
Fair value at the end of the year	303,705	283,799

38.7 Movement in payable under defined benefit schemes

Opening balance	45,742	(35,374)
Charge for the year	89,186	81,604
Contribution by the Group - net	(5,063)	29,632
Re-measurement gain recognised in OCI during the year	38.8.2 (6,236)	(121)
Benefits paid by the Bank	(45,406)	(30,000)
Closing balance	78,223	45,741

38.8 Charge for defined benefit plans

38.8.1 Cost recognised in profit and loss

	2018	2017
	Rupees in '000	
Current service cost	87,214	84,963
Net return on defined benefit asset / liability	1,972	(3,359)
	<u>89,186</u>	<u>81,604</u>

38.8.2 Re-measurements recognised in OCI during the year

Gain on obligation		
- Financial assumptions	24,772	(100)
- Experience adjustment	(43,415)	(68)
Return on plan assets over profit income	<u>12,407</u>	<u>47</u>
Total re-measurements recognised in OCI	(6,236)	(121)
Deferred tax impact	<u>2,183</u>	<u>42</u>
Total re-measurements recognised in OCI	<u>(4,053)</u>	<u>(79)</u>

38.9 Components of plan assets

Bank balance	250,563	227,662
Units of mutual funds	51,592	53,958
Debt instrument	1,131	704
Cash and cash equivalents	486	1,474
Others	<u>(67)</u>	<u>-</u>
	<u>303,705</u>	<u>283,798</u>

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

38.10 Sensitivity analysis

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

	2018	2017
	Rupees in '000	
1% increase in discount rate	343,694	366,908
1% decrease in discount rate	424,301	294,215
1 Year increase in Life expectancy / Withdrawal rate	380,589	327,666
1 Year decrease in Life expectancy / Withdrawal rate	380,613	327,558

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

	Rupees in '000	
38.11 Expected contributions to be paid to the funds in the next financial year		<u>88,288</u>
38.12 Expected charge / (reversal) for the next financial year		<u>90,004</u>

38.13 Maturity profile

The weighted average duration of the defined benefit obligation is 11.61 years.

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

At December 31, 2018	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	Rupees in ' 000				
Gratuity	17,661	21,610	69,444	3,124,610	3,233,325

38.14 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. 90.004 million as per the actuarial valuation report of the Holding Company as of December 31, 2018.

38.15 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.

39 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. 87.831 million (2017: Rs. 86.632 million) each.

40 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL OF THE HOLDING COMPANY

40.1 Compensation of directors and executives

	President / Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Fees	-	-	6,900	4,153	-	-
Managerial remuneration	61,145	29,883	-	-	214,410	502,440
Charge for defined benefit plan	-	-	-	-	16,735	16,056
Salary in lieu of provident fund	-	2,327	-	-	-	-
Contribution to defined contribution plan	636	-	-	-	13,129	39,027
Rent and house maintenance	-	642	-	-	67,160	210,471
Utilities	-	2,327	-	-	14,925	46,772
Medical	-	2,327	-	-	13,886	45,623
Others	4,136	-	-	-	36,448	114,420
	65,917	37,506	6,900	4,153	376,693	974,809
Number of persons	2*	1	7	7	92	560

*During the year Mr. Hasan A Bilgrami vacated his office as the President and CEO with effect from September 30, 2018 and Mr. Syed Amir Ali was appointed as the President and CEO of the Holding Company with effect from October 01, 2018. Amounts reported include remuneration of both the current and former President and CEO.

- 40.1.1** The SBP, vide its BPRD Circular No. 01 January 25, 2017, issued "Guidelines and Disclosures on Governance and Remuneration Practices". Certain disclosure related to remuneration of Directors and management of the Bank were required to be presented in the financial statements in terms of such guidelines. Accordingly, revised format of the financial statement issued by the SBP incorporates such disclosure requirements. However, SBP through its circular number BPRD/R&PD/2018/17232 dated August 08, 2018 deferred the reporting of such disclosures till December 31, 2019. Therefore, the management has reported the remuneration disclosures in these financial statement in accordance with previous disclosure requirements of the SBP.
- 40.1.2** The Holding Company's former President and Chief Executive Officer was also provided with car allowance of Rs. 5.599 million (2017: Rs. 5.449 million) as per the policy of the Holding Company.
- 40.1.3** In addition to above, the Executives have also been given car allowance amounting to Rs. 131,495 million (2017: Rs. 124,918 million) during the current year.
- 40.1.4** The remuneration and other benefits paid to the Chief Executive Officer of the BankIslami Modaraba Investments Limited and BIPL Securities Limited amounted to Rs. 8.482 million (2017: Rs. 8.559 million) and Rs. 9.998 million (2017: Rs. 14.019 million) respectively.
- 40.1.5** The count for Executives has been reduced from 560 in 2017 to 92 in 2018 due to a change in definition of the Executives. Earlier, any employee having an annual basic salary of Rs. 0.5 million or above was defined as an Executive. This threshold has now been increased to Rs. 1.2 million.

40.2 Remuneration paid to Shariah Board Members

	2018			2017		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
Rupees in '000						
a. Meeting Fees and Allowances	-	-	1,350	-	-	900
b. Managerial remuneration & allowances	8,568	2,364	-	7,056	1,581	-
Total Amount	8,568	2,364	1,350	7,056	1,581	900
Total Number of Persons	1	1	1	1	1	1

41 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. 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 debt 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.

41.1 Fair value of financial assets

The Group 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 instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

2018				
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	26,513,606	-	26,513,606
Shares	476,679	-	-	476,679
Non-Government Debt Securities	-	10,045,048	-	10,045,048
Units of open ended mutual funds	3,743	-	-	3,743
Modaraba Certificate	8,198	8,198	-	16,396
Non-Financial Assets - measured at fair value				
Operating fixed assets - Land and building	-	-	4,977,178	4,977,178
Non-banking assets	-	-	2,317,671	2,317,671
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	9,846,491	-	9,846,491
Forward sale of foreign exchange	-	6,950,378	-	6,950,378
Shariah compliant future purchase of shares	161	-	-	161
Shariah compliant future sale of shares	144,789	-	-	144,789

2017				
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	34,256,300	-	34,256,300
Shares	616,302	-	-	616,302
Non-Government Debt Securities	-	100,452	-	100,452
Units of open ended mutual funds	4,031	-	-	4,031
Modaraba Certificate	8,855	-	-	8,855
Non-Financial Assets - measured at fair value				
Operating fixed assets - Land and building	-	-	4,141,401	4,141,401
Non-banking assets	-	-	1,239,568	1,239,568
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,270,703	-	1,270,703
Forward sale of foreign exchange	-	1,583,801	-	1,583,801
Shariah compliant future sale of shares	153,437	-	-	153,437

Valuation techniques used in determination of fair values within level 2

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

Valuation techniques used in determination of fair values within level 3

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

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

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

42 SEGMENT INFORMATION

42.1 Segment Details with respect to Business Activities

	2018				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Profit & Loss					
Profit / return earned	2,990,238	(2,904,158)	5,847,579	125,464	6,059,124
Inter segment revenue - net	(3,033,441)	9,071,018	(6,037,577)	-	-
Other income	580,793	290,726	323,234	129,504	1,324,257
Total Income	537,590	6,457,586	133,236	254,969	7,383,381
Segment direct expenses	318,069	4,005,136	314,569	2,235,050	6,872,824
Inter segment expense allocation	109,280	1,492,155	497,355	(2,098,790)	-
Total expenses	427,349	5,497,291	811,924	136,260	6,872,825
Provisions	76,051	6,992	(59,248)	(26,960)	(3,165)
Profit / (loss) before tax	34,191	953,303	(619,440)	145,668	513,722

2018

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Balance Sheet					
Assets					
Cash & Bank balances	8,592,182	6,815,483	-	49,640	15,457,305
Investments	39,224,886	-	-	11,877	39,236,763
Net inter segment lending	-	156,041,540	-	-	156,041,540
Due from financial institutions	18,173,504	-	-	-	18,173,504
Advances - performing	(255,694)	22,423,321	89,165,423	2,510,425	113,843,475
Advances - non-performing	-	746,700	3,649,429	81,207	4,477,336
Others	2,307,249	1,873,391	3,166,067	18,298,179	25,644,886
Total Assets	68,042,127	187,900,435	95,980,919	20,951,327	372,874,809
Liabilities					
Borrowings	5,331,216	5,730,496	-	-	11,061,712
Subordinated debt	-	-	-	-	-
Deposits & other accounts	(60,150)	184,477,936	-	11,735	184,429,521
Net inter segment borrowing	61,630,487	-	94,411,053	-	156,041,540
Others	656,240	699,280	1,569,866	3,140,837	6,066,223
Total liabilities	67,557,793	190,907,712	95,980,919	3,152,572	357,598,996
Equity	-	-	-	15,275,812	15,275,812
Total Equity & liabilities	67,557,793	190,907,712	95,980,919	18,428,384	372,874,808
Contingencies & Commitments	2,704,990	-	10,416,069	10,013,710	23,134,769

2017 (Restated)

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Profit & Loss					
Profit / return earned	3,006,519	(2,866,946)	4,884,560	68,288	5,092,421
Inter segment revenue - net	(2,904,587)	5,822,341	(2,917,754)	-	-
Other income	258,222	351,318	254,670	100,931	965,141
Total Income	360,154	3,306,713	2,221,476	169,219	6,057,562
Segment direct expenses	176,282	2,058,460	1,427,078	2,655,692	6,317,512
Inter segment expense allocation	128,764	1,758,191	586,028	(2,472,983)	-
Total expenses	305,046	3,816,651	2,013,106	182,709	6,317,512
Provisions	85,717	38,952	(644,981)	(10,631)	(530,943)
Profit / (loss) before tax	(30,609)	(548,890)	853,351	(2,859)	270,993

	2017				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Balance Sheet					
Assets					
Cash & Bank balances	6,585,671	6,249,556	-	98,308	12,933,535
Investments	42,350,932	-	-	12,821	42,363,753
Net inter segment lending	-	157,428,908	-	-	157,428,908
Due from financial institutions	21,371,787	-	-	-	21,371,787
Advances - performing	-	18,331,666	94,214,242	2,073,895	114,619,803
Advances - non-performing	-	529,355	3,828,375	29,246	4,386,976
Others	931,598	1,383,147	4,514,214	16,356,355	23,185,314
Total Assets	71,239,988	183,922,632	102,556,831	18,570,625	376,290,076
Liabilities					
Borrowings	12,466,488	3,103,902	-	-	15,570,390
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	178,020,950	-	41,155	178,062,105
Net inter segment borrowing	58,103,363	-	99,325,545	-	157,428,908
Others	189,577	7,253,002	1,604,032	1,954,826	11,001,437
Total liabilities	70,759,428	188,377,854	100,929,577	1,995,981	362,062,840
Equity	-	-	-	14,227,236	14,227,236
Total Equity & liabilities	70,759,428	188,377,854	100,929,577	16,223,217	376,290,076
Contingencies & Commitments	(338,538)	-	15,905,758	6,867,793	22,435,013

43 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	
		2018	2017	2018	2017
		Rupees in ' 000			
Insurance Companies	Sukuks	2	2	479,500	278,000
Asset Management Companies	Sukuks	38	22	3,407,030	1,206,740
Employee Funds / NGO's	Sukuks	7	4	40,500	28,000
Individuals	Sukuks	7	8	154,470	103,295
Others	Sukuks	13	25	2,951,500	6,091,965
		67	61	7,033,000	7,708,000

44 RELATED PARTY TRANSACTIONS

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

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

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

	2018				2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	Rupees in ' 000							
Investments								
Opening balance	-	-	1,660,111	-	-	-	1,660,111	-
Investment made during the year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	1,660,111	-	-	-	1,660,111	-
Provision for diminution in value of investments	-	-	(1,032,169)	-	-	-	(1,032,169)	-
Islamic financing and related assets								
Opening balance	27,464	184,202	582,084	1,880,378	29,090	195,125	722,105	836,022
Addition during the year	-	258,618	675,000	3,196,861	-	31,426	674,190	6,780,093
Repaid during the year	(2,184)	(82,809)	(864,231)	(4,180,572)	(1,626)	(42,349)	(814,211)	(5,735,737)
Transfer in / (out) - net	-	4,494	-	(435,000)	-	-	-	-
Closing balance	25,280	364,505	392,853	461,667	27,464	184,202	582,084	1,880,378
Other Assets								
Profit receivable on financings	135	118	8,225	15,470	148	51	6,797	11,882
Other receivable	-	-	-	-	-	830	-	-
Deposits and other accounts								
Opening balance	2,458	32,016	25,849	902,081	1,317	26,645	36,199	770,305
Received during the year	34,119	579,006	2,738,230	8,232,318	51,657	215,793	8,143,322	12,843,245
Withdrawn during the year	(34,528)	(563,296)	(2,684,170)	(7,850,192)	(50,516)	(210,422)	(8,153,672)	(12,711,469)
Transfer in / (out) - net	1,647	(1,634)	360	(52,101)	-	-	-	-
Closing balance	3,696	46,092	80,269	1,232,106	2,458	32,016	25,849	902,081
Other Liabilities								
Profit / return payable	-	11	-	-	3	10	54	20
Contingencies and Commitments								
Other contingencies	-	-	19,760	91,572	-	-	128,170	722,177

	2018				2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	Rupees in ' 000							
Income								
Profit / return earned	2,096	12,267	51,832	78,085	2,262	8,326	51,455	68,119
Dividend income	-	-	-	-	-	-	-	-
Advisory Fee	-	-	7,910	-	-	-	-	-
Proceeds on disposal of operating fixed assets	-	-	-	-	-	-	-	-
Gain on sale of operating fixed assets	-	-	-	-	-	-	-	-
Other income	-	17	96	-	-	20	176	-
Expense								
Profit / return expensed	39	1,848	2,921	61,748	33	87	738	44,905
Other administrative expenses	3,079	2,609	239	-	5,129	2,952	240	-
Meeting Fee / Remuneration	6,900	213,757	-	-	4,153	135,717	-	-
Contribution to employees provident fund	-	-	-	87,831	-	-	-	86,632
Contribution to employees gratuity fund	-	-	-	88,717	-	-	-	81,236
Operating expenses	-	623	-	-	-	-	-	-

45 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The State Bank of Pakistan vide its letter no. BPRD (R&P-02)/625-112/2017/4809 dated February 24, 2017 has given relaxation to the Bank for non-deduction of goodwill and deferred tax assets pertaining to defunct KASB Bank Limited portfolio from CET 1 capital till December 31, 2018 for the purpose of calculating the Capital Adequacy Ratio (CAR) of the Bank. Accordingly, the amounts of goodwill and deferred tax assets have not been deducted from CET 1 Capital.

	2018	2017
	Rupees in ' 000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,000,079	10,000,079
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	12,564,839	12,170,672
Eligible Additional Tier 1 (ADT 1) Capital	5,735	6,284
Total Eligible Tier 1 Capital	12,570,574	12,176,956
Eligible Tier 2 Capital	4,342,930	3,740,334
Total Eligible Capital (Tier 1 + Tier 2)	16,913,504	15,917,290
Risk Weighted Assets (RWAs):		
Credit Risk	99,235,282	98,726,656
Market Risk	2,236,103	1,662,512
Operational Risk	11,255,363	9,428,138
Total	112,726,748	109,817,306
Common Equity Tier 1 Capital Adequacy Ratio	11.15%	11.08%
Tier 1 Capital Adequacy Ratio	11.15%	11.09%
Total Capital Adequacy Ratio	15.00%	14.49%

National minimum capital requirements prescribed by SBP

	2018	2017
	Rupees in ' 000	
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)	1.90%	1.28%
Total Capital plus CCB	11.90%	11.28%

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

	2018	2017
	Rupees in ' 000	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	12,570,574	12,176,956
Total Exposures	231,884,144	237,285,158
Leverage Ratio	5.42%	5.13%
Liquidity Coverage Ratio (LCR)*:		
Total High Quality Liquid Assets	42,125,500	40,611,752
Total Net Cash Outflow	21,949,912	29,218,971
Liquidity Coverage Ratio	191.92%	138.99%
Net Stable Funding Ratio (NSFR)*:		
Total Available Stable Funding	187,439,582	187,595,928
Total Required Stable Funding	97,963,189	123,518,551
Net Stable Funding Ratio	191.34%	151.88%

* Holding Company LCR and NSFR ratios have been presented.

- 45.1 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.

46 RISK MANAGEMENT

The objective of Risk Management is to effectively manage uncertainties that arise in the normal course of business activities. The risk management function is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. The Group follows effective risk governance which commensurate well with its current size and structure.

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

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

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it then needs to be reinforced through a strong control culture that promotes sound risk governance. The Group's Risk Management Framework has been developed keeping in mind, that:

- To be effective, control activities should be an integral part of the regular activities of the Group;
- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and mitigation,
- While the reward may well commensurate the level of risk, it has to be viewed in entirety and not in isolation; and
- Critical decision making should be based on relevant research, proper analysis and effective communication within the Group.

Strategic Level

At the strategic level, the risk related functions are approved by the senior management and the Board. These include: defining risks, setting parameters, ascertaining the institution's risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates for the risk taken.

Macro Level

It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical review of various portfolios; stress test and scenario analysis for portfolio resilience; application of statistical tools and information in time series for developing strong inferences are all performed at this level.

Micro Level

Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management includes:

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

- Detailed review of various processes and operating procedures, for operational and other risk related assessments.

Risk appetite of the Group

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

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of various portfolios.

Risk organization

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Group's risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run at an enterprise level. Risk governance must involve all relevant parties and should be sanctioned by the Group's leadership.

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

Business line accountability

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

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

46.1 Credit Risk

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

(i) Price risk

There is a risk that the asset repossessed due to default of the customer may be sold or leased out to another party at a price lower than the original contract price.

(ii) Counter party risk

The risk that the counter-party defaults during the term of a transaction (Murabahah, Ijarah etc.).

(iii) Settlement risk

The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Group has already met its commitments.

(iv) Country risk

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

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

46.1.1 Placements with financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing Due from Financial Institutions		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/ Government	-	-	-	-	-	-
Private	18,205,904	21,404,187	32,400	32,400	32,400	32,400
	18,205,904	21,404,187	32,400	32,400	32,400	32,400

46.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing Investments		Provision held	
	2018	2017	2018	2017	2018	2017
	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	36,738	36,738	36,738	36,738	36,738	-
Power (electricity), Gas, Water, Sanitary	9,078,277	4,698,522	-	-	-	-
Financial	717,571	567,571	25,571	25,571	25,571	25,571
Services	70,273	82,316	70,273	82,316	70,273	82,316
Others	26,778,332	34,107,155	266,619	266,619	45,369	45,369
	37,235,614	40,046,725	953,624	965,667	677,374	652,679

Credit risk by public / private sector	Gross investments		Non-performing Investments		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/ Government	35,589,990	38,539,058	-	-	45,369	45,369
Private	1,645,624	1,507,667	953,624	965,667	632,005	607,310
	<u>37,235,614</u>	<u>40,046,725</u>	<u>953,624</u>	<u>965,667</u>	<u>677,374</u>	<u>652,679</u>

46.1.3 Islamic financing, related assets and advances - net

Credit risk by industry sector	Gross financing		Non-performing financing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Agriculture, Forestry, Hunting and Fishing	855,863	1,262,160	132,612	77,247	35,323	33,316
Mining and Quarrying	983	983	-	-	-	-
Textile	11,871,345	10,148,614	3,602,362	4,644,114	3,477,708	4,145,397
Chemical and Pharmaceuticals	2,855,252	3,009,832	788,132	992,808	713,175	764,418
Cement	1,328,298	1,776,578	540,000	540,000	540,000	540,000
Sugar	5,041,129	4,623,716	847,195	9,750	665,195	-
Footwear and Leather garments	5,078	30,660	2,459	2,459	2,459	2,459
Automobile and transportation equipment	332,005	1,211,606	100,359	100,359	100,359	100,359
Education	95,796	18,543	-	-	-	-
Electronics and electrical appliances	2,668,437	2,703,726	494	5,081	494	5,081
Construction	2,962,636	7,788,465	925,256	971,411	924,770	955,180
Power (electricity), Gas, Water, Sanitary	15,436,217	12,807,899	21,833	21,964	21,235	21,366
Wholesale and Retail Trade	4,510,763	38,832,338	518,615	619,696	518,615	576,431
Exports / Imports	244,458	857,503	47,644	-	8,059	-
Transport, Storage and Communication	728,768	590,972	345,110	1,206,473	345,110	739,053
Financial	1,539,874	3,442,453	254,323	245,401	240,189	245,189
Insurance	-	2,433	-	-	-	-
Services	19,451,355	4,795,027	155,420	129,678	71,016	58,404
Individuals	30,280,069	25,851,391	1,572,728	2,346,387	552,219	2,001,122
Food and beverages	15,201,404	4,767,396	2,744,956	2,749,955	183,001	183,945
Private Trust & NGO	3,789	4,424	-	-	-	-
Packing and Paper products	664,326	696,282	13,000	13,000	13,000	13,000
Others	13,250,099	5,265,395	2,790,936	1,161,262	2,521,024	1,065,349
	<u>129,327,944</u>	<u>130,488,396</u>	<u>15,403,434</u>	<u>15,837,045</u>	<u>10,932,951</u>	<u>11,450,069</u>

Credit risk by public / private sector

	Gross financing		Non-performing financing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/ Government	32,756,879	44,963,174	-	-	-	-
Private	96,571,065	85,525,222	15,403,434	15,837,045	10,932,951	11,450,069
	<u>129,327,944</u>	<u>130,488,396</u>	<u>15,403,434</u>	<u>15,837,045</u>	<u>10,932,951</u>	<u>11,450,069</u>

46.1.4 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
	Rupees in ' 000	
Agriculture, Forestry, Hunting and Fishing	52,555	52,103
Mining and Quarrying	14,441	427,414
Textile	361,084	755,041
Chemical and Pharmaceuticals	58,545	221,603
Cement	212,417	271,113
Sugar	48,865	300,500
Footwear and Leather garments	-	13,073
Automobile and transportation equipment	1,123,364	1,259,916
Education	54,621	54,621
Electronics and electrical appliances	183,050	942,548
Production and transmission of energy	1,384	1,468,113
Construction	1,321,998	2,539,833
Power (electricity), Gas, Water, Sanitary	388,138	150
Wholesale and Retail Trade	2,045,169	4,325,869
Exports / Imports	60,508	165,055
Transport, Storage and Communication	384,611	248,473
Financial	2,660,572	3,099,866
Services	3,033,200	1,024,108
Individuals	107,416	312,635
Food and beverages	159,055	723,020
Manufacturing	625,564	-
Packing and Paper products	56,954	-
Others	10,187,456	4,355,462
	23,140,967	22,560,516

Credit risk by public / private sector

Public/ Government	682,170	704,137
Private	22,458,797	21,730,876
	23,140,967	22,435,013

46.1.5 Concentration of Financing

The Group's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 38,485.639 million (2017: Rs. 60,646.152 million) are as following:

	2018	2017
	Rupees in ' 000	
Funded	33,727,023	52,947,060
Non Funded	4,758,616	7,699,092
Total Exposure	38,485,639	60,646,152

The sanctioned limits against these top 10 exposures aggregated to Rs. 65,909 million (2017: Rs. 64,291 million)

46.1.5.1 Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
	Rupees in ' 000			
OAEM	267,237	220	95,345	-
Substandard	734,484	87,997	3,056,420	108,551
Doubtful	523,501	112,035	939,044	375,817
Loss	13,878,212	10,732,699	11,746,236	10,965,701
Total	15,403,434	10,932,951	15,837,045	11,450,069

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

46.1.6 Financing - Province/Region-wise Disbursement & Utilization

Province / Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in ' 000						
Punjab	58,795,634	58,795,634	-	-	-	-	-
Sindh	70,975,610	-	70,975,610	-	-	-	-
KPK including FATA	379,151	-	-	379,151	-	-	-
Balochistan	518,866	-	-	-	518,866	-	-
Islamabad	5,206,806	-	-	-	-	5,206,806	-
AJK including Gilgit-Baltistan	2,501	-	-	-	-	-	2,501
Total	135,878,568	58,795,634	70,975,610	379,151	518,866	5,206,806	2,501

Province / Region	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in ' 000						
Punjab	63,074,991	63,074,991	-	-	-	-	-
Sindh	96,963,476	-	96,963,476	-	-	-	-
KPK including FATA	174,216	-	-	174,216	-	-	-
Balochistan	52,046	-	-	-	52,046	-	-
Islamabad	29,572,331	-	-	-	-	29,572,331	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	189,837,060	63,074,991	96,963,476	174,216	52,046	29,572,331	-

46.2 Market Risk

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

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

Moreover, since the Group does not deal in interest based products, the impact of the above risks will be very minimal. The Group does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

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

46.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	14,292,752	-	14,292,752	11,784,180	-	11,784,180
Balances with other banks	1,164,553	-	1,164,553	1,149,355	-	1,149,355
Due from financial institutions - net	18,173,504	-	18,173,504	21,371,787	-	21,371,787
Investments - net	39,092,225	144,537	39,236,762	42,333,604	30,149	42,363,753
Islamic financings, related assets & advances - net	118,320,811	-	118,320,811	119,006,779	-	119,006,779
Fixed assets	6,683,785	-	6,683,785	5,967,362	-	5,967,362
Intangible assets	3,173,692	-	3,173,692	3,180,702	-	3,180,702
Deferred tax assets - net	7,471,963	-	7,471,963	7,613,022	-	7,613,022
Other assets - net	8,315,446	-	8,315,446	6,424,228	-	6,424,228
	216,688,731	144,537	216,833,268	218,831,019	30,149	218,861,168

46.2.2 Foreign Exchange Risk

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

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

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

	2018				2017			
	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	214,497,449	196,389,283	(2,870,624)	15,237,542	215,354,721	200,892,201	(7,206,404)	7,256,116
United States Dollar	1,428,762	4,174,304	2,840,238	94,696	2,611,705	2,924,961	6,242,049	5,928,793
Great Britain Pound	481,183	473,797	-	7,386	479,939	477,915	300,010	302,034
Japanese Yen	16,135	10,603	-	5,532	12,381	6,690	388,986	394,677
Euro	326,163	489,947	30,386	(133,398)	301,912	314,384	258,114	245,642
UAE Dirham	17,928	11,059	-	6,869	22,344	14,803	6,407	13,948
Asian Currency Unit	36,255	-	-	36,255	71,996	-	-	71,996
Swiss Franc	3,682	-	-	3,682	1,306	-	10,838	12,144
Chinese Yuan	16,517	-	-	16,517	-	-	-	-
Australian Dollar	1,472	1,586	-	(114)	2,921	1,147	-	1,774
Saudi Riyal	4,325	19	-	4,306	1,493	-	-	1,493
Canadian Dollar	3,275	6,858	-	(3,583)	313	1,831	-	(1,518)
Turkish Lira	122	-	-	122	136	-	-	136
	216,833,268	201,557,456	-	15,275,812	218,861,168	204,633,932	-	14,227,236

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	383	-	69,711	-
- Other comprehensive income	-	-	-	-

46.2.3 Equity Position Risk

Equity position includes the following:

- Strategic investments
- Investment in equities for generating revenue in short term

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Financial Reporting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to the profit and loss account.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	-	7,227	-	1,507
- Other comprehensive income	11,459	-	12,334	-

46.2.4 Yield / Profit Rate Risk

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

The Group estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Group by applying upward and downward shocks.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
- Profit and loss account	60,591	-	50,924	-
- Other comprehensive income	-	-	-	-

46.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2018

Effective Yield / Profit rate	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	Non-interest bearing financial instruments
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	14,292,752	-	-	-	-	-	-	-	-	-	14,292,752
Balances with other banks	1,164,553	331,258	-	-	-	-	-	-	-	-	833,295
Due from financial institutions	18,173,504	17,639,465	534,039	-	-	-	-	-	-	-	-
Investments	39,236,762	1,082,273	26,513,617	9,126,799	-	-	-	-	-	-	2,514,073
Islamic financing and related assets and advances	118,320,811	9,756,840	25,816,280	41,687,185	19,386,855	963,654	1,342,027	2,856,085	130,830	1,949,792	14,431,263
Other assets	7,036,507	-	-	-	-	-	-	-	-	-	7,036,507
	198,224,889	28,809,836	52,863,936	50,813,984	19,386,855	963,654	1,342,027	2,856,085	130,830	1,949,792	39,107,890
Liabilities											
Bills payable	3,242,180	-	-	-	-	-	-	-	-	-	3,242,180
Due to financial institutions	7,819,532	2,568,000	640,000	1,788,675	-	-	-	-	2,822,857	-	-
Deposits and other accounts	184,429,521	124,684,725	-	-	-	-	-	-	-	-	59,744,796
Other liabilities	5,408,347	-	-	-	-	-	-	-	-	-	5,408,347
	200,899,580	127,252,725	640,000	1,788,675	-	-	-	-	2,822,857	-	68,395,323
On-balance sheet gap											
	(2,674,691)	(98,442,889)	52,223,936	49,025,309	19,386,855	963,654	1,342,027	2,856,085	(2,692,027)	1,949,792	(29,287,433)
Off-balance sheet financial instruments											
Documentary credits and short-term trade-related transactions	10,416,069	10,416,069	-	-	-	-	-	-	-	-	-
Commitments in respect of:											
- forward foreign exchange contracts	2,870,623	376,321	2,359,265	-	135,037	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-
Other commitments	7,394,908	7,394,908	-	-	-	-	-	-	-	-	-
Off-balance sheet gap											
	20,681,600	18,187,298	2,359,265	-	135,037	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap											
	(80,255,591)	54,583,201	49,025,309	19,521,892	19,521,892	963,654	1,342,027	2,856,085	(2,692,027)	1,949,792	(29,287,433)
Cumulative Yield/Interest Risk Sensitivity Gap											
	(80,255,591)	(25,672,390)	23,352,919	42,874,811	42,874,811	43,838,465	45,180,492	48,036,577	45,344,550	47,294,342	18,006,909

2017

Effective Yield / Profit rate	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	Non-interest bearing financial instruments
Rupees in '000											
Assets											
Cash and balances with Treasury Banks	11,784,180	-	-	-	-	-	-	-	-	-	11,784,180
Balances with other Banks	1,149,355	345,553	-	-	-	-	-	-	-	-	803,802
Due from financial institutions	21,371,787	13,174,971	7,644,730	441,669	110,417	-	-	-	-	-	-
Investments	42,363,753	884,371	220,000	4,697,936	-	34,260,266	-	-	-	-	2,301,180
Islamic financing and related assets and advances	119,006,779	9,815,376	26,072,520	41,199,331	19,936,261	961,925	1,137,921	2,759,615	130,689	1,891,292	15,201,849
Other assets	4,164,740	-	-	-	-	-	-	-	-	-	4,164,740
	199,840,594	24,220,271	33,937,250	46,338,936	20,046,678	35,222,191	1,137,921	2,759,615	130,689	1,891,292	34,255,751
Liabilities											
Bills payable	3,928,469	-	-	-	-	-	-	-	-	-	3,928,469
Due to financial institutions	15,570,390	4,983,365	1,088,045	1,917,492	5,000,000	-	-	-	2,581,488	-	-
Deposits and other accounts	178,062,105	120,193,132	-	-	-	-	-	-	-	-	57,868,973
Other liabilities	2,248,162	-	-	-	-	-	-	-	-	-	2,248,162
	199,809,126	125,176,497	1,088,045	1,917,492	5,000,000	-	-	-	2,581,488	-	64,045,604
	31,468	(100,956,226)	32,849,205	44,421,444	15,046,678	35,222,191	1,137,921	2,759,615	(2,450,799)	1,891,292	(29,789,853)
On-balance sheet gap											
	15,905,758	15,905,758	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments											
Documentary credits and short-term trade-related transactions											
	15,905,758	15,905,758	-	-	-	-	-	-	-	-	-
Commitments in respect of:											
- forward foreign exchange contracts	306,336	306,336	-	-	-	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-
Other commitments	6,073,341	6,073,341	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	22,285,435	22,285,435	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	(78,670,791)	32,849,205	44,421,444	15,046,678	35,222,191	1,137,921	2,759,615	(2,450,799)	1,891,292	(29,789,853)	
Cumulative Yield/Interest Risk Sensitivity Gap	(78,670,791)	(45,821,586)	(1,400,142)	13,646,536	48,868,727	49,906,648	52,666,263	50,215,464	53,106,756	22,316,903	

46.3 Operational Risk

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

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

46.3.1 Operational Risk-Disclosures Basel II Specific

The Group uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average annual gross income of the Group over the past three years with 15% as per guidelines issued by State Bank of Pakistan.

To reduce losses arising from operational risk, the Group has strengthened its risk management framework by developing strategies, policies, guidelines and manuals. It also includes risk and control self-assessment, key risk indicator, loss data management, improving efficiency and effectiveness of operations and improving quality of human resource through training and mitigation of operational risk.

46.4 Liquidity Risk

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

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

Liquidity risk is defined as the potential loss arising from the Group's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Group's activities and in the management of its assets. The Group maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet 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.

The Holding Company calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per SBP Basel III Liquidity Standards issued under BPRD circular No. 08 dated June 23, 2016. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile of The Holding Company which requires banks to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days period. As of December 31, 2018, The Holding Company's LCR stood at 191.92% 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 from December 31, 2017.

Governance of Liquidity risk management

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

Funding Strategy

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

Liquidity Risk Mitigation techniques

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

Liquidity Stress Testing

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

Contingency Funding Plan

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

Main drivers of LCR Results

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

Composition of High Quality Liquid Assets - HQLA

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

Concentration of Funding Sources

Being a commercial bank, the Holding Company relies on funds provided by depositors. However the Holding Company has been continuously improving upon its ratio of core deposits. Current and Saving accounts consist of 69.06% of total deposits, term deposits are 30.94% and borrowing from SBP and financial institutions is 4.23% 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 2.79% of the Holding Company's total deposits.

46.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2018

Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000									
Assets									
Cash and balances with treasury banks	14,292,752	-	-	-	-	-	-	-	-
Balances with other banks	1,164,553	-	-	-	-	-	-	-	-
Due from financial institutions	18,173,504	17,639,465	534,039	-	-	-	-	-	-
Investments	39,236,762	1,574,736	26,513,617	-	-	74,340	-	9,818,442	1,255,627
Islamic financing and related assets and advances	118,320,811	12,287,840	18,308,272	13,062,925	20,080,633	4,340,251	26,787,041	8,423,837	11,708,420
Operating fixed assets	6,683,785	40,524	454,956	18,963	45,775	114,112	418,354	1,802,901	3,684,239
Intangible assets	3,173,692	51,840	34,108	48	16,327	26,630	73,463	-	2,944,296
Deferred tax assets	7,471,963	-	-	361,726	1,506,787	1,517,046	3,526,616	-	-
Other assets	8,315,446	1,573,523	1,882,867	1,248,752	692,633	-	50,000	-	2,867,671
	216,833,268	48,625,233	47,727,859	14,330,688	21,197,094	5,115,471	28,845,904	23,571,796	22,460,253
Liabilities									
Bills payable	3,242,180	-	-	-	-	-	-	-	-
Due to financial institutions	7,819,532	2,568,000	640,000	1,788,675	-	-	-	2,822,857	-
Deposits and other accounts	184,429,521	140,593,274	11,620,360	9,324,277	15,569,946	2,377,820	2,543,421	274,962	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	6,066,223	2,097,819	459,156	1,073,118	81,363	216,665	2,053,039	-	-
	201,557,456	148,501,273	12,719,516	12,186,070	15,651,309	2,210,524	4,596,460	3,097,819	-
Net assets	15,275,812	(99,876,040)	35,008,343	2,144,618	5,545,785	2,748,446	24,249,444	20,473,977	22,460,253
Share capital-net	10,000,079								
Reserves	968,799								
Unappropriated profit	2,236,825								
Surplus on revaluation of assets	1,875,495								
Non controlling interest	194,614								
	15,275,812								

2017

	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	11,784,180	11,784,180	-	-	-	-	-	-	-	-
Balances with other banks	1,149,355	1,149,355	-	-	-	-	-	-	-	-
Due from financial institutions	21,371,787	13,174,971	7,644,730	441,669	110,417	-	-	-	-	-
Investments	42,363,753	1,260,980	-	-	-	34,781,332	-	100,452	5,139,484	1,081,505
Islamic financing and related assets and advances	119,006,779	13,401,544	23,663,254	32,868,536	12,192,303	2,450,956	6,691,411	12,678,907	6,335,879	8,723,989
Operating fixed assets	5,967,362	111,572	953	37,163	19,284	123,979	94,060	252,008	965,843	4,362,501
Intangible assets	3,180,702	59,470	508	19,809	10,278	66,083	50,135	134,324	514,810	2,325,284
Deferred tax assets	7,613,022	-	-	-	-	-	-	7,613,022	-	-
Other assets	6,424,228	2,379,042	-	1,833,606	387,096	56,053	-	-	1,768,431	-
	218,861,168	43,321,114	31,309,445	35,200,783	12,719,378	37,478,403	6,835,606	20,778,713	14,724,447	16,493,279
Liabilities										
Bills payable	3,928,469	3,928,469	-	-	-	-	-	-	-	-
Due to financial institutions	15,570,390	4,983,365	1,088,045	1,917,492	5,000,000	-	-	-	2,581,488	-
Deposits and other accounts	178,062,105	140,136,789	8,666,098	6,710,912	14,176,195	2,481,107	2,339,785	3,549,667	1,552	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,072,968	2,122,307	233,350	1,874,531	398,506	-	-	2,444,274	-	-
	204,633,932	151,170,930	9,987,493	10,502,935	19,574,701	2,481,107	2,339,785	5,993,941	2,583,040	-
Net assets	14,227,236	(107,849,816)	21,321,952	24,697,848	(6,855,323)	34,997,296	4,495,821	14,784,772	12,141,407	16,493,279

46.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

2018

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	14,292,752	14,292,752	-	-	-	-	-	-	-	-
Balances with other banks	1,164,553	1,164,553	-	-	-	-	-	-	-	-
Due from financial institutions	18,173,504	17,639,465	534,039	-	-	-	-	-	-	-
Investments	39,236,762	1,574,736	26,513,617	-	-	-	74,340	-	9,818,442	1,255,627
Islamic financing and related assets and advances	118,320,811	12,287,840	18,308,272	13,062,925	20,080,633	3,321,592	4,340,251	26,787,041	8,423,837	11,708,420
Operating fixed assets	6,683,785	40,524	454,956	18,963	45,775	103,961	114,112	418,354	1,802,901	3,684,239
Intangible assets	3,173,692	51,840	34,108	48	16,327	26,630	26,980	73,463	-	2,944,296
Deferred tax assets	7,471,963	-	-	361,726	1,506,787	559,788	1,517,046	3,526,616	-	-
Other assets	8,315,446	1,573,523	1,882,867	1,248,752	692,633	-	-	50,000	-	2,867,671
	216,833,268	48,625,233	47,727,859	14,330,688	21,197,094	4,958,970	5,115,471	28,845,904	23,571,796	22,460,253
Liabilities										
Bills payable	3,242,180	3,242,180	-	-	-	-	-	-	-	-
Due to financial institutions	7,819,532	2,568,000	640,000	1,788,675	-	-	-	-	2,822,857	-
Deposits and other accounts	184,429,521	16,428,117	18,006,817	14,236,761	19,384,796	9,748,380	13,815,589	21,604,109	38,402,439	32,802,513
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,066,223	2,097,819	459,156	1,073,118	81,363	85,063	216,665	2,053,039	-	-
	201,557,456	24,336,116	19,105,973	17,098,554	19,466,159	9,833,443	14,032,254	23,657,148	41,225,296	32,802,513
Net assets	15,275,812	24,289,117	28,621,886	(2,767,866)	1,730,935	(4,874,473)	(8,916,783)	5,188,756	(17,653,500)	(10,342,260)
Share capital- net	10,000,079									
Reserves	968,799									
Unappropriated profit	2,236,825									
Surplus on revaluation of assets	1,875,495									
Non controlling interest	194,614									
	15,275,812									

2017

	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	11,784,180	11,784,180	-	-	-	-	-	-	-	-
Balances with other banks	1,149,355	1,149,355	-	-	-	-	-	-	-	-
Due from financial institutions	21,371,787	13,174,971	7,644,730	441,669	110,417	-	-	-	-	-
Investments	42,363,753	1,260,980	-	-	-	34,781,332	-	100,452	5,139,484	1,081,505
Islamic financing and related assets and advances	119,006,779	13,401,544	23,663,254	32,868,536	12,192,303	2,450,956	6,691,411	12,678,907	6,335,879	8,723,989
Operating fixed assets	5,967,362	111,572	953	37,163	19,284	123,979	94,060	252,008	965,843	4,362,501
Intangible assets	3,180,702	59,470	508	19,809	10,278	66,083	50,135	134,324	514,810	2,325,284
Deferred tax assets	7,613,022	-	-	-	-	-	-	7,613,022	-	-
Other assets	6,424,228	2,379,042	-	1,833,606	387,096	56,053	-	-	1,768,431	-
	218,861,168	43,321,114	31,309,445	35,200,783	12,719,378	37,478,403	6,835,606	20,778,713	14,724,447	16,493,279
Liabilities										
Bills payable	3,928,469	3,928,469	-	-	-	-	-	-	-	-
Due to financial institutions	15,570,390	4,983,365	1,088,045	1,917,492	5,000,000	-	-	-	2,581,488	-
Deposits and other accounts	178,062,105	140,136,789	8,666,098	6,710,912	14,176,195	2,481,107	2,339,785	3,549,667	1,552	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,072,968	2,122,307	233,350	1,874,531	398,506	-	-	2,444,274	-	-
	204,633,932	151,170,930	9,987,493	10,502,935	19,574,701	2,481,107	2,339,785	5,993,941	2,583,040	-
Net assets	14,227,236	(107,849,816)	21,321,952	24,697,848	(6,855,323)	34,997,296	4,495,821	14,784,772	12,141,407	16,493,279
Share capital- net	10,000,079									
Reserves	926,266									
Unappropriated profit	1,201,913									
Surplus on revaluation of assets	1,893,736									
Non controlling interest	205,242									
	14,227,236									

46.5 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Holding Company follows a deliberate low-risk strategy. Within the general constraints of its niche market the Holding Company is aware of the need of reducing risk. The Holding Company has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

46.6 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Holding Company actively supports these organizations through its membership of the relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Bank also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

46.7 Shariah Non-compliance Risk

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

46.8 Shariah compliant forward and future contracts

Shariah compliant forward and future contracts are recognized at fair value. In case of equity futures, the fair value is calculated with reference to quoted market price. Shariah compliant forward and future contracts with positive market values (i.e. unrealized gains) are included in other receivables and derivatives with negative market values (i.e. unrealized losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to the profit and loss account.

47 GENERAL

Captions, as prescribed by BPRD Circular No. 02 of 2018, dated: January 25, 2018 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.

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

47.1 Corresponding figures

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

Transfer from	Transfer to	Aggregate
		Rupees in '000
Profit / return earned - Financings	Profit / return earned - Placements	<u>1,126,436</u>
Deposits	Bills Payable	<u>939,473</u>

As a result of change in forms for the preparation of financial statements issued by SBP, corresponding figures have been rearranged wherever necessary, for purposes of comparison. There were no reclassification to report except as follows:

Transfer from	Transfer to	Aggregate
		Rupees in '000
Contingencies & Commitments - Acceptances	Other Assets - Acceptances	<u>1,627,253</u>
Surplus on revaluation of assets - net	Equity	<u>1,201,913</u>
Other Expenses	Provisions / (reversal of provisions) and write offs - net	<u>124,882</u>
Gain on securities	Income from shariah compliant forward and future contracts	<u>2,359</u>
Income from dealing in foreign currencies	Income from shariah compliant forward and future contracts	<u>13,365</u>
Foreign exchange income	Profit / return expensed	<u>803</u>


48 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial information were authorised for issue on February 28, 2019 by the Board of Directors of the Holding Company.


PRESIDENT /
CHIEF EXECUTIVE


CHIEF FINANCIAL
OFFICER


CHAIRMAN

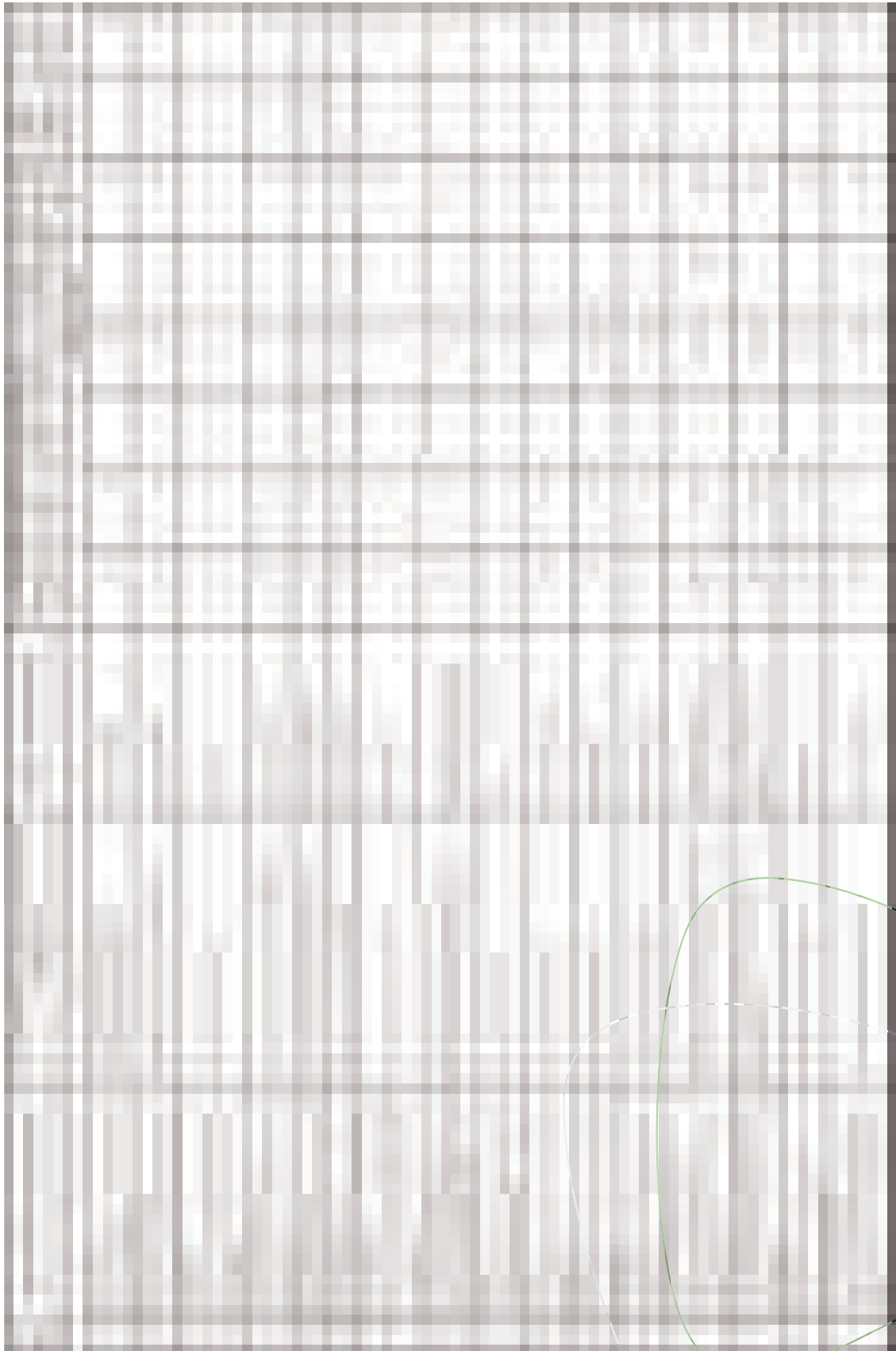

DIRECTOR


DIRECTOR

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31 2018

Sl. No.	Name of the borrower	Amount of loan (Rs.)	Period of loan (From To)	Particulars
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3				
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Annexure-II

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

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of Buyer
Rupees in '000							
ATM Machine	1,170	1,170	1	7	7	Tender	Liaqat Transporter
ATM Machine	1,086	1,086	1	7	7	Tender	Liaqat Transporter
ATM Machine	1,084	1,084	1	7	7	Tender	Liaqat Transporter
ATM Machine	1,170	1,170	1	8	8	Tender	Zain & Brother Steel Work
40 KVA Genset	1,040	1,040	1	4	4	Tender	M/s. Adam Traders
40 KVA Genset	1,011	1,011	1	4	4	Tender	M/s. Adam Traders
NCR Selfserve ATM Machine	339	27	311	339	27	Takaful Claim	M/s. Pak Qatar Takaful
Total	6,900	6,589	317	376	64		

Pattern of Shareholdings

No. of Shareholders	Shareholdings' Slab		Total Shares Held
	From	To	
682	1	100	13,828
14600	101	500	6,947,358
3090	501	1000	2,330,193
1614	1001	5000	2,984,529
162	5001	10000	1,219,306
48	10001	15000	595,466
24	15001	20000	426,993
18	20001	25000	394,377
12	25001	30000	343,416
15	30001	35000	485,719
9	35001	40000	335,612
7	40001	45000	301,966
8	45001	50000	398,500
2	50001	55000	105,500
4	55001	60000	236,308
5	60001	65000	314,239
1	65001	70000	69,531
5	70001	75000	362,451
2	80001	85000	166,254
1	90001	95000	92,712
5	95001	100000	499,614
1	100001	105000	101,000
2	105001	110000	212,202
2	110001	115000	226,373
5	115001	120000	591,913
1	120001	125000	125,000
2	130001	135000	263,329
2	135001	140000	272,500
1	140001	145000	141,000
1	145001	150000	150,000
1	150001	155000	150,298
1	155001	160000	160,000
1	160001	165000	165,000
2	185001	190000	374,437
2	195001	200000	400,000
1	200001	205000	203,000
1	205001	210000	210,000
1	210001	215000	212,500
3	225001	230000	681,553
1	235001	240000	236,500
1	240001	245000	242,500
1	260001	265000	264,000

No. of Shareholders	Shareholdings' Slab		Total Shares Held
	From	To	
1	275001	280000	278,000
1	295001	300000	300,000
1	350001	355000	350,500
1	360001	365000	363,500
1	395001	400000	400,000
1	415001	420000	420,000
1	465001	470000	466,500
1	475001	480000	475,175
1	480001	485000	484,000
1	515001	520000	519,084
1	630001	635000	631,943
1	740001	745000	743,000
1	895001	900000	900,000
1	970001	975000	973,000
1	995001	1000000	1,000,000
1	1105001	1110000	1,106,000
1	1755001	1760000	1,760,000
1	2225001	2230000	2,226,500
1	3250001	3255000	3,251,000
1	4345001	4350000	4,345,345
1	5700001	5705000	5,702,050
1	6600001	6605000	6,603,975
1	6995001	7000000	7,000,000
1	7045001	7050000	7,045,200
1	9565001	9570000	9,568,500
1	10450001	10455000	10,453,428
1	12250001	12255000	12,250,976
1	14590001	14595000	14,593,000
1	14920001	14925000	14,922,567
1	15700001	15705000	15,703,637
1	16210001	16215000	16,213,281
1	16705001	16710000	16,709,207
1	18300001	18305000	18,300,705
1	18785001	18790000	18,786,781
1	23290001	23295000	23,291,693
1	50290001	50295000	50,293,194
2	99020001	99025000	198,047,276
1	144200001	144205000	144,200,144
1	158965001	158970000	158,967,492
1	214255001	214260000	214,258,460
20388			1,007,912,090

Category Wise List of Shareholders

AS AT DECEMBER 31, 2018

ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	Shareholders	Shares Held	Percentage
JAHANGIR SIDDIQUI & CO.LTD.	1	214,258,460	21.26
DUBAI BANK PJSC	1	144,200,144	14.31
SAJ CAPITAL MANAGEMENT LTD	1	50,293,194	4.99
AMNA INDUSTRIES (PVT.) LIMITED	1	9,568,500	0.95
SUB TOTAL		418,320,298	
MUTUAL FUNDS			
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	14,922,567	1.48
CDC - TRUSTEE MEEZAN BALANCED FUND	1	875	0.00
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	875	0.00
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	875	0.00
SUB TOTAL		14,925,192	
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN			
ALI HUSSAIN	1	158,967,492	15.77
NOMAN YAKOOB	1	16,709,207	1.66
SIRAJ AHMED DADABHOY	1	5,000	0.00
FAWAD ANWAR	1	1,750	0.00
ALI MOHAMAD HUSSAIN ALI MOHAMAD ALSHAMALI	1	500	0.00
DR. AMJAD WAHEED	1	500	0.00
SUB TOTAL		175,684,449	
EXECUTIVES			
ASIM SALIM	1	84,000	0.01
PUBLIC SECTOR COMPANIES AND CORPORATIONS	1	190	0.00
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS	5	6,738,339	0.67
GENERAL PUBLIC			
A. LOCAL	20,319	152,254,012	15.11
B. FOREIGN	9	198,170,026	19.66
FOREIGN COMPANIES	3	29,512,827	2.93
OTHERS	36	12,222,757	1.21
TOTALS	20,388	1,007,912,090	100.00
SHARE HOLDERS HOLDING 5% OR MORE		Shares Held	Percentage
JAHANGIR SIDDIQUI & CO.LTD.		214,258,460	21.26
ALI HUSSAIN		158,967,492	15.77
DUBAI BANK PJSC		144,200,144	14.31
SHABIR AHMED RANDEREE		99,023,638	9.82
AHMED G. M. RANDEREE		99,023,638	9.82

Notice of Annual General Meeting

Notice is hereby given that the 15th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Wednesday, March 27, 2019 at 10:30 a.m. at Regent Plaza Hotel and Convention Centre, Shahrah-e-Faisal, Karachi, to transact the following business:

ORDINARY BUSINESS

- 1- To confirm minutes of the 14th Annual General Meeting of the Bank held on April 28, 2018.
- 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, 2018 together with the Auditors' and Directors' Reports and Chairman's Review thereon.
- 3- To appoint Auditors of the Bank for the year ending December 31, 2019 and to fix their remuneration. The present auditors, EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

ANY OTHER BUSINESS

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

By Order of the Board



Muhammad Shoaib
Company Secretary

Karachi: March 6, 2019

Notes:

1. The Members' Register will remain closed from March 21, 2019 to March 27, 2019 (both days inclusive).
2. A member eligible to attend and vote at this meeting may appoint proxy to attend and vote in the meeting.
3. Proxies in order to be effective must be received at the registered office of the Bank not less than 48 hours before the time of the meeting.
4. Central Depository Company of Pakistan ("CDC") Account holders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan :

For Attending the Meeting:

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

For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/ her original CNIC or passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.
5. Members are requested to promptly notify Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 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, 2018 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

8- کمپنیز ایکٹ 2017 کی دفعہ 242 کے تحت رجسٹرڈ کمپنی نقد منافع منقسمہ برقی ذرائع سے براہ راست اہل حصص یافتگان کے نامزد کردہ اکاؤنٹ میں منتقل کرے گی۔ ایس ای سی پی کے نوٹیفیکیشن SRO1145(I)/2017 کے تحت کمپنیز (ڈیویڈنڈ کی ڈسٹری بیوشن) ریگولیشنز 2017 بھی جاری کیا ہے جس کے تحت نقد منافع منقسمہ کی برقی ذرائع سے براہ راست اہل حصص یافتگان کے نامزد کردہ اکاؤنٹ میں منتقلی وادائیگی کیلئے شیئرز ہولڈرز اپنے نامزد کردہ بینک اکاؤنٹ کی متعلقہ معلومات کی فراہمی کا ذمہ دار ہوگا۔

اس ضمن میں، بینک نے اپنے شیئرز ہولڈرز کو انفرادی خطوط بشمول اخباری اشاعت کے ذریعے سے پہلے ہی مطلع کر دیا ہے، جس میں نقد منافع منقسمہ کی برقی ذرائع سے وصولی کیلئے ان کے متعلقہ نامزد کردہ بین الاقوامی اکاؤنٹ نمبر ("IBAN") کی فراہمی کی درخواست کی گئی ہے۔ لہذا، شیئرز ہولڈرز سے درخواست ہے کہ بینک ہذا کے سالانہ اجلاس عام کے نوٹس اور بینک کی ویب سائٹ www.bankislami.com.pk پر دیئے گئے خط کی تمام ضروریات کو مکمل کر لیں اور اسے بینک کے شیئرز رجسٹر اور ٹرانسفر ایجنٹ کو ارسال کر دیں۔ شیئرز کے بک انٹری سیکورٹیز میں واقع ہونے کی صورت میں مذکورہ بالا معلومات کی بذریعہ سی ڈی ایس شرکا، سینٹرل ڈپازٹری سسٹم ("CDS") کو ضرورت درپیش ہوگی۔ (اگر درکار معلومات پہلے ہی فراہم کر دی گئی ہیں تو براہ کرم اسے نظر انداز کر دیں)۔

9- وڈیو کانفرنس کی سہولت کے لئے رضامندی :

اس سالانہ عام اجلاس کیلئے، مندرجہ ذیل شرائط کے تحت، لاہور اور اسلام آباد میں بھی ارکان وڈیو کانفرنس کی سہولت سے استفادہ حاصل کر سکتے ہیں۔ اگر بینک وڈیو کانفرنس میں شرکت کیلئے اجلاس کی تاریخ سے کم از کم 10 دن قبل، ایک جغرافیائی مقام پر مقیم ارکان کی طرف سے مجموعی طور پر 10 فیصد یا اس سے زائد شیئرز ہولڈرز رضامندی حاصل کرتا ہے، تو بینک ہذا متعلقہ شہر میں وڈیو کانفرنس کی سہولت کا انتظام کرے گا، یہ اس شہر میں ایسی کسی سہولت کی دستیابی سے مشروط ہے۔

کمپنی مکمل ضروری معلومات کے ساتھ وڈیو کانفرنس کی سہولت کے مقام کے حوالے سے ایسی کسی سہولت تک مکمل رسائی کے حصول اور اسے قابل عمل بنانے کیلئے اراکین کو اجلاس عام کی تاریخ سے پہلے کم از کم 5 روز قبل مطلع کرے گی۔ اس ضمن میں، وہ اراکین جو لاہور اور اسلام آباد میں وڈیو کانفرنس کی سہولت کے ذریعے سے شرکت کے خواہشمند ہیں، انہیں اجلاس عام کی تاریخ سے کم از کم 10 روز قبل بینک ہذا کے رجسٹرڈ پتے پر درج ذیل فارمیٹ کے مطابق اپنے ذہرے دستخطوں کے ساتھ درخواست ارسال کرنا چاہئے۔

میں / ہم _____ ساکن _____، بحیثیت رکن بینک اسلامی پاکستان لمیٹڈ، _____ آرڈینری شیئر (ز) کا مالک،
بمطابق رجسٹرڈ فوئیو نمبر _____، بمقام _____ پر بذریعہ وڈیو کانفرنس کی سہولت کے حصول کا انتخاب کرتا ہوں / کرتے ہیں۔

_____ ارکان کے دستخط

نوٹس:

- 1- ممبران کا رجسٹر 21 مارچ 2019 سے 27 مارچ 2019 (بشمول دونوں دن) بند رہے گا۔
- 2- ایک رکن جو اجلاس ہذا میں شرکت اور ووٹ دینے کا حق رکھتا ہوا اپنا پراکسی مقرر کر سکتا ہے۔
- 3- موثر ثابت ہونے کیلئے پراکسیز اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل بینک کے رجسٹرڈ پتہ پر موصول ہونا ضروری ہے۔
- 4- سینٹرل ڈپازیری آف پاکستان (سی ڈی سی) اکاؤنٹ ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری کردہ سرکر نمبر 1 مورخہ 26 جنوری 2000 کی مقرر کردہ مندرجہ ذیل ہدایات پر عمل کرنا ہوگا:

اجلاس میں شرکت کے لئے:

- (i) ایسافر، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا ایسے کسی شخص کو جس کی سیکورٹیز گروپ اکاؤنٹ کی شکل میں ہوں اور ان کی رجسٹریشن کی تفصیلات، سی ڈی سی کے ضوابط کے مطابق جمع کروائی گئی ہوں، اجلاس میں شرکت کے موقع پر اپنی شناخت کی تصدیق کے لئے اصل موثر کمپیوٹر انز ڈیجیٹل شناختی کارڈ یا اصل پاسپورٹ دکھانا ہوگا۔
- (ii) کارپوریٹ ادارہ کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی (اگر پہلے سے فراہم نہ کئے گئے ہوں تو) جس کے ساتھ نامزد کردہ کے دستخط کے نمونے بھی منسلک ہوں، فراہم کرنا ہوں گے۔

پراکسی کے تقرر کے لئے:

- (i) ایسافر، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا ایسے کسی شخص کو جس کی سیکورٹیز گروپ اکاؤنٹ کی شکل میں ہوں اور ان کی رجسٹریشن کی تفصیلات، سی ڈی سی کے ضوابط کے مطابق جمع کروائی گئی ہوں، اجلاس میں شرکت کیلئے درج بالا تقاضوں کے مطابق پراکسی فارم جمع کروانا ہوگا۔

(ii) پراکسی فارم پر کم از کم دو گواہوں کے دستخط مع نام، پتہ اور موثر کمپیوٹر انز ڈیجیٹل شناختی کارڈ نمبر ثبت ہونا چاہئے۔

(iii) پراکسی فارم کے ساتھ اصل حقدار اور پراکسی کے موثر کمپیوٹر انز ڈیجیٹل شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی منسلک ہونا چاہئیں۔

(iv) اجلاس کے وقت پراکسی کو اصل کمپیوٹر انز ڈیجیٹل شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔

(v) کارپوریٹ ادارہ کی صورت میں کمپنی کے پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی (اگر پہلے سے فراہم نہ کئے گئے ہوں تو) جس کے ساتھ نمونے بھی منسلک ہونا چاہئیں۔

- 5- ممبران سے درخواست ہے کہ وہ اپنے رجسٹرڈ پتہ میں تبدیلی سے، اگر کوئی ہو، بینک کے شیئرز رجسٹر اڈا پارٹمنٹ، سینٹرل ڈپازیری آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس، 99-B، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی 74400-0 کو فوری طور پر مطلع کر دیں۔

6- SECP نے بذریعہ نوٹیفکیشن نمبر 2016(SRO 470(I)) مورخہ 31 مئی 2016 بینک ہذا کو یہ اجازت دی ہے کہ وہ سالانہ 31 دسمبر 2017 کی سالانہ آڈٹ شدہ فنانسل اسٹیٹمنٹس، آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ وغیرہ، مذکورہ سالانہ اکاؤنٹس کو شیئرز ہولڈرز کو ہارڈ کاپیوں کی بجائے بذریعہ برقی ذرائع سے سی ڈی ڈی وی ڈی کی صورت میں ان کے رجسٹرڈ پتوں پر ارسال کر سکتا ہے۔ تاہم شیئرز ہولڈرز کمپنی سیکریٹری سے رجسٹرڈ پتہ 11th فلور، ایگزیکٹو ٹاورز، ڈالین سٹی، میرین ڈرائیو، بلاک 4 کانٹینر کراچی پر آڈٹ شدہ سالانہ اکاؤنٹس کی سی ڈی ڈی وی ڈی کے بجائے ہارڈ کاپیوں کی صورت میں فراہمی کیلئے درخواست کر سکتا ہے، جو ان کے رجسٹرڈ پتہ پر مطالبے کے ایک ہفتے کے اندر بلا معاوضہ فراہم کر دی جائے گی۔ اس سلسلے میں بینک کی ویب سائٹ پر شیئرز ہولڈرز کیلئے ایک درخواست فارم آویزاں کیا گیا ہے، جس کے ذریعے سے وہ آڈٹ شدہ سالانہ اکاؤنٹس کی سی ڈی ڈی وی ڈی کے بجائے ہارڈ کاپیوں کی ضرورت کی بابت درخواست کر سکتے ہیں۔ ایک شیئرز ہولڈر کو بھی آئندہ آڈٹ شدہ سالانہ اکاؤنٹس کی ہارڈ کاپیوں کی فراہمی کیلئے ترجیح دی جاتی ہے۔

7- جو شیئرز ہولڈرز اپنے فزیکل شیئرز کو سی ڈی سی اکاؤنٹ میں منتقل کروانا چاہتے ہیں وہ سی ڈی سی سب اکاؤنٹ کسی بھی بروکر یا انویسٹر اکاؤنٹ براہ راست سی ڈی سی کے ساتھ کھلا سکتے ہیں۔ یہ سہولت مختلف طریقوں سے شیئرز ہولڈرز کو فائدہ دے گی جیسے کہ شیئرز کا تحفظ اور ان کی فروخت وغیرہ کی آسانی (جس وقت وہ چاہیں)، اسٹاک ایکسچینج کے لاگو قواعد و ضوابط کے مطابق فزیکل شیئرز کی ٹریڈنگ کی اجازت نہیں ہے۔ مزید برآں کمپنیز ایکٹ 2017 کی دفعہ 72 کے مطابق ایس ای سی پی کی جانب سے مطلع کردہ تاریخ سے ایکٹ کے نفاذ سے، ایک کمپنی جو شیئرز کمپنیل کی حامل ہو صرف بک انٹری فارم میں شیئرز ہوں گے۔ ہر موجودہ کمپنی کو ایس ای سی پی کی جانب سے مطلع کردہ تاریخ سے ایکٹ کے نفاذ کے اندر جو کہ چار سال سے زائد نہ ہو، اس کے فزیکل شیئرز کو بک انٹری فارم سے تبدیل کرنے کی ضرورت درپیش ہوگی۔

اطلاع برائے سالانہ اجلاس عام

بذریعہ اطلاع دی جاتی ہے کہ بینک اسلامی پاکستان لمیٹڈ کے ارکان کا 15 واں سالانہ اجلاس عام انشاء اللہ بروز بدھ، مورخہ 27 مارچ 2019ء بوقت صبح 10:30 بجے بمقام ریجنٹ پلازہ ہوٹل اینڈ کنونشن سینٹر، شاہراہ فیصل، کراچی میں منعقد کیا جائے گا۔ جس میں مندرجہ ذیل امور انجام دیئے جائیں گے:

عمومی امور:

- 1- بینک کے 28 اپریل 2018 کو منعقد ہونے والے 14 ویں سالانہ اجلاس عام کی کاروائی کی توثیق کرنا۔
- 2- بینک کے 31 دسمبر 2018 کو اختتام پذیر ہونے والے سال کے لئے سالانہ آڈٹ شدہ کھاتوں اور حسابات مجموعی کو آڈیٹرز، ڈائریکٹرز کی رپورٹ اور چیئرمین ریویو کے ساتھ وصولی، غور و خوض اور ان کی منظوری دینا۔
- 3- بینک کے 31 دسمبر 2019ء کو اختتام پذیر ہونے والے سال کے لئے آڈیٹرز کی تقرری اور ان کے معاوضوں کا تعین کرنا۔ موجودہ آڈیٹرز، EY Ford Rhodes چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور اہلیت کی بنیاد پر دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔

دیگر امور:

- 4- صدر اجلاس کی اجازت سے کسی بھی دیگر امور کی انجام دہی۔

بحکم بورڈ

محمد شعیب

کمپنی سیکریٹری

کراچی: 6 مارچ 2019

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100	100

COUNTRY	NAME OF BANK
CZECH REPUBLIC	CESKA SPORITELNA A.S. CITIBANK EUROPE PLC UNICREDIT BANK CZECH REPUBLIC,A.S.
DENMARK	DANSKE BANK A/S
DJIBOUTI	BANQUE POUR LE COMMERCE ET L'INDUSTRIE - MER ROUGE
EGYPT	MASHREQBANK
FINLAND	DANSKE BANK SAMPO BANK
FRANCE	BYBLOS BANK EUROPE S.A. HABIB BANK LIMITED NATIONAL BANK OF PAKISTAN UNION DE BANQUES ARABES ET FRANCAISES
GERMANY	DANSKE BANK LANDESBANK HESSEN-THUERINGEN GIROZENTRALE NATIONAL BANK OF PAKISTAN UNICREDIT BANK AG
HONG KONG	BANK OF AMERICA, N.A. HABIB FINANCE INTERNATIONAL LIMITED HBZ FINANCE LIMITED ICICI BANK LIMITED JPMORGAN CHASE BANK, N.A. MASHREQBANK PSC NATIONAL BANK OF PAKISTAN UNION BANK OF INDIA
INDIA	MASHREQBANK PUNJAB NATIONAL BANK TAMILNAD MERCANTILE BANK LIMITED UNION BANK OF INDIA
INDONESIA	BANK BUKOPIN PT. BANK MANDIRI (PERSERO) JPMORGAN CHASE BANK, N.A. PT. BANK MAYAPADA INTERNATIONAL TBK PT. BANK SYARIAH MUAMALAT INDONESIA , TBK
IRELAND	NATIONAL IRISH BANK
ITALY	BANCA POPOLARE DELL'EMILIA ROMAGNA BANCA UBAE SPA BANCO POPOLARE SOC. COOP. BANCO POPOLARE SOC. COOP. INTESA SANPAOLO SPA

COUNTRY	NAME OF BANK
JAPAN	JPMORGAN CHASE BANK, N.A. KOREA EXCHANGE BANK MIZUHO CORPORATE BANK, LIMITED NATIONAL BANK OF PAKISTAN UNION DE BANQUES ARABES ET FRANCAISES
KENYA	GULF AFRICAN BANK LIMITED HABIB BANK AG ZURICH HABIB BANK LIMITED KENYA COMMERCIAL BANK LIMITED
KOREA	BUSAN BANK JPMORGAN CHASE BANK, N.A. KOOKMIN BANK KOREA EXCHANGE BANK NATIONAL BANK OF PAKISTAN WOORI BANK
KUWAIT	COMMERCIAL BANK OF KUWAIT SAK, THE
LUXEMBOURG	DANSKE BANK INTERNATIONAL S.A.
MALAYSIA	BANK MUAMALAT MALAYSIA J.P.MORGAN CHASE BANK, N.A. MIZUHO CORPORATE BANK
MALTA	FIMBANK PLC
MAURITIUS	HABIB BANK LIMITED MAURITIUS
NEPAL	HIMALAYAN BANK LIMITED
NETHERLANDS	HABIB 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 KHYBER BANK OF PUNJAB DEUTSCHE BANK AG DUBAI ISLAMIC BANK PAKISTAN LIMITED FAYSAL BANK LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED

COUNTRY	NAME OF BANK
	INDUSTRIAL AND COMMERCIAL BANK OF CHINA JS BANK LIMITED MCB BANK LIMITED MEEZAN BANK LIMITED NATIONAL BANK OF PAKISTAN SAMBA BANK LIMITED SILKBANK LIMITED SINDH BANK LIMITED SONERI BANK LIMITED SUMMIT BANK LIMITED UNITED BANK LIMITED
POLAND	BANK ZACHODNI WBK S.A. DANSKE BANK A/S S.A.
QATAR	COMMERCIAL BANK OF QATAR, LIMITED DOHA BANK MASHREQBANK MASRAF AL RAYAN QATAR ISLAMIC BANK UNITED BANK LIMITED
ROMANIA	ROMANIAN INTERNATIONAL BANK S.A.
SAUDI ARABIA	ALAWWAL BANK BANK AL-JAZIRA EMIRATES NBD PJSC JPMORGAN CHASE BANK, N.A. NATIONAL BANK OF PAKISTAN NATIONAL COMMERCIAL BANK, THE
SINGAPORE	HABIB BANK LIMITED JPMORGAN CHASE BANK, N.A. UNION DE BANQUES ARABES ET FRANCAISES WOORI BANK
SOUTH AFRICA	HABIB OVERSEAS BANK LIMITED HBZ BANK LIMITED
SPAIN	BANCO ESPANOL DE CREDITO BANCO SANTANDER S.A.
SRI LANKA	HATTON NATIONAL BANK PLC
SWEDEN	DANSKE BANK AS SVENSKA HANDELSBANKEN
SWITZERLAND	ARAB BANK (SWITZERLAND) LIMITED CREDIT SUISSE AG

COUNTRY	NAME OF BANK
	HABIB BANK AG ZURICH HABIBSONS BANK LIMITED LUZERNER KANTONALBANK UNITED BANK A.G., ZURICH
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	ASYA KATILIM BANKASI A.S. DENIZBANK A.S. HABIB BANK LIMITED KUVEYT TURK KATILIM BANKASI A.S. TEKSTIL BANKASI A.S. TURKIYE CUMHURİYETİ ZIRAAT BANKASI A.S. TURKIYE FINANS KATILIM BANKASI A.S. TURKIYE VAKIFLAR BANKASI T.A.O.
U.A.E.	ABU DHABI COMMERCIAL BANK ABU DHABI ISLAMIC BANK EMIRATES NBD BANK PJSC HABIB BANK AG ZURICH HABIB BANK LIMITED MASHREQBANK PSC UNITED BANK LIMITED
U.K.	BYBLOS BANK EUROPE S.A. DANSKE BANK EMIRATES NBD PJSC HABIB BANK AG ZURICH HABIB-UK PLC INTESA SANPAOLO SPA ISLAMIC BANK OF BRITAIN PLC JPMORGAN CHASE BANK, N.A. MASHREQBANK PSC NORTHERN BANK UNITED NATIONAL BANK WOORI BANK
U.S.A.	BOKE, NA HABIB AMERICAN BANK JPMORGAN CHASE BANK, N.A.

COUNTRY	NAME OF BANK
	MASHREQBANK PSC NATIONAL BANK OF PAKISTAN NEW YORK COMMERCIAL BANK SAEHAN BANK
VIETNAM	ASIA COMMERCIAL BANK JOINT STOCK COMMERCIAL BANK FOR FOREIGN TRADE OF VIETNAM VIETNAM ASIA COMMERCIAL JOINT-STOCK BANK VINASIAM BANK HOCHIMINH CITY WESTERN COMMERCIAL JOINT STOCK BANK

Branch Network

Serial No.	Location	No of Branches
1	Abbottabad	1
2	Arifwala	1
3	Attock	2
4	Badin	2
5	Bahawalpur	2
6	Balakot	1
7	Batagram	1
8	Batkheila	1
9	Beesham	1
10	Booni	1
11	Buner	1
12	Chaksawari	1
13	Chakwal	1
14	Chaman	1
15	Chichawatni	1
16	Chilas	1
17	Chiniot	1
18	Chitral	1
19	D. G. Khan	1
20	D. I. Khan	1
21	D.G. Khan	1
22	Dadu	1
23	Dargai	1
24	Daulatpur Safan	1
25	Dinga	1
26	Dukki	1
27	Faisalabad	2
28	Fateh Jang	1
29	Gharo	1
30	Ghotki	1
31	Gilgit	1
32	Gojra	1
33	Gujjar Khan	1
34	Gujranwala	3
35	Gujrat	2
36	Haripur Hazara	1
37	Harnai	1
38	Haroonabad	1
39	Hasan Abdal	1
40	Hattar	1

Serial No.	Location	No of Branches
41	Hazro	1
42	Humak	1
43	Hyderabad	6
44	Islamabad	16
45	Islamgarh	1
46	Jacobabad	1
47	Jhang	1
48	Jhelum	2
49	Jhuddo	1
50	Kamoki	1
51	Kandhkot	1
52	Karachi	102
53	Kasur	1
54	Khairpur	1
55	Khanewal	1
56	Khanozai	1
57	Khanpur	1
58	Kharian	1
59	Kuchlak	1
60	Lahore	49
61	Lalamusa	2
62	Larkana	1
63	Loralai	1
64	Mandi Bahauddin	2
65	Mansehra	1
66	Mardan	1
67	Matiari	1
68	Mehar	1
69	Mian Channu	1
70	Mianwali	1
71	Mirpur	1
72	Mirpur Khas	2
73	Mirpur, AJK	1
74	Multan	6
75	Muree	1
76	Muslim Bagh	1
77	Naran	1
78	Nawabshah	2
79	Nowshera	1
80	Okara	2
81	Pakpattan	1
82	Peshawar	5
83	Pir Mahal	1

Serial No.	Location	No of Branches
84	Pishin	1
85	Qila Saifullah	1
86	Quetta	9
87	Rahim Yar Khan	1
88	Rahimyar Khan	1
89	Rawalpindi	13
90	Sadiqabad	2
91	Sahiwal	2
92	Sambriyal	1
93	Sanghar	1
94	Sargodha	2
95	Sawat	1
96	Sheikhupura	1
97	Shujabad	1
98	Sialkot	3
99	Sukkur	2
100	Talagang	1
101	Tando Adam	1
102	Tando Allah Yar	1
103	Tatral Kahun	1
104	Taxila	1
105	Thana Bola Khan	1
106	Timargara	1
107	Toba Tek Singh	1
108	Upper Dir	1
109	Vehari	1
110	Wah Cantt.	1
111	Wazirabad	1
112	Zahir Pir	1
113	Zhob	1

Proxy Form

15th Annual General Meeting

The Company Secretary
BankIslami Pakistan Limited
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block – 4, Clifton
Karachi – Pakistan.

I/We _____ of _____ being a member(s) of BankIslami Pakistan Limited, holder of _____ ordinary shares as per Share Register Folio _____ No./CDC _____ Account _____ No. _____ hereby appoint _____, Folio _____ No./CDC _____ Account _____ No. _____ (if member), _____ of _____ or failing him / her _____ Folio _____ No./CDC _____ Account _____ No. _____ (if member), _____ of _____ as my/our proxy in my / our absense to attend and vote for me / us, and on my / our behalf at the 15th Annual General Meeting of Bank to be held on Wednesday, March 27, 2019 at 10:30 a.m. at Regent Plaza Hotel & Convention Centre, Shahrah-e-Faisal, Karachi and at any adjournment thereof.

Signed under my / our hand this _____ day of _____ .

Witness 1:

Name: _____
Address: _____
CNIC or Passport No. _____

Please affix
Rupees Five
Revenue Stamp

Witness 2:

Name: _____
Address: _____
CNIC or Passport No. _____

Signature of Member(s)

Notes:

1. Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

Please affix
Correct
Postage

The Company Secretary

BankIslami Pakistan Limited

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan

Please affix
Correct
Postage

The Company Secretary

BankIslami Pakistan Limited

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan

پراکسی فارم

پندرہواں (15) سالانہ اجلاس عام

کمپنی سیکریٹری

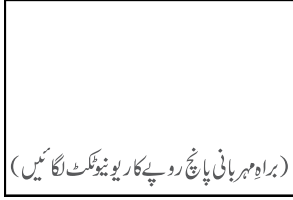
بینک اسلامی پاکستان لمیٹڈ،

گیارہواں فلور، ایگزیکٹو ٹاور،

ڈالین سٹی، میرین ڈرائیو،

کلغٹن، بلاک 4، کراچی، پاکستان۔

میں مسمیٰ / مسماۃ _____ ساکن _____ بحیثیت بینک اسلامی پاکستان لمیٹڈ کا ممبر حامل _____ عام حصص یافتہ بمطابق
شیر رجسٹرڈ فوئیو / سی ڈی سی اکاؤنٹ نمبر _____ بذریعہ ہذا تقرری _____ فوئیو / سی ڈی سی اکاؤنٹ نمبر (اگر
ممبر ہے) _____ ساکن _____ یا ان کی غیر موجودگی میں _____ فوئیو / سی ڈی سی اکاؤنٹ
نمبر (اگر ممبر ہے) _____ ساکن _____ کو اپنی / ہماری طرف سے بروز بدھ مورخہ 27 مارچ 2019 بوقت صبح
10:30 بجے، بمقام ریجنٹ پلازہ ہوٹل اینڈ کنونینشن سینٹر، شاہراہ فیصل، کراچی میں منعقد ہونے والے کمپنی کے حصص یافتگان کے 15 ویں سالانہ اجلاس عام
میں شرکت اور رائے دی کیلئے اپنا / ہمارا پراکسی (مختار) مقرر کرتا ہوں / کرتے ہیں۔
آج بروز _____ مورخہ _____ 2019 کو بذات خود دستخط کئے گئے۔



گواہ نمبر 1:

رکن / ارکان کے دستخط

نام: _____

پتہ: _____

قومی شناختی کارڈ / پاسپورٹ نمبر: _____

دستخط: _____

گواہ نمبر 2:

نام: _____

پتہ: _____

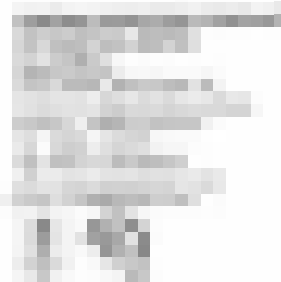
قومی شناختی کارڈ / پاسپورٹ نمبر: _____

دستخط: _____

نوٹس:

- 1 - پراکسی فارم ہذا، باقاعدہ مکمل اور دستخط شدہ کمپنی کو اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل لازماً موصول ہو جانا چاہیئے۔
- 2 - حصص یافتگان اور ان کے مختار ہر ایک سے درخواست ہے کہ کمپنی کو پراکسی فارم جمع کرانے سے قبل اپنے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ کاپی منسلک کریں۔





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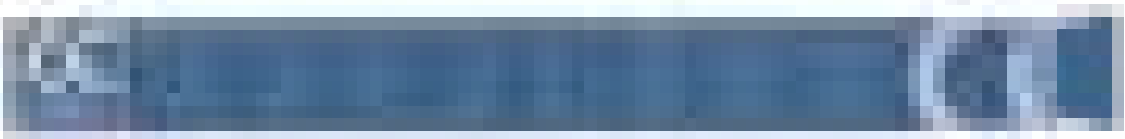
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1. *Introduction*

2. *Methodology*

3. *Results*

4. *Discussion*

5. *Conclusion*

6. *References*

7. *Appendix*

8. *Supplementary Materials*

9. *Acknowledgments*

10. *Conflict of Interest*

11. *Author Contributions*

12. *References*

13. *Supplementary Materials*

14. *Acknowledgments*

15. *Conflict of Interest*

16. *References*

17. *Supplementary Materials*

18. *Acknowledgments*

