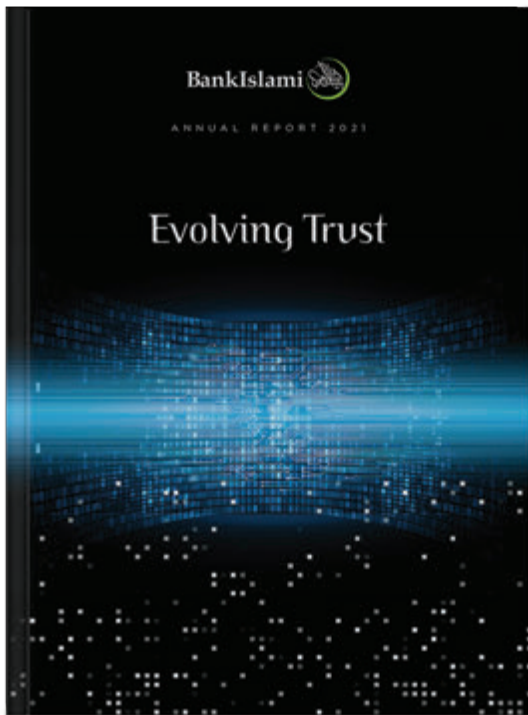


BankIslami 

ANNUAL REPORT 2021

Evolving Trust





The Trust Evolution

Evolution is inevitable especially in today's time when digitization has taken over. There is innovation every day, with new methods and newer solutions. In such times, holding on to your roots is a challenge which BankIslami has overcome triumphantly. Staying true to our fundamental offerings of trust, we remain unwavered as we embark on the journey to progress, the digitized way!



Contents

Vision and Mission.....	03
Core Values.....	03
Corporate Information.....	08
Profile of the Board.....	11
Profile of Shariah Board.....	21
Financial Highlights at a Glance.....	24
Chairman’s Review.....	27
Directors’ Report.....	31
Financial Summary.....	63
Achievements and New Initiatives.....	64
Statement of Internal Control.....	71
Statement of Compliance with the Code of Corporate Governance.....	73
Review Report to the Members.....	76
Report of Shariah Supervisory Board.....	78
Charity Funds Utilization Report.....	91
Deen Connect.....	95
Independent Auditors’ Report to the Members on Unconsolidated Financial Statements.....	96
Unconsolidated Statement of Financial Position.....	106
Unconsolidated Profit & Loss Account.....	107
Unconsolidated Statement of Comprehensive Income.....	108
Unconsolidated Statement of Changes in Equity.....	109
Unconsolidated Cash Flow Statement.....	110
Notes to and forming part of the Unconsolidated Financial Statements.....	111
Independent Auditors’ Report to the Members on Consolidated Financial Statements.....	193
Consolidated Financial Statements.....	202
Pattern of Shareholding.....	291
Categories of Shareholders.....	294
Notice of Annual General Meeting.....	295
Correspondent Banking Network.....	305
Branch Network.....	311
Proxy Form.....	315





Vision

To be recognized as the leading Authentic Islamic Bank.

Mission

To create value for our stakeholders by offering Authentic, Shariah Compliant and technologically advanced products and services.

We differentiate ourselves through:

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

As a growing institution, the foundation of 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

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



The Crescent:

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



Official Digital Media Channels

-  www.facebook.com/bipl.official
-  www.linkedin.com/company/bankislami-pakistan-limited
-  www.twitter.com/BIPLOfficial
-  www.instagram.com/biploofficial
-  BankIslami Pakistan Limited
-  www.bankislami.com.pk

2021 Review



No. of Accounts

2021	2020	Growth%
1,160,190	1,029,927	12.65%



No. of Customers

2021	2020	Growth%
1,038,482	914,690	13.53%



Deposits (Rs. in Mn)

2021	2020	Growth%
344,788	283,641	21.56%



Islamic Financing - Gross (Rs. in Mn)

2021	2020	Growth%
190,191	137,930	37.89%



Branch Network

2021	2020	Growth%
340	343	-0.87%



No. of ATMs

2021	2020	Growth%
347	334	3.89%



Trade Business (Rs. in Mn)

2021	2020	Growth%
266,428	172,171	54.75%



Trade Income (Rs. in Mn)

2021	2020	Growth%
324	190	70.53%



Auto Disbursed (Rs. in Mn)

2021	2020	Growth%
14,081	7,702	82.82%



Housing Finance Disbursed (Rs. in Mn)

2021	2020	Growth%
8,846	2,349	276.59%



Remittance (USD in Mn)

2021	2020	Growth%
83	65	27.69%



No. of Remittance

2021	2020	Growth%
129,602	110,083	17.73%



Utility Bills Payments

2021	2020	Growth%
520,145	394,178	31.96%



No. of Cash Withdrawals (in 000)

2021	2020	Growth%
9,644	7,601	26.88%



No. of Card Holders

2021	2020	Growth%
435,186	354,386	22.80%



No. of Mobile Users

2021	2020	Growth%
234,296	167,123	40.19%



No. of Mobile App Downloads

2021	2020	Growth%
149,109	107,270	39.00%



No. of Internet Banking Users

2021	2020	Growth%
234,296	167,123	40.19%

Corporate Information

Board of Directors

Mr. Ali Hussain	Chairman (Non-Executive Director)
Dr. Amjad Waheed	Independent Director
Mr. Haider Ali Hilaly	Independent Director
Dr. Lalarukh Ejaz	Independent Director
Mr. Sulaiman Sadruddin Mehdi	Independent Director
Mr. Syed Ali Hasham	Non-Executive Director
Mr. Tasnim-ul-Haq Farooqui *	Non-Executive Director
Mr. Syed Amir Ali	President & Chief Executive Officer

Shariah Supervisory Board

Mufti Irshad Ahmad Aijaz	Chairperson
Mufti Javed Ahmad	Member
Mufti Muhammad Husain	Member
Mufti Syed Hussain Ahmed	Member

Audit Committee

Mr. Haider Ali Hilaly	Chairperson
Dr. Lalarukh Ejaz	Member
Mr. Sulaiman Sadruddin Mehdi	Member
Mr. Syed Ali Hasham	Member
Mr. Tasnim-ul-Haq Farooqui **	Member

Risk Management Committee

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

Board Human Resources & Remuneration Committee ***

Mr. Sulaiman Sadruddin Mehdi	Chairperson
Mr. Ali Hussain	Member
Dr. Amjad Waheed	Member
Dr. Lalarukh Ejaz	Member
Mr. Syed Ali Hasham	Member
Mr. Tasnim-ul-Haq Farooqui	Member

Information Technology (IT) Committee

Dr. Lalarukh Ejaz	Chairperson
Mr. Haider Ali Hilaly	Member
Mr. Syed Amir Ali	Member
Mr. Tasnim-ul-Haq Farooqui **	Member

* effective from August 25, 2021, Mr. Farooqui was co-opted as Non-Executive Director for remaining term in replacement of Mr. Siraj Ahmed Dadabhoy who had resigned.

** effective from October 27, 2021, the Board appointed Mr. Farooqui as member of Audit Committee and Information Technology (IT) Committee.

*** effective from March 01, 2022, Board Human Resource & Remuneration Committee was formed in replacement of Human Resource Management Committee and Board Remuneration Committee.

Company Secretary

Mr. Muhammad Shoaib

Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Legal Adviser

1- Haidermota & Co.
2- Mohsin Tayebaly & Co.

Management (in alphabetical order)

Aasim Salim
Bilal Fiaz
Burhan Hafeez Khan
Kashif Nisar
Mahmood Rashid
Masood Muhammad Khan
Mateen Mahmood
Muhammad Adnan Siddiqui
Muhammad Asadullah Chaudhry
Muhammad Irfan Ahmed
Muhammad Shoaib
Muhammad Uzair Sipra
Rizwan Ata
Rizwan Qamar Lari
Sohail Sikandar
Syed Amir Ali
Syed Arif Mahtab
Syed Muhammad Aamir Shamim
Tariq Ali Khan
Usman Shahid
Zaheer Elahi Babar

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

Registered Office

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

Share Registrar

CDC Share Registrar Services Limited
Head Office: CDC House, 99 – B, Block ‘B’,
S.M.C.H.S., Main Shahra-e-Faisal
Karachi- 74400.
Tel: (92) 0800-23275 Fax: (92-21) 34326053
URL: www.cdcsrsl.com
Email: info@cdcsrsl.com

Public Dealing Timings of Share Registrar

Monday to Thursday: 9:00 am to 5:00 pm
Friday: 9:00 am to 12:30 pm and 2:30 pm to 5:00 pm

Website:

www.bankislami.com.pk

Discussion on Corporate Governance

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

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

The Bank has adopted the requirements under Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG) issued by Securities and Exchange Commission of Pakistan (SECP), relevant for the year ended 31st December 2021, and these have been duly complied with. A statement to this effect is part of the Annual Report.

The Board aspires to achieve continuous improvement in Corporate Governance culture by enhancing its soundness and effectiveness in the years to come. We believe it as a key, to successfully fulfilling our mission to become more responsible and agile Bank in an era of disruption and digitization. The Bank has achieved the gender diversity by having a female independent director on its Board. Further, it has enhanced representation of independent directors on its Board as compared to the regulatory requirement. During the year 2021, the Board completed the evaluation of its performance and its Committees, conducted by an independent consultant.

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

Profile of the Board

Following is the Profile of the members of the Board

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

He has over forty six years of professional and managerial experience in both corporate and private entities. For the past thirty one years he has been managing his own global organizations and international financial investments in the field of technology, medical, electronics and strategic investments with operations in USA, Canada, Singapore, UK and Germany. His portfolio of past acquisitions has created significant value through growth and M&A.

Currently, Mr. Hussain manages a portfolio of banking, ecommerce, Fintech and digital technology investments along with family office. In Singapore he manages a technology incubator to promote entrepreneurship and invests in early stage companies. He has also founded Sajjad Foundation, a private charitable foundation primarily devoted to education and health care projects in Singapore, Pakistan and other countries. Mr. Hussain holds a Master's degree in Electrical engineering from Stanford University.

Date of Joining the Board: April 29, 2011

Other Directorship / Offices held:

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

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

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

Date of Joining the Board: April 11, 2017

Other Directorships / Offices held:

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

- **Mr. Haider Ali Hilaly (Independent Director)**

He has been a principal investor in equities for 21 years. He currently serves as the Managing Director of Ithaca Capital (Private) Limited, a privately held investment holding company with a 21 years track record of deploying growth capital in various businesses across multiple sectors in Pakistan including transportation, leasing, power generation, outsourcing, armed security, cinemas, vehicle rental, technology, publishing and FMCG. Prior to joining Ithaca, he has worked in early stage private equity and merchant banking. For the past 12 years he worked at a special situations hedge fund. His core expertise includes investment selection, portfolio construction, capital allocation and management, risk management, valuation, financial control, corporate governance and investor relations.

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

Date of Joining the Board: May 7, 2020

Other Directorships/Offices held:

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

- **Dr. Lalarukh Ejaz (Independent Director)**

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

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

Dr. Ejaz holds a doctorate degree from the Business School at the University of Southampton, UK and a Master's in Economics from York University, Canada. She also has a Master's and a Bachelor's (Hons) in Economics from University of Karachi, Pakistan. She also has a certification from the Pakistan Institute of Corporate Governance Director's Training Program.

Date of Joining the Board: May 7, 2020

Other directorships / Offices held:

Assistant Professor, Institute of Business Administration

• **Mr. Sulaiman Sadruddin Mehdi (Independent Director)**

He is the CEO Cyan Limited, formerly Central Insurance Company Limited (CICL). In 2011, he orchestrated the business restructuring of CICL (insurance) to Cyan (investments), a landmark transaction, and the first of its kind in Pakistan.

Before Cyan, he has served PICIC DFI, PICIC Asset Management Company Ltd., Allied Bank (ABL) and ABL Asset Management Company Limited. He has had the privilege of establishing two leading AMCs of the Country.

As a senior executive he has been working on strategy, organization, mergers and acquisitions. He is a proven business leader with a track record of delivering sustainable change and superior results in Pakistan. Mr. Sulaiman's experience spans over 19 years in multiple areas of financial services including investments, operations, marketing, legal and corporate affairs.

Amongst his prominent achievements have been the acquisition of HUBCO from National Power in June 2012. The acquisition value was PKR 6bn and was sold in March 2018 for PKR 22bn resulting in gains of approx. PKR 23bn (including dividends) in less than 6 years. He also had the privilege of leading the election process of HUBCO for DH Group twice in 2012 and 2015 and managed 8 out of 11 seats with just 17.5% shareholding while managing the rest through proxies.

He was the youngest Chairman of the Pakistan Stock Exchange Limited. He is also the Chairman Pebbles (Pvt) Ltd. – the real estate arm of Dawood Hercules (DH) Group and is spearheading all real estate initiatives of the Group.

He has also served on the Board of Dawood Lawrencepur Limited, FOCUS Pakistan (an Aga Khan Foundation backed NGO), Inbox Business Technologies (Pvt.) Ltd., Inbox Consulting (Pvt.) Ltd., Inbox Corporation (Pvt.) Ltd, Sach International (Pvt.) Ltd, Board of Governors of The Institute of Business Management (IOBM), as Founding member of the Presidential Initiative for Artificial Intelligence, Computing (PIAIC), as a Member of the Committee on Emerging Technologies of MOIT and has represented Sindh as an Independent Member on Private Power and Infrastructure Board (PPIB).

He holds a Master's degree, also a fellow member of The Institute of Corporate Secretaries of Pakistan (FCIS) and is also a Certified Director from the Pakistan Institute of Corporate Governance (PICG).

Date of Joining the Board: May 7, 2020

Other Directorships / Offices held:

Director / CEO, Cyan Limited
 Chairman / Director, Pebbles (Pvt.) Limited
 Chairman / Director, Unity Foods Limited
 Director, Sindh Energy Holding Company (Pvt.) Limited
 Director, ECommunity Management Services (Pvt.) Limited

• **Mr. Syed Ali Hasham, (Non-Executive Director)**

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

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

Date of Joining the Board: May 7, 2020

Other Directorships / Offices held

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

• **Mr. Tasnim-ul-Haq Farooqui (Non-Executive Director)**

He is LLM with Diploma in Banking. He is Fellow Member of the Institute of Corporate Secretaries of Pakistan and a Certified Director from Pakistan Institute of Corporate Governance. He has served in one leading Financial Institution and two Commercial Banks for around 44 years. He retired as Company Secretary & Head of Legal of a leading Islamic Bank.

He has unique and versatile experience of serving with almost all types of investment and financial sector companies at senior level, which include;

Mutual Fund:

He was founder Director and founder Company Secretary of Islamic Closed-End Mutual Fund and Open-End Mutual Fund.

Commercial Bank:

He was a nominee Director of a Conventional Commercial Bank.

Islamic Bank:

He was founder Company Secretary of an Islamic Investment Bank, which was later converted into Pakistan's first Islamic Commercial Bank.

Financial Institutions:

He was founder Company Secretary of two different financial institutions, which were joint venture of Government of Pakistan with brother Muslim Countries.

Investment Advisory Service:

He was the Founder Director & Chairman of Kifayah Investment Management Limited, a public limited Company. A company licensed by Securities and Exchange Commission of Pakistan to carry out Investment Advisory Services.

Islamic Insurance:

He was founder Director and founder Company Secretary of a General Takaful Company and a Family Takaful Company.

Modaraba:

He was a nominee Director on the Board of Directors of a Modaraba and a Modaraba Management company.

Venture Capital:

He has worked as a nominee Director on the Board of a Venture Capital Fund.

Micro Finance:

He conceived the idea of and managed a Micro Finance Portfolio of a Financial Institution for around two years.

Others:

He was an active Nominee Director on the Boards and Committees of the Boards of various private, public and listed companies including General Tyre & Rubber Company Ltd.

Date of Joining the Board: August 25, 2021

Other Directorship / Offices held: None

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

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

Date of Joining the Board: October 1, 2018

Other Directorship / Offices held:

Director, Shakarganj Food Products Limited
Member, Steering Committee on Hajj Funds

Board of Directors attendance during the year 2021

Sr.No.	Name of Directors	Category	No. of Eligible Meetings held in tenure	No. of Meetings attended
1-	Mr. Ali Hussain, Chairman	Non-Executive Director	7	7
2-	Dr. Amjad Waheed	Independent Director	7	7
3-	Mr. Haider Ali Hilaly	Independent Director	7	7
4-	Dr. Lalarukh Ejaz	Independent Director	7	7
5-	Mr. Siraj Ahmed Dadabhoy*	Non-Executive Director	5	4
6-	Mr. Sulaiman Sadruddin Mehdi	Independent Director	7	7
7-	Mr. Syed Ali Hasham	Non-Executive Director	7	7
8-	Mr. Tasnim-ul-Haq Farooqui**	Non-Executive Director	2	2
9-	Mr. Syed Amir Ali, President & CEO	Executive Director	7	7

* resigned effective from August 25, 2021, till that date five Board meetings were held.

** Board co-opted him as Director effective from August 25, 2021, after the date two Board meetings were held.

Board Committees

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

• Audit Committee

Mr. Haider Ali Hilaly	Chairperson
Dr. Lalarukh Ejaz	Member
Mr. Sulaiman Sadruddin Mehdi	Member
Mr. Syed Ali Hasham	Member
Mr. Tasnim-ul-Haq Farooqui **	Member

Terms of Reference

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

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

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

S. No	Name of Directors	Number of Eligible Meetings Held During 2021	Attendance
1	Mr. Haider Ali Hilaly	4	4
2	Dr. Lalarukh Ejaz	4	4
3	Mr. Sulaiman Sadruddin Mehdi	4	4
4	Mr. Syed Ali Hasham	4	4

** effective from October 27, 2021, the Board appointed Mr. Farooqui as member of Audit Committee.

• **Risk Management Committee**

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

Terms of Reference

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

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

S. No	Name of Directors	Number of Eligible Meetings Held During 2021	Attendance
1	Dr. Amjad Waheed	1	1
2	Mr. Sulaiman Sadruddin Mehdi	1	1
3	Mr. Syed Ali Hasham	1	1
4	Mr. Syed Amir Ali	1	1

• Human Resource Management Committee *

Mr. Sulaiman Sadruddin Mehdi	Chairperson
Dr. Amjad Waheed	Member
Dr. Lalarukh Ejaz	Member
Mr. Syed Ali Hasham	Member
Mr. Syed Amir Ali	Member
Mr. Tasnim-ul-Haq Farooqui **	Member

Terms of Reference

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

S. No	Name of Directors	Number of Eligible Meetings Held During 2021	Attendance
1	Mr. Sulaiman Sadruddin Mehdi	2	2
2	Dr. Amjad Waheed	2	2
3	Dr. Lalarukh Ejaz	2	2
4	Mr. Syed Ali Hasham	2	2
5	Mr. Syed Amir Ali	2	2
6	Mr. Tasnim-ul-Haq Farooqui **	1	1
7	Mr. Siraj Ahmed Dadabhoy ***	1	1

* effective from March 01, 2022, Board Human Resource & Remuneration Committee was formed in replacement of Human Resource Management Committee and Board Remuneration Committee.

** effective from October 27, 2021, the Board appointed Mr. Farooqui as member of Human Resource Management Committee.

*** resigned effective from August 25, 2021

• **Board Remuneration Committee ***

Mr. Sulaiman Sadruddin Mehdi	Chairperson
Mr. Ali Hussain	Member
Dr. Amjad Waheed	Member
Dr. Lalarukh Ejaz	Member
Mr. Syed Ali Hasham	Member
Mr. Tasnim-ul-Haq Farooqui **	Member

Terms of Reference

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

S. No	Name of Directors	Number of Eligible Meetings Held During 2021	Attendance
1	Mr. Sulaiman Sadruddin Mehdi	2	2
2	Mr. Ali Hussain	2	2
3	Dr. Amjad Waheed	2	2
4	Dr. Lalarukh Ejaz	2	2
5	Mr. Syed Ali Hasham	2	2
6	Mr. Tasnim-ul-Haq Farooqui **	1	1
7	Mr. Siraj Ahmed Dadabhoy ***	1	1

* effective from March 01, 2022, Board Human Resource & Remuneration Committee was formed in replacement of Human Resource Management Committee and Board Remuneration Committee.

** effective from October 27, 2021, the Board appointed Mr. Farooqui as member of Board Remuneration Committee.

*** resigned effective from August 25, 2021

• Information Technology (IT) Committee

Dr. Lalarukh Ejaz	Chairperson
Mr. Haider Ali Hilaly	Member
Mr. Syed Amir Ali	Member
Mr. Tasnim-ul-Haq Farooqui *	Member

Terms of Reference

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

S. No	Name of Directors	Number of Eligible Meetings Held During 2021	Attendance
1	Dr. Lalarukh Ejaz	2	2
2	Mr. Haider Ali Hilaly	2	2
3	Mr. Syed Amir Ali	2	2
4	Mr. Tasnim-ul-Haq Farooqui *	-	-

* effective from October 27, 2021, the Board appointed Mr. Farooqui as member of Information Technology (IT) Committee.

Profile of Shariah Supervisory Board

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

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

Dr. Irshad Ahmad Aijaz currently holds advisory position in following Institutions:

- Chairman, Shariah Advisory Committee of State Bank of Pakistan
- Chairman, Shariah Advisory Committee, SECP
- Member, AAOIFI Shariah Standard Committee – Karachi
- Member, Shariah Supervisory Board – Summit Bank Limited
- Shariah Advisor of Allied Rental Modaraba
- Member, Shariah Board – Standard Chartered Bank (Pakistan) Limited
- Member, Shariah Committee of Barakah Group – Australia
- Member, Religious Board of Modaraba Companies – Pakistan
- Consultant, Shariah Review Bureau – Bahrain
- Member, Committee on Accounting & Auditing Standards for Interest Free Modes of Financing and Investment, ICAP

He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions including National Institute of Banking and Finance (State Bank of Pakistan) and Center of Islamic Economics (a division of Jamia Dar-ul-Uloom, Karachi).

ii. Mufti Muhammad Hussain (Member)

Mufti Muhammad Hussain is a prominent scholar in the field of Islamic jurisprudence. He 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 fi al-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. He is the author of famous book on Islamic Commercial Law, named "Asan Fiqh ul Muamalat". He is also a member of Shariah Supervisory Board of Halal Foundation, the first Shariah certification and Research body in Pakistan.

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

iii. Mufti Syed Hussain Ahmed (Member) *

Mufti Syed Hussain Ahmed is a Shariah Scholar carrying good reputation with ample experience of giving Shariah pronouncements (Fatawa). He graduated from Jamia Darul Uloom Karachi and obtained from there his Shahadat-ul-Alamia (Masters in Arabic and Islamic Studies) and Takahssus fi al-Iftaa (Specialization in Islamic jurisprudence and fatwa). He is also one of the prominent experts on Islamic Astronomy in the country.

Mufti Syed Hussain Ahmed has been serving at Jamia Dar-ul-Uloom Karachi since 1998 as faculty member and Senior Mufti. Assisting the Fatwa House of Dar-ul-Uloom, he has authored and issued more than 15,000 Fatawa on topics including but not limited to prayer, fasting, Zakat, Islamic Banking & Finance, Insurance/Takaful and Halal Food. He is also associated with Indus Hospital as Shariah Consultant on their financial matters most specifically on collection and disbursement of Zakat / donations. He regularly delivers lectures on topics related to Fiqh-ul-Muaamlaat and Islamic Finance at Center of Islamic Economics (a division of Jamia Dar-ul-Uloom, Karachi) and other organizations.

iv. Mufti Javed Ahmad (Resident Shariah Board Member)

Mufti Javed Ahmad has been serving as BankIslami's Resident Shariah Board Member (RSBM) since 2015. He has completed his Shahadat-ul-Alamia (Masters in Arabic and Islamic Studies) from Jamia Dar-ul-Uloom, Karachi, and Takhassus fi Fiqh-el-Muamlat (Specialization in Islamic Jurisprudence of trade and finance) from Jamia-tur-Rasheed, Karachi. He is also a 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 and undertaken research work on numerous topics including Islamic Banking and Finance.

Mufti Javed Ahmad is also a Shariah Board Member of Alfalah GHP Investments (Islamic Funds). Prior to joining BankIslami, he was associated with Ernst & Young Ford Rhodes Sidat Hyder as 'Senior Shariah Consultant' where he was engaged in Shariah Advisory, Shariah Review, Shariah Audit and Compliance activities for more than four years.

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

S. No	Name of Members	Number of Eligible Meetings Held During 2021	Attendance
1	Mufti Irshad Ahmad Aijaz	4	4
2	Mufti Javed Ahmad	4	4
3	Mufti Muhammad Hussain	4	4
4	Mufti Syed Hussain Ahmed *	2	2

* Appointed with effect from July 01, 2021.

Disclosure on Remuneration Policy of the Bank

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

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

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

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

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

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

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

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

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

- President/CEO or any other equivalent positions.
- Direct reportees (Key Executives) of President/CEO or the BOD.
- Members of Management Credit Committee and Asset Liability Committee.
- Business Heads managing aggregate assets of more than Rs. 1 billion in their respective products/segments.
- Approvers of credit proposals of more than Rs. 250 million.
- Treasury Front Desk Dealers having the authority to take positions of more than Rs. 3,000 million.
- Any other position added by BRC on the basis of risk profile of such position.

Six Years' Horizontal Analysis

	2021		2020		2019		2018		2017		2016	
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	24,552	11%	22,034	51%	14,640	2%	14,293	21%	11,784	32%	8,921	-1%
Balances with other banks	3,692	-70%	12,308	555%	1,878	125%	833	4%	802	-30%	1,140	-36%
Due from financial institutions - net	34,945	-16%	41,640	-3%	42,912	136%	18,174	-15%	21,372	-21%	27,219	-32%
Investments	124,838	31%	95,240	73%	55,194	42%	38,832	-8%	42,092	-9%	46,317	29%
Islamic financing and related assets and Advances (net)	181,176	39%	130,162	-1%	131,775	11%	118,571	0%	119,155	53%	77,817	13%
Operating fixed assets	16,794	13%	14,850	-6%	15,819	62%	9,785	8%	9,072	-3%	9,348	6%
Deferred tax assets	4,308	-26%	5,825	4%	5,622	-25%	7,530	-2%	7,702	30%	5,918	-10%
Other assets - net	18,084	27%	14,239	-7%	15,257	97%	7,726	33%	5,813	0%	5,793	62%
	408,389	21%	336,298	19%	283,097	31%	215,744	-1%	217,792	19%	182,473	5%
Liabilities												
Bills payable	3,484	5%	3,324	34%	2,488	25%	1,991	-33%	2,989	31%	2,274	49%
Due to financial institutions	21,193	31%	16,128	7%	15,104	93%	7,820	-50%	15,570	157%	6,066	90%
Deposits and other accounts	344,788	22%	283,641	23%	229,984	24%	185,945	4%	179,249	16%	154,400	1%
Subordinated sukuk	2,000	0%	2,000	18%	1,700	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other Liabilities	14,413	27%	11,309	-20%	14,125	158%	5,473	-13%	6,307	-13%	7,288	38%
	385,878	22%	316,402	20%	263,401	31%	201,229	-1%	204,115	20%	170,028	4%
Net Assets	22,511	13%	19,896	1%	19,696	36%	14,515	6%	13,677	10%	12,445	11%
Represented by												
Share Capital	11,008	0%	11,008	0%	11,008	10%	10,000	0%	10,000	0%	10,000	0%
Reserves	1,703	12%	1,527	29%	1,186	22%	969	5%	926	51%	614	17%
Unappropriated profit	6,336	46%	4,330	51%	2,876	70%	1,695	15%	1,474	592%	213	-225%
Surplus on revaluation of assets - net of tax	3,464	14%	3,031	-34%	4,626	150%	1,851	45%	1,277	-21%	1,618	94%
	22,511	13%	19,896	1%	19,696	36%	14,515	6%	13,677	10%	12,445	11%
Profit & Loss Account												
Profit / return earned	23,235	-10%	25,744	9%	23,650	94%	12,204	18%	10,354	2%	10,127	15%
Profit / return expensed	(12,303)	7%	(13,255)	-3%	(12,860)	-108%	(6,170)	-18%	(5,250)	9%	(5,791)	-13%
Net Spread earned	10,932	-12%	12,489	16%	10,790	79%	6,034	18%	5,104	18%	4,336	17%
(Provisions) / Reversals	(32)	99%	(2,601)	7%	(2,799)	-7465%	(37)	-109%	392	-81%	2,030	321%
Net Spread after provisions	10,900	10%	9,888	24%	7,991	33%	5,997	9%	5,496	-14%	6,366	52%
Other income	2,119	30%	1,635	0%	1,633	29%	1,264	31%	965	51%	638	12%
Other expenses	(9,623)	-10%	(8,764)	-12%	(7,794)	-14%	(6,859)	-9%	(6,303)	-2%	(6,160)	-22%
Profit before taxation	3,396	23%	2,759	51%	1,830	355%	402	154%	158	-81%	844	410%
Taxation	(1,265)	-20%	(1,056)	-42%	(743)	-293%	(189)	-113%	1,405	458%	(392)	-616%
Profit after taxation	2,131	25%	1,703	57%	1,087	410%	213	-86%	1,563	246%	452	331%

Six Years' Vertical Analysis

	2021		2020		2019		2018		2017		2016	
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
Statement of Financial Position												
Assets												
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Other assets - net	18,084	4%	14,239	4%	15,257	5%	7,726	4%	5,813	3%	5,793	3%
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Subordinated sukuk	2,000	0%	2,000	1%	1,700	1%	-	0%	-	0%	-	0%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other Liabilities	14,413	4%	11,309	3%	14,125	5%	5,473	3%	6,307	3%	7,288	4%
	385,878	94%	316,402	94%	263,401	93%	201,229	93%	204,115	94%	170,028	93%
Net Assets	22,511	6%	19,896	6%	19,696	7%	14,515	7%	13,677	6%	12,445	7%
Represented by												
Share Capital	11,008	3%	11,008	3%	11,008	4%	10,000	5%	10,000	5%	10,000	5%
Reserves	1,703	0%	1,527	0%	1,186	0%	969	0%	926	0%	614	0%
Unappropriated profit	6,336	2%	4,330	1%	2,876	1%	1,695	1%	1,474	1%	213	0%
Surplus on revaluation of assets - net of tax	3,464	1%	3,031	1%	4,626	2%	1,851	1%	1,277	1%	1,618	1%
	22,511	6%	19,896	6%	19,696	7%	14,515	7%	13,677	6%	12,445	7%
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Profit / return expensed	(12,303)	-53%	(13,255)	-51%	(12,860)	-54%	(6,170)	-51%	(5,250)	-51%	(5,791)	-57%
Net Spread earned	10,932	47%	12,489	49%	10,790	46%	6,034	49%	5,104	49%	4,336	43%
(Provisions) / Reversals	(32)	0%	(2,601)	-10%	(2,799)	-12%	(37)	0%	392	4%	2,030	20%
Net Spread after provisions	10,900	47%	9,888	38%	7,991	34%	5,997	49%	5,496	53%	6,366	63%
Other income	2,119	9%	1,635	6%	1,633	7%	1,264	10%	965	9%	638	6%
Other expenses	(9,623)	-41%	(8,764)	-34%	(7,794)	-33%	(6,859)	-56%	(6,303)	-61%	(6,160)	-61%
Profit before taxation	3,396	15%	2,759	11%	1,830	8%	402	3%	158	2%	844	8%
Taxation	(1,265)	-5%	(1,056)	-4%	(743)	-3%	(189)	-2%	1,405	15%	(392)	-4%
Profit after taxation	2,131	9%	1,703	7%	1,087	5%	213	2%	1,563	15%	452	4%

Statement of Value Added and Distribution

<u>Value Added</u>	2021 Rs in '000	2020 Rs in '000
Profit earned net of FE swap cost	23,209,344	25,720,106
Fee and commission income	1,226,894	900,127
Other non funded income	892,592	735,308
Operating expenses excluding salaries, depreciation* & amortization on owned assets and Workers Welfare Fund	(3,535,191)	(4,304,590)
Finance cost on lease liabilities against Right of Use Assets	(416,247)	(389,614)
Provisions	(31,888)	(2,601,023)
Value added available for distribution	21,345,504	20,060,314
 <u>Allocation of Value Added</u>		
To Depositors, Sukuk Holders and Financial Institutions		
Profit expense on deposits and other dues	11,860,957	12,841,590
To Employees		
Salaries and other benefits	4,398,458	3,619,430
To Government		
Workers' Welfare Fund	70,693	55,321
Income tax	1,265,556	1,056,312
	1,336,249	1,111,633
To Business		
Depreciation and amortization on owned assets	1,618,490	784,526
Retained earnings	2,131,350	1,703,135
	3,749,840	2,487,661
Total distribution	21,345,504	20,060,314

* does not include depreciation on non banking assets

Chairman's Review

Alhamdulillah, it is a great pleasure to present the Annual Report of BankIslami Pakistan Limited (the 'Bank' or 'BankIslami') for the year 2021, as Chairman of the Board of Directors.

FY2021 (Jul'20 to Jun'21) proved to be the year of recovery for the economy of Pakistan based on fiscal and monetary measures taken by the Government after going through a challenging FY2020 on account of Covid-19. However, post June 2021, on account of supply chain crises at global level and the emanating inflationary impact on commodity and oil prices have led to new challenges for the country. To counter these challenges, the apex authorities have so far increased the policy rate by 275 bps to 9.75%, to curb the impact of inflation, and implemented various measures to control devaluation of Pak Rupee.

During the year 2021, BankIslami, on the back of its strong risk management and dynamic business strategy, performed in line with its financial plan. The Bank was successful in crossing the Rs. 300 Bn barrier and closed its Deposits at Rs. 345 Bn, depicting a growth of 21.6%, with an improved current account composition of 37.9% (2020; 33.6%). Likewise, the Bank also grew its Net Islamic Financing book by 39.2% largely due to growth in consumer financing, underwriting creditworthy corporate clients and participation in various subsidized schemes introduced by the Government of Pakistan to promote economic growth and wellbeing of the society. Moreover, the Bank remained aggressive towards its flagship Housing Finance product whereby BankIslami become the first Bank to achieve targets mandated by the State Bank of Pakistan during the year 2021, *Alhamdulillah*. In line with growth in core deposit, earning assets and recoveries from delinquent assets, the profit after tax of the Bank grew by 25% for the year ended December 31, 2021.

Going forward, the Bank remains committed towards achieving sustainable growth in its balance sheet, profitability and customer base through aggressive marketing, branch expansion, process improvement by leveraging technology, expanding its digital footprint, garnering trade business, and introduction of customer centric and competitive Shariah compliant products.

The Board of Directors of BankIslami (the 'Board') is committed to ensure compliance with the best practice of Corporate Governance. The Board remained vigilant and ensured its oversight over the affairs of the Bank by setting up sub-Committees with specific mandates. These sub-Committee includes members with subject matter expertise. All Board sub-Committees are chaired by independent directors, which reflects the Board's highest level of commitment towards transparency and corporate governance. In order to ensure compliance with regulatory requirement with respect to external annual evaluation of the Board, its sub-Committees and its respective members, the Board engaged the services of 'Pakistan Institute of Corporate Governance' (PICG).

BankIslami reckons its human capital as its most valuable asset and will remain focused towards their career progression by means of modern learning tools and development techniques. We believe that this will not only aid in maintaining a high performing corporate culture but will also foster creativity and pave the way for our future leadership. We recognize that accomplishment of our overall organizational goals was a direct results of the endeavors made by our staff, and the Board of Directors would like to sincerely thank them for their role in growth of the Bank and establishment of its brand equity as renowned Islamic Bank.

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

I would also like to personally express my acknowledgement to our valuable customers, shareholders, members of the Shariah Supervisory Board and the Board of Directors, who have built their trust in us and have supported BankIslami for further enhancing the cause of Islamic Banking.



Ali Hussain
Chairman of the Board of Directors
March 01, 2022

میں اس موقع کو غنیمت سمجھتے ہوئے اسٹیٹ بینک آف پاکستان، وزارت خزانہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کی جانب سے ان کے عزم اور اسلامی مالیاتی نظام کی ترقی میں پیش کی جانے والی مسلسل معاونت پر خراج تحسین پیش کرتا ہوں۔

میں اپنے گرام قدر صارفین، حصص یافتگان، شریعہ نگراں بورڈ کے اراکین اور بورڈ اراکین نیز بینک کے ملازمین کو بھی ذاتی طور پر ہدیہ تہنیت پیش کرتا ہوں، جنہوں نے نہ صرف ہم پر اعتماد کیا بلکہ پاکستان میں اسلامی بینکاری کے فروغ کے حوالے سے بینک اسلامی کے دیرینہ مقصد میں بھی بھرپور معاونت کی۔

علی حسین

علی حسین

چیئر مین، بورڈ آف ڈائریکٹرز

یکم مارچ ۲۰۲۲

چیئر مین کا جائزہ

بینک اسلامی پاکستان لمیٹڈ (بینک یا بینک اسلامی) کے بورڈ آف ڈائریکٹرز کے چیئر مین کی حیثیت سے شیئر ہولڈرز کو آڈیٹرز کی رپورٹ کے ساتھ بینک کی سالانہ رپورٹ برائے سال 2021 پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

Covid-19 کے حوالے سے مالی سال 2020 کے مسائل سے نکلنے کے بعد حکومت پاکستان کی جانب سے اٹھائے جانے والے اقتصادی اور معاشی اقدامات کی وجہ سے مالی سال 2021 (جولائی 2020 تا جون 2021)، پاکستان کی معیشت کے حوالے سے بہتری کا سال ثابت ہوا۔ تاہم ماہ جون کے بعد عالمی سطح پر سپلائی چین کو درپیش مشکلات نیز اجناس اور تیل کی قیمتوں پر رونما ہونے والے افراط زر کے اثرات نے ہمارے شعبہ کے لیے نئے مسائل پیدا کر دیئے ہیں۔ ان مسائل سے نبرد آزما ہونے کی غرض سے اعلیٰ حکام نے افراط زر کے اثرات پر قابو پانے کے لیے پالیسی شرح 275 bps تک بڑھا کر 9.75% کر دی ہے اور امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی پر قابو پانے کے لیے کئی اقدامات کئے ہیں۔

اطراف میں موجود تمام مسائل کے برخلاف، بینک اسلامی نے اپنے مستحکم رسک مینجمنٹ فریم ورک اور متحرک کاروباری حکمت عملی کی بدولت اپنے مالیاتی منصوبہ سے سال 2021 کے دوران بہتر کارکردگی کا مظاہرہ کیا۔ بینک 300 بلین روپے کی حد کو پار کرنے میں کامیاب رہا اور اس نے کرنٹ اکاؤنٹ میں 38% کی بہتری کے ساتھ اپنے ڈپازٹس کو 345 بلین روپے پر بند کیا۔ اسی طرح بینک نے نیٹ اسلاک فنانشنگ بک میں بھی 39% کی نمو حاصل کی، جس کی بڑی وجہ کنزیومر فنانشنگ میں بہتری، معروف کارپوریٹ کلائنٹس کی طرف سے کریڈٹ آف ٹیک اور معاشرے کی معاشی ترقی اور خوشحالی کے فروغ کے لیے حکومت پاکستان کی جانب سے متعارف کرائی جانے والی متعدد اعانتی اسکیموں میں شرکت ہے۔ مزید یہ کہ بینک اپنی فلیگ شپ ہاؤسنگ پراڈکٹ کے حوالے سے سرگرم رہا جس کے ذریعے بینک اسلامی زیر بحث موجودہ مدت کے دوران اسٹیٹ بینک آف پاکستان کی جانب سے دیئے گئے ہدف کو حاصل کرنے والا پہلا بینک بن گیا، الحمد للہ۔ ہمارے ڈپازٹ اور آمدن کے اثاثہ جات نیز متاثرہ اثاثہ جات کی وصولیابیوں میں ہونے والی نمو کے حوالے سے بینک نے سال ختمہ 31 دسمبر، 2021 میں 25% تک اضافے کے ساتھ بعد از محصول (ٹیکس) منافع حاصل کیا۔

اس پیش قدمی کے ساتھ بینک جدت کے تسلسل، جارحانہ تشہیر، برانچ میں توسیع، ٹیکنالوجی کے استعمال سے طریقہ کار میں بہتری، ڈیجیٹل ذرائع کے استعمال میں وسعت، تجارتی کاروباری امور کو یکجا نیز کسٹمر پر توجہ مرکوز رکھتے ہوئے شرعی اصولوں پر مبنی مسابقتی پراڈکٹس متعارف کرا کر اپنی بیلنس شیٹ، منافع اور کسٹمر کی تعداد کو مستحکم بنانے کے لیے پرعزم رہے گا۔

بینک اسلامی اپنی افرادی قوت کو اپنا سب سے قیمتی اثاثہ شمار کرتا ہے نیز ادارہ جدید تعلیم اور ارتقائی ٹولز اور ٹیکنیکی وسائل کو بروئے کار لاتے ہوئے ان کے پیشہ ورانہ مستقبل پر توجہ مرکوز رکھنے کا عمل جاری رکھے گا۔ ہمیں یقین ہے کہ اس طریقے سے نہ صرف ہمیں اعلیٰ ترین کارکردگی کی روایت کو برقرار رکھنے میں مدد ملے گی بلکہ اس سے تخلیقی صلاحیتوں میں اضافے کے ساتھ ہماری مستقبل کی قیادت کی راہ ہموار ہوگی۔ ہم اس بات کا اعتراف کرتے ہیں کہ ہمارے ادارے کی مجموعی کامیابیاں براہ راست ہمارے عملے کی کوششوں کا نتیجہ ہیں اور اس حوالے سے بورڈ، بینک کی ترقی اور اسے ایک معروف اسلامی بینک کا برانڈ بنانے میں کردار ادا کرنے پر اپنے اسٹاف کا تہ دل سے شکر یہ ادا کرتا ہے۔

Directors' Report

Dear Shareholders,

On behalf of the Board, we are pleased to present the Directors' Report of BankIslami Pakistan Limited ('the Bank' or 'BankIslami') along with the Audited Annual Financial Statements for the year ended December 31, 2021.

Principal Activities

BankIslami principally operates as a licensed and full-fledged Scheduled Islamic Commercial Bank. The Bank is operating with 340 branches including 80 sub-branches as at December 31, 2021 and offers various Shariah compliant services to its clients which includes Corporate & Commercial Financing, SME & Agriculture Financing, Consumer Financing, Trade Finance, Retail Banking, Investment Banking, Treasury Services, Digital Delivery Channels and Cash Management & Employee Banking Services.

Macroeconomic Overview & Industry Outlook

Macroeconomic Overview

Pakistan's economic growth was registered at 3.9% in fiscal year 2021 and is expected to reach 4.0% in fiscal year 2022 as business activities have gradually increased on the back of successful Covid-19 vaccination rollout programme, timely provision of economic stimulus by Government of Pakistan and ongoing structural reforms under IMF's Extended Fund Facility. The forecast is based on improved outlook on Agriculture side as the Government has planned to transform this sector via expansion of land under cultivation, increase in efficient supply of water, development of post-harvest storage and processing facilities, augmentation of bank credit and introduction of digital wallet facility, namely Kissan card, for direct transfer of subsidies to farmers. Moreover, Industrial growth is also projected at 4.3% for fiscal year 2022, driven by (i) rise in budget spending, (ii) anticipated increase in private consumption as social restrictions have been lifted, (iii) availing over Rs. 430 Bn worth of credit lines by business entities for setting up new and/or expanding existing production lines under SBP's subsidized Temporary Economic Refinance Facility (TERF), (iv) adequate agricultural harvest, and (v) strong remittance inflows. Likewise, anticipated growth on Agri and Industrial fronts will also aid in boosting the overall service industry of Pakistan.

Continuous increase in commodity prices (including energy), growth in imports and robust domestic activity has kept the Current Account Deficit (CAD) augmented at USD 9.1 Bn during Jul-Dec 21 as opposed to a surplus of USD 1.1 Bn during same period last year. While imports are expected to rise during current fiscal year, export growth is also expected to accelerate in fiscal year 2022 supported by increased economic activity with trade partners and introduction of export facilitation scheme by the Government to assist in curbing the current account imbalance.

Moreover, anticipated normalization of commodity prices and elevation in remittances through Roshan Digital Account will also continue to aid in curtailing the CAD. Overall CAD is expected to reach a sustainable level of 3% of GDP by the end of fiscal year 2022. Conversely, the deficit could be larger if global commodity prices take more time to normalize than expected.

While, the rupee has depreciated by over 12% during six months since the end of June 2021, implementation of various control measures by law makers on movement of Greenback through open market has resulted in improved PKR-USD parity to PKR/USD 175.9 on 18-Feb-2022 as opposed to FX ready rate of PKR/USD 178.1 on 22-Dec-2021.

Year on Year inflation stood at 13% in Jan 2022 as opposed to 5.7% in Jan 2021 largely due to rise in energy prices and removal of tax exemptions through mini budget. Likewise, average inflation for entire fiscal year 2022 is expected to be around 11% as opposed to inflation of 8.9% in fiscal year 2021. In line with recent shift in inflation trends and rise in CAD, Monetary Policy Committee (MPC) in response raised policy rate by 275 basis points to 9.75% in fiscal year 2022 (till February 2022) so as to preserve stability and counter inflationary pressures at macro level. Going forward, MPC for devising the policy rate, will continue to monitor indicators affecting inflation, financial stability and economic growth.

(Source: State Bank of Pakistan – MPS and Economic Review by ADB).

Banking Industry Outlook

With the uptick in economy of Pakistan, Banking sector has posted stable growth during CY2021 (Jan to Dec). When compared with Dec 2020, deposits of banking industry grew by 17.3% while financing rose by 19.4% on account of increased economic activity during the period. Stability in policy rates during first nine months, supportive budgetary measures and injection of potent stimulus in shape of Covid-19 related packages have remained instrumental in enhancing the credit offtake. Likewise, investment book of banking industry also depicted increase of 22.3% during the period under review. With introduction of additional tax levy by the Government on banks having gross ADR (Advances to Deposit ratio) lower than 50%, growth in both private and public sector financing will continue to be the mainstay of earning assets for the banks. Moreover, this may lead to fierce competition amongst banks with regards to pricing their credit offerings to large corporates and public sector entities. On the liability side, deposits are also anticipated to grow as the apex authority has somewhat shifted its stance towards monetary tightening via gradual increase in benchmark rates to encourage savings as opposed to lavish spending. Nonetheless, with this trend of growth, mobilization of deposits is expected to remain skewed towards high yielding remunerative deposits instead of non-remunerative products.

While non-performing financing tally of the banking industry has increased from Rs. 829 Bn in Dec 2020 to Rs. 860 Bn in Dec 2021, infection ratio has improved from 9.8 percent in Dec 2020 to 8.5 percent in Dec 2021, mainly due to overall growth in the financing book. However, with rising trend in policy rate and KIBOR, increase in delinquencies appears to be more imminent in the year 2022.

Profitability indicators of banking industry remained subtle during 9M 2021 where local commercial banks witnessed growth of 6% during 9M 2021. This was largely due to shrinking spreads on account of lower yield on earning assets vis-à-vis same period last year. However, this trend is expected to reverse in the coming quarters due to potential upside in net margins on account of favorable repricing of floating rate assets linked with KIBOR and PKRV. It is pertinent to note that in the rising interest rate scenario, profitability of banks may remain under pressure in short-run due to time-lag in repricing of assets.

On the capital adequacy side, majority of banking companies are expected to remain compliant as the regulator has reduced the minimum solvency requirement from 12.5% to 11.5% to allow banks to absorb expected increase in credit risk. This relaxation may also continue in the year 2022.

(Source: State Bank of Pakistan –Economic Data and Publications and Published Financial Statements of Banks)

Significant Transaction

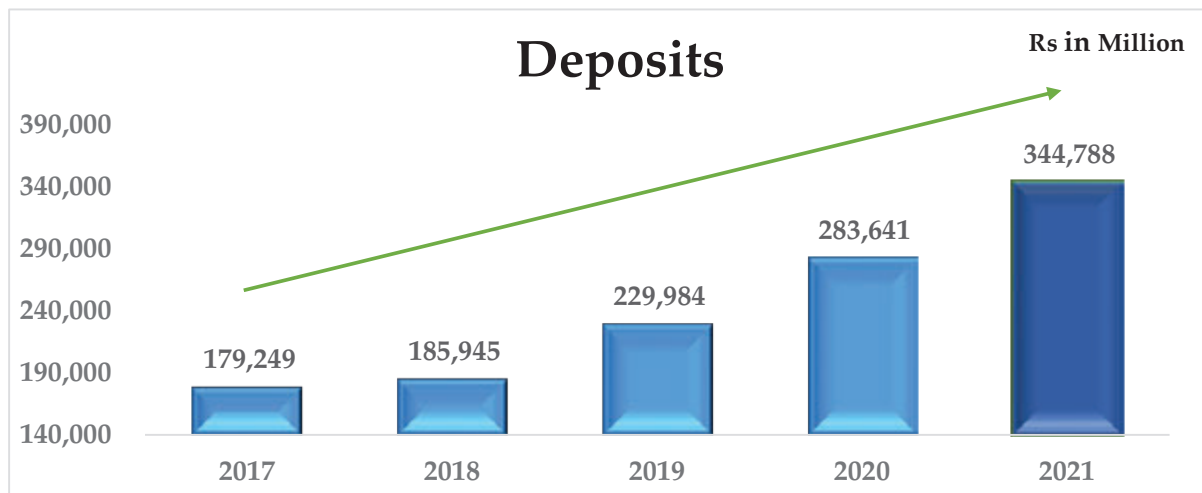
Assets Classified as Held for Sale

In line with the decision of Board of Directors of the Bank and as also announced on PSX on April 25, 2019, during the year 2021, the Bank has successfully completed the sale transaction of its subsidiary companies, namely BIPL Securities Limited and BankIslami Modaraba Investments Limited. Now both of these entities have ceased to be subsidiaries of the Bank.

Financial Performance

Statement of Financial Position	31-Dec-21	31-Dec-20	Variance
	-----Rs. in Million -----		
Net Assets	22,511	19,895	13.15%
Deposits	344,788	283,641	21.56%
Financing and related assets - net	181,176	130,162	39.19%
Investments – net	124,838	95,240	31.08%
Due from FI's	34,945	41,640	-16.08%

Profit and Loss Account	31-Dec-21	31-Dec-20	Variance
	----- Rs. in Million -----		
Profit / return earned	23,235	25,744	-9.75%
Profit / return expensed	12,303	13,255	-7.18%
Net spread earned	10,932	12,489	-12.47%
Operating profit	3,429	5,360	-36.03%
Profit after taxation	2,131	1,703	25.13%
Earnings per share (in Rupees)	1.922	1.536	25.13%



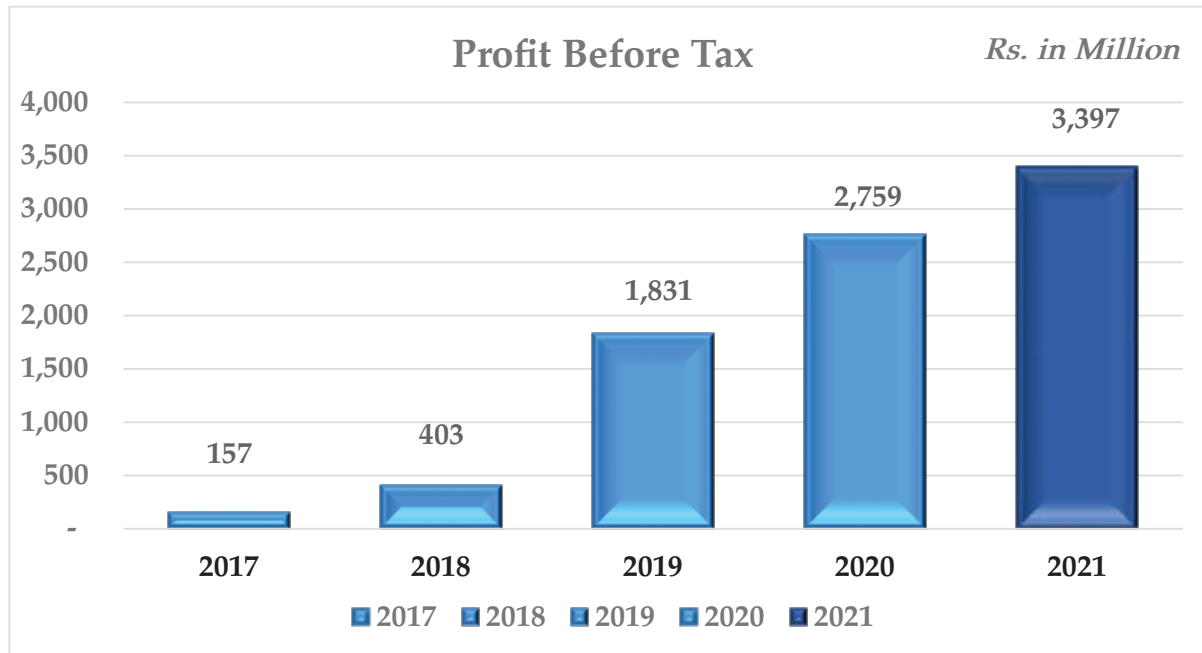
In line with the improvement in economic indicators and demand for industrial and consumable goods, considerable growth in overall book size was witnessed across banking industry. Likewise, financial position of BankIslami also registered impressive growth, whereby its Deposit grew by 21.6% during the year 2021 outpacing the industry growth of 17.3%. Moreover, the year 2021 proved to be the landmark year where the Bank, not only achieved Rs. 300 Bn milestone by closing its Deposit book at Rs. 344.8 Bn as at Dec 31, 2021, but it also crossed deposit per branch benchmark of Rs. 1 Bn at the end of year 2021 as opposed to deposit per branch of Rs. 0.56 Bn at the end of year 2018 i.e. almost doubled in a period of 3 years. Growth in Deposits during the year 2021 was largely due to aggressive strategy followed by the Bank to increase its Current Account (CA) base, which was supported by improvement in product offerings, increase in sales forces, focusing on trade volumes and aggressive feet on street sales and marketing strategy. Resultantly, CA Deposit of the Bank went up by 36.9% and closed at Rs. 130.6 Bn in FY21, which in turn also took the CA composition to 37.9% at Dec 2021 as compared to 33.6% at Dec 2020. Moving forward, the Bank will remain determined towards excelling its CA deposits through promoting trade business, cash management and employee banking.

With increase in Deposit for the Bank, liquidity was mainly channeled towards Corporate Financing, GoP Sukuk and Consumer Financing. Accordingly, Islamic Financing of the Bank increased by 39.2% whereas Investments registered growth of 31.1%. Consequently, gross Advance to Deposit (ADR) and Investment to Deposit (IDR) ratios of the Bank also improved to 57.0% and 36.2% in FY2021 vis-à-vis ADR and IDR of 51.2% and 33.6% in FY2020, respectively. Increase in Corporate Financing was achieved due to aggressive marketing backed by strong underwriting process, while growth in Consumer credit was a result of Bank's dynamic strategy towards harvesting increase in consumer demand in Autos and Housing segment. Going forward, the Bank, based on its robust and efficient risk management framework, will remain inclined towards Corporate, GoP and Consumer financings with increased focus towards Agri and SME financing on account of recent initiatives taken by the Government of Pakistan. With the increase in financing book and extensive efforts to recover non-performing financings, asset quality indicators of the Bank further improved in FY2021 with a significant reduction in infection ratio to 8.7% with a coverage ratio of 85.1% at the end of Dec 2021 as compared to infection and coverage ratios of 12.1% and 82.7% respectively at the of Dec 2020.

Despite increase in earning assets and current account deposits of the Bank, Net Spreads tapered by 12.5%. This was primarily due to time-lag in repricing effect on floating rate assets. Since 4Q 2021, policy rates have witnessed some correction which will gradually lead to a positive impact on spreads of the Bank in the year 2022.

Service based non-funded income of the Bank went up by 29.6% on account of growth in Fee and Commission Income generated through (i) Digital Delivery Channels, (ii) Trade and FI relationships, (iii) Wealth Management services, and (iv) Consumer Finance related fees and charges. The Bank also posted one-off capital gain of Rs. 151.6 Mn on sale of its investments in two of its subsidiaries, namely, BIPL Securities Limited and BankIslami Modaraba Investments Limited. Moreover, in tandem with growth in Trade business, FX desk of the Bank has also registered impressive growth of 32%. Increase in NFI through these means was partially off-set by decline in capital gain on sale of fixed income securities.

Operating Expenses of the Bank increased by 9.8% mainly due to increase in inflation, growth in business volumes and cost incurred on improvement in the IT infrastructure of the Bank. As expected, cost to income ratio of the Bank crept to 74% largely due to declining spreads. As a result, Operating Profit of the Bank went down to Rs. 3,429 Mn in FY2021 as compared to Operating profit of Rs. 5,360 Mn in FY2020.



Profit before tax of the Bank increased by 23.1% mainly because of reversal of provisions on account of recoveries from non-performing financings and settlement of dispute related to owned property. This has assisted the Bank in reducing its net provisioning charge for the year 2021 by Rs. 2,569 Mn as compared to last year. Consequently, the Bank posted its highest ever Profit After Tax (PAT) of Rs. 2,131 Mn for the year ended December 31, 2021, depicting a growth of 25.1% from PAT of Rs. 1,703 Mn posted during the year 2020, Alhamdulillah.

Group Results

Principal Activities

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

- BankIslami Pakistan Limited (Holding Company) – Scheduled Islamic Bank
- Shakarganj Food Products Limited (Associate) – Manufacturing, Processing and Sale of Food Products

Financial Performance of the Group

As at December 31, 2021, total assets of the Group rose by 20.9% when compared with total assets as at December 31, 2020. Growth in the financial position of the Group mainly ensued from growth in Deposits and Earning Assets of the Islamic Banking segment. On account of downward repricing of assets since 4Q 2020, net spreads earned by the Group reduced during FY2021 when compared with FY2020. However, the Group still reported a PAT of Rs. 2,060 Mn for FY2021, up by 31.4% when compared with PAT of Rs. 1,568 Mn for FY2020. This was mainly attributable to (i) decline in provisioning charge of the book due to reversals booked against non-performing financings, (ii) settlement of dispute related to owned property, and (iii) increase in profit from associated entity based on recovery in demand for branded dairy products during post lockdown period.

During the year ended December 31, 2021, the Group successfully completed the sale transaction of its two subsidiaries which were classified as ‘Non-Current Assets held for sale’, namely, BIPL Securities Limited and BankIslami Modaraba Investments Limited. As a result, these entities have now ceased to be part of the Group.

Future Strategy

BankIslami envisages to continue its growth in forthcoming years and maintain its position as one of the leading Islamic Bank. To accomplish this feat, the Bank has developed a Strategic Plan (the 'Plan') for the period 2022-2024 to set clear organizational goals and to lay out a comprehensive roadmap to achieve these goals. In formulating this Plan, the Bank has adopted a strategic planning tool namely SOAR Analysis (Strengths, Opportunities, Aspirations and Results) which follows collaborative approach and engages participants amongst all functions of the organization. This approach assisted the Bank in formulating objectives and goals by focusing on its current strengths and opportunities while creating strategic vision for future Aspirations and action plan to achieve desired Results. The Plan sets out various goals and KPIs for accelerated growth in deposit base, enhancing trade business volumes, expanding its cash management services, improving credit risk profile, achieving technological innovation, spreading Bank's digital footprint, increase in branch network and enhancing shareholders' value while developing and nurturing its human capital, reinforcement of brand image, maintaining healthy capital base and becoming a customer centric Islamic Bank.

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

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

- Movement in Policy Rate and its effect on pricing of assets and liabilities of the Bank.
- Exchange rate fluctuations.
- Direction of Macroeconomic Indicators.
- Changes in laws, regulation, rules, corporate taxation and accounting framework.
- Competitive landscape.
- Capital adequacy.
- Availability of Shariah compliant investment avenues.
- External risks linked with geo-political and law order situation.
- Technological disruptions.
- Social and environmental changes.
- Business continuity in times of crises, natural disaster or pandemic.

Corporate Social Responsibility

BankIslami has a mission to create value for its stakeholders and everyone in the socio-economic environment in which it operates. Therefore, the Bank firmly believes to operate in a socially responsible and remains committed in making constructive contributions to the economy and society. Initiatives for Differently-abled persons.

During the year, the Bank remained focus on spreading awareness amongst the differently-abled persons. It was a first of its kind initiative in the industry, where BankIslami conducted 'Islamic Banking Awareness' seminars in Sign Language at renowned institutions for differently-abled persons. The audience included students, teachers, staff and alumni of these institutions. The seminars were conducted in Sign Language by a differently-abled employee of the Bank.

A video series about Islamic Banking concepts was initiated in Pakistani Sign Language and was launched via Bank's official FaceBook page and social media channels. The purpose was to spread awareness about Islamic Banking amongst the differently-abled persons, who have generally remained below the radar of financial inclusion. This series is unique in the sense that the videos have Sign Language as the focal medium of communication. In order to ensure that the videos targeted different kinds of differently-abled people along with general public, the videos contain English voice-over along with Urdu subtitles. The video series covered topics such as introduction to Islamic Banking, overview of Riba and key differences between Islamic and conventional banking.

Charity and Donations

Charity is disbursed through an account maintained for this purpose. The sources of the account are (a) Shariah non-compliant income, (b) purification of dividend income, (c) late payment charges received from customers and (d) profit earned on the charity account. Charity disbursements made by the Bank are not only for the purpose of Shariah compliance but, at the same time, are meant to make a valuable and positive impact in the society. Charity payments are directed towards organizations which are operating with a philosophy and history of public welfare. Details of charity payments made by the Bank are mentioned in note 22.3.1 to the unconsolidated financial statements. In addition, the Bank also contributed funds through donation, the details of which are disclosed in note 32.2 of the unconsolidated financial statements.

Customer Service and Complaint Management

The Bank values its customers and takes pride in 'serving them, the right way'. To ensure this, we consistently deliver fair outcomes to our clients based on openness and transparency. Likewise, the Bank has made Fair Treatment of Consumer (FTC) an integral part of its service culture and, in line with this, the Bank has placed a sound Consumer Protection Framework.

The Bank has made its objective to visualize customers' needs and benefits while designing, selling and managing products and services, without any discrimination. The Bank is committed towards providing its customers with the top quality of service and satisfaction and to achieve this, the Bank has an independent Service Quality department. The Bank ensures that new Initiatives are taken at regular intervals to make banking experience more convenient, comfortable and pleasing for our customers. Channels which are directly engaged with customers are required to follow Key Service Indicators which are strictly monitored. In order to deliver high quality customer experience, the Service Quality department of the Bank regularly trains its staff on service indicators and complaint management.

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

Customer Grievance

BankIslami has implemented a strong Complaint Handling Policy and Grievance Redress Mechanism to ensure that complaints and customer grievances are addressed in a timely manner with an aim to prevent recurrence of issues of the same nature. For complaint lodgment various channels have been made available to our customers (through branches, phone banking, website, social media, email, etc.) for which customers are also made aware through SMS alerts and banners displayed on our ATM screens and website. Complaint management process is kept transparent through registration, acknowledgement, and interim response (wherever applicable). Customer survey is also conducted on annual basis to gauge customer feedback regarding complaint handling function of the Bank. Customers are also given an option to contact the Banking Mohtasib office, in case they are not satisfied with the response received from the Bank.

A total of 62,646 complaints were received by the Bank in the year 2021 and the average time taken to resolve these complaints was 3.89 working days. Other than these, 320 complaints were received from SBP and Banking Mohtasib Pakistan.

Compliance

BankIslami operates with a strong compliance culture, which has enabled the Bank to adhere high standards of ethics, integrity and honesty, starting from the top and cascading the same down the line in a way that ensures consistent and effective implementation of regulatory requirements/ standards/ practices and other laws in letter and spirit. Therefore, the Compliance function of the Bank plays a key role to keep activities of the Bank within the framework of applicable laws and regulations, and to oversee compliance risk at an entity level to protect the interests of its stakeholders. The Compliance function ensures compliance of all regulatory requirements including Anti-Money Laundering (AML), Combatting the Financing of Terrorism (CFT), Countering Proliferation Financing, and Trade Based Money Laundering (TBML) framework. The Bank has established specialized and dedicated desks to manage AML, CFT and TBML risks. The Bank has also availed subscriptions from reputed service providers to mitigate the risks of on-boarding proscribed persons and is using regulatory technologies (RegTech) to comply with local and international sanction regimes and on-going monitoring of customers. The Compliance function of the Bank conducts timely reporting to comply with Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS). It is also entrusted with the responsibility of review and approval of high risk accounts, facilitating segments and branches on AML/ CFT related matters, advisories on local and international sanctions and conducting extensive trainings at regular intervals on regulatory requirements on country wide basis.

Statement of Internal Controls

The Board of Directors acknowledges its responsibility for ensuring that an adequate and effective internal control system covering all aspects of our banking operations is in place and is being strictly followed by the management of the Bank. However, such system is designed to mitigate the risk of failure to achieve business objectives rather than eliminate the same absolutely.

The Board confirms compliance with highest standard of Corporate Governance and that the Bank's existing system of Internal Control is sound in design and is being effectively implemented and monitored by an Independent Audit Department reporting directly to the Board Audit Committee.

The Board is pleased to endorse the statement made by the management relating to internal controls including management's evaluation of Internal Control over Financial Reporting, which is included in the Annual Report.

Risk Management Framework

The objective of risk management is to effectively manage uncertainties that arise in the normal course of business activities. It is one of the key imperatives of banking business through which the Bank manages entity wide risks with the aim of maximizing risk-adjusted returns while remaining within the set risk parameters. The Risk Management Group has the following departments, headed by senior executives, reporting to the Group Head - Risk Management:

- Corporate Credit Risk Management
- Consumer Credit Risk Management
- Enterprise Risk Management
- Operational Risk & Internal Control
- Information Security
- Special Assets Management
- Consumer Recovery and Collection
- Credit Administration

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

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

The MCC ensures that credit risk activities are in line with Board approved policies, regulatory requirements, Bank's risk appetite and best industry practices. ALCO reviews market, liquidity and country risk exposures, assets and liabilities maturity profile, sets pricing and takes decisions for sound liquidity management with respect to long-term 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 assessed 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 ensured through well-defined financing policies and procedures, appropriately delegated financing approval matrix, sufficient 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 & 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 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 14.15% as at December 31, 2021, well above the regulatory thresholds of 11.50%. The Bank is managing its CAR by carefully monitoring and managing the risk profile of its asset portfolio.

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

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.

Capital Plan

The Bank considers capital planning as an essential component for operating in a challenging economic environment to comply with the strong regulatory requirements and absorb external risks. The Bank believes that sound capital planning is critical for determining a prudent level of capital so that the Bank remains consistent with its strategic business plan, while having the capacity to withstand any stressful event. In line with this, the Bank has set out a constructive capital 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, 2019 (CCG) issued by the Securities and Exchange Commission of Pakistan (SECP) and adopted by SBP. The following statements demonstrate its commitment towards maintaining high standards of Corporate Governance and Best Practices:

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements, except if disclosed separately in the financial statements, and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Bank's ability to continue as a going concern.
7. There are no debts or sukuk instruments in which the Bank is in default or likely to default.
8. There has been no material departure from the best practices of CCG.
9. The appointment terms of the Chairman and other members of the Board are in line with applicable best practices and are also in the best interest of the Bank.
10. As of December 31, 2021, the Board is compliant with respect to Directors' training requirement under CCG.
11. Transactions with related parties were conducted on arm's length basis and were carried out in the ordinary course of the Bank's business. Details of these transactions are disclosed in note 46 to the financial statements.
12. The financial statements of the Bank have been audited without qualification by the auditors of the Bank, KPMG Taseer Hadi & Co., Chartered Accountants and approved by the Board in its meeting held on March 01, 2022 for issuance to the shareholders.
13. No material changes and commitments affecting the financial position of the Bank have occurred between the end of the financial year to which these financial statements relate and the date of the Director's report.
14. The value of investments of the Bank's provident fund and gratuity fund based on un-audited accounts as at December 31, 2021, amounted to Rs. 1,110.964 Mn and Rs. 346.174 Mn, respectively.
15. Following information is enclosed as annexure to the Directors' Report.
 - I. The purchase and sale of shares by the Directors and the Chief Executive during the year.
 - II. Key operating and financial data of last six years.

Compliance with Code of Corporate Governance

The Bank considers compliance with best practices of Corporate Governance as its highest priority. We are of the view that improvement in corporate governance is an ongoing process. The Board and the Management endeavor to improve and implement Bank's corporate values enabling the organization to meet the expectations of all stakeholders, including its shareholders and customers. BankIslami also ensures transparency and merit in each and every process, particularly while dealing with customers and employees which is also reflected from its following Core Values:

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

The requirements of the Listed Companies Code of Corporate Governance Regulation, 2019 (CCG) issued by Securities and Exchange Commission of Pakistan (SECP) relevant for the year ended December 31, 2021 have been duly complied by the Bank. A statement to this effect is annexed with the Annual Report.

Composition of the Board

In line with the requirements of the CCG and best practices, the Board of the Bank comprises of both non-executive and independent directors, including representation of a female director on the Board. The current composition of the Board is as follows:

Total number of Directors

8

Composition:

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

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

The current Board of Directors comprises of leading professionals from industry. The members of the Board possess versatile experience in the fields of Corporate Finance, Capital Market, Investment Management, Private Equity, Economic Research, FinTech, Innovation, Law and Corporate Governance. The Board members hold Professional certifications, Masters and Doctorate degrees from renowned international and local institutions.

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

Framework for Remuneration

Chairman, non-executive directors and independent directors are entitled only for the fee and reasonable actual expenses relating to travelling, boarding & lodging for attending the Board, Committees and general meetings. Remuneration to the Directors for attending Board and Committee meetings of the Bank is being paid by the Bank as per scale approved by the Board and the shareholders in the general meeting of the Bank. A formal remuneration policy for the Board of Directors has been approved by the shareholders.

With regards to remuneration policy for its employees, the Bank offers compensation structure to attract and retain relevant and professional employees, whereas the annual performance review and increments of the same are based on process that encourages the culture of 'pay for performance'. The Board Remuneration Committee (BRC), now Board Human Resource & Remuneration Committee, is responsible to recommend the Board about the structure of compensation package of employees. The Board has approved a Remuneration Policy which clearly defines the criteria for identification of Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) along with mechanism to assess their performance, compensation structure and disclosure requirements.

Detail of remuneration of Chairman, President/CEO, Non-Executive Directors, Key Management Personnel, MRTs and MRCs is disclosed in note 42 of the unconsolidated financial statements.

Performance Evaluation Mechanism for the Board

The Board conducted its performance evaluation with the assistance of an external and independent third party. Pakistan Institute of Corporate Governance, the external evaluator, conducted the evaluation as per the requirements set out by SBP and the report by the evaluator has been submitted to SBP.

Directors' Training

At present, out of eight Board members, seven have completed the prescribed certification under Director Training Program (DTP) as per the requirement of Code of Corporate Governance. 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 KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, have given consent to continue to act as statutory auditors of the Bank for next year, if so appointed. As required under the Code of Corporate Governance, the Audit Committee has recommended the reappointment KPMG Taseer Hadi & Co., Chartered Accountants, as statutory auditors for the year ending December 31, 2022. The appointment shall be subject to approval in the forthcoming Annual General Meeting of the Bank's shareholders.

The audit firm have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP), and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP, and meet the requirements for appointment under all applicable laws.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term entity rating of BankIslami at "A+" and short-term rating at "A1", with a Positive outlook. PACRA has also maintained the credit rating of the Bank's unsecured, subordinated and listed Additional Tier-1 Sukuk issue of Rs. 2 Bn at 'A-'.

Litigations

The Bank is party to various litigations either initiated by it or initiated against it by various parties. The Bank is confident, based on the legal advice that there exists no material uncertainty due to these litigations. Updates and developments with respect to major cases and contingencies are mentioned in note 26.3.1 to the financial statements.

Acknowledgements

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

On behalf of the Board



Syed Amir Ali
President and Chief Executive Officer



Ali Hussain
Chairman of the Board of Directors

March 01, 2022

کریڈیٹ ریٹنگ:

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

قانونی چارہ جوئی:

بینک، متعدد قانونی چارہ جوئی کا فریق ہے جو یا تو اس کے جانب سے شروع کی گئی ہوں یا مختلف فریقین کی جانب سے اس کے خلاف شروع کی گئی ہوں۔ بینک اس قانونی مشورے کی بنیاد پر، پُر اعتماد ہے کہ ان قانونی کارروائیوں کی وجہ سے مادی طور پر کوئی غیر یقینی صورتحال موجود نہیں ہے۔ اہم معاملات اور ہنگامی حالات کے سلسلے میں تازہ ترین معلومات اور پیش رفت کے مالی گوشوارے نوٹ 26.31 میں مذکور ہیں۔

خراج تحسین:

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

منجانب و حسب الحکم بورڈ

علی حسین

علی حسین

چیئر مین آف بورڈ آف ڈائریکٹرز

سید عامر علی

صدر اور چیف ایگزیکٹو آفیسر

یکم مارچ ۲۰۲۲

اپنے ملازمین کیلئے معاوضے کی پالیسی کے حوالے سے، بینک متعلقہ اور پیشہ ور ملازمین کو راغب کرنے اور برقرار رکھنے کیلئے معاوضے کا ڈھانچہ پیش کرتا ہے، جبکہ سالانہ کارکردگی کا جائزہ اور اس میں اضافہ اس عمل پر مبنی ہے جو کارکردگی پر ادائیگی کے کلچر کی حوصلہ افزائی کرتا ہے۔ بورڈ ہیومن ریسورس اور ریویو نیشن کمیٹی (بی ایچ آر & آئی) ذمہ دار ہے کہ وہ ملازمین کے معاوضے کے پیکیج کے ڈھانچے کے بارے میں بورڈ کو سفارش کرے۔ بورڈ نے ایک معاوضہ پالیسی کی منظوری دے دی ہے جس میں ان کی کارکردگی، معاوضہ کے ڈھانچے اور انکشافی تقاضوں کا اندازہ کرنے کے لئے میکانزم کے ساتھ ساتھ مادی رسک ٹیکرز (ایم آر ٹی) اور میٹرل رسک کنٹرولرز (ایم آر سی) کی شناخت کے معیار کو واضح طور پر پیش کیا گیا ہے۔

چیئرمین، صدر ای ای او، نان ایگزیکٹو ڈائریکٹر، کلیدی مینجمنٹ پرسنل، MRTs اور MRCs کے معاوضے کی تفصیل غیر متفقہ مالیاتی گوشواروں کے نوٹ 42 میں ظاہر کی گئی ہے۔

بورڈ کے لئے کارکردگی کی تشخیص کا طریقہ کار

بورڈ نے ایک آزاد اور غیر جانبدار فریق کی مدد سے اپنی کارکردگی کا جائزہ لیا۔ پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس، ایکسٹرنل ایویلیوٹر، نے ایس بی پی کی طرف سے مقرر کردہ تقاضوں کے مطابق تشخیص کی اور ایویلیوٹر کی طرف سے رپورٹ اسٹیٹ بینک کو پیش کر دی گئی ہے۔

ڈائریکٹرز کی تربیت:

تاحال، بورڈ کے آٹھ ممبران میں سے سات نے کوڈ آف کارپوریٹ گورننس کی ضرورت کے مطابق ڈائریکٹر ٹریننگ پروگرام (DTP) کے تحت مقررہ سرٹیفیکیٹیشن مکمل کر لیا ہے۔ مزید برآں، تمام ڈائریکٹرز کارپوریٹ ادارے کے ڈائریکٹرز کے طور پر اپنے فرائض اور ذمہ داریوں سے پوری طرح واقف ہیں۔

شیر ہولڈنگ کا نمونہ:

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

آڈیٹرز:

موجودہ آڈیٹرز KPMG Taseer Hadi & Co. Chartered Accountants، ریٹائرڈ اور اہل ہونے کے بعد، اگر دوبارہ تقویض کئے گئے تو اگلے سال کیلئے بینک کے قانونی آڈیٹرز کے طور پر کام جاری رکھنے کیلئے رضامندی دی گئی ہے۔ جیسا کہ کارپوریٹ گورننس کے اصولوں کے تحت ناگزیر ہے، آڈٹ کمیٹی نے KPMG Taseer Hadi & Co. Chartered Accountants کو 31 دسمبر 2022 تک ختم ہونے والے سال کیلئے قانونی آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کی ہے۔ تقرری بینک کے حصص یافتگان کے آئندہ سالانہ اجلاس عام میں منظوری سے مشروط ہوگی۔

آڈٹ فرم نے تصدیق کی ہے کہ انہیں انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش درجہ بندی دی گئی ہے، اور یہ کہ فرم اور ان کے تمام شرکاء دار انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے ضابطہ اخلاق کے مطابق رہنما خطوط، جیسا کہ ICAP نے اپنایا ہے، اور تمام قابل اطلاق قوانین کے تحت تقرری کے تقاضوں کو پورا کرتے ہیں۔

سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی طرف سے 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے متعلقہ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشن، 2019 (سی سی جی) کے تمام تقاضوں کو بینک نے اپنایا ہے اور ان کی تعمیل کی گئی ہے۔ اس سلسلے میں ایک بیان سالانہ رپورٹ کے ساتھ وابستہ ہے۔

بورڈ کی تشکیل

سی سی جی کے مطلوبہ تقاضوں اور بہترین طریقوں کے مطابق، بینک کے بورڈ میں نان ایگزیکٹو اور آزاد دونوں ڈائریکٹرز شامل ہیں، بشمول بورڈ میں ایک خاتون ڈائریکٹر کی نمائندگی بھی ہے۔

بورڈ کی موجودہ تشکیل مندرجہ ذیل ہے۔

ڈائریکٹرز کی مجموعی تعداد	8
تفصیل	
۱۔ آزاد ڈائریکٹرز	4
۲۔ نان ایگزیکٹو ڈائریکٹرز	3
۳۔ ایگزیکٹو ڈائریکٹر	1
(الف) خاتون ڈائریکٹر	1
(ب) مرد ڈائریکٹرز	7

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

موجودہ بورڈ آف ڈائریکٹرز میں صنعت کے ماہر پیشہ ور افراد شامل ہیں۔ بورڈ کے اراکین، کارپوریٹ فنس، کمپیوٹل مارکیٹ، انویسٹمنٹ مینجمنٹ، پرائیویٹ ایکویٹی، اکنامک ریسرچ، فن ٹیک، انوویشن اور کارپوریٹ گورننس کے شعبوں میں ہمہ گیر تجربے کے حامل ہیں۔ بورڈ کے اراکین معروف بین الاقوامی اور مقامی اداروں سے پیشہ ورانہ سند، ماسٹرز اور ڈاکٹریٹ کی اسنادوں کی حامل ہیں۔

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

مشاہرہ کا فریم ورک

چیئرمین، نان ایگزیکٹو ڈائریکٹرز اور انڈیپنڈنٹ ڈائریکٹرز اجلاسوں میں شرکت کے حوالے سے صرف فیس اور موزوں سفری، بورڈنگ اور لاجنگ اخراجات کے اہل ہیں۔ بینک کے بورڈ اور کمیٹی کے اجلاسوں میں شرکت کیلئے ڈائریکٹر کو معاوضہ بینک کی جانب سے بورڈ اور چیئرمین ہولڈرز کی جانب سے بینک کی جنرل مینٹنگ میں منظور کئے گئے پیمانے کے مطابق ادا کئے جاتے ہیں۔ بورڈ آف ڈائریکٹرز کے لئے باضابطہ معاوضے کی پالیسی کو چیئرمین ہولڈرز نے منظور کر لیا ہے۔

- 10۔ 31 دسمبر 2021 تک بورڈ CCG کے تحت ڈائریکٹرز کی تربیت کی ضرورت کے مطابق ہے۔
- 11۔ متعلقہ فریقین کے ساتھ لین دین (ٹرانزیکشنز) طے کردہ فاصلے کی بنیاد پر کیا گیا تھا اور بینک کے عمومی امور میں انجام دیا گیا تھا۔ ان ٹرانزیکشنز کی تفصیلات مالی گوشواروں کے نوٹ 46 میں ظاہر کی گئی ہیں۔
- 12۔ بینک کے مالیاتی گوشواروں کا بینک کے آڈیٹرز، KPMG Taseer Hadi & Co. Chartered Accountants کے ذریعے بغیر اعتراض کے آڈٹ کیا گیا ہے اور حصص یافتگان کو جاری کرنے کیلئے بورڈ نے یکم مارچ 2022 کو منعقدہ اجلاس میں اس کی منظوری دی ہے۔
- 13۔ مالی سال کے اختتام اور ڈائریکٹرز کی رپورٹ کی تاریخ کے درمیان بینک کی مالی حالت کو متاثر کرنے والی کوئی مادی تبدیلیاں اور وعدے نہیں ہوئے ہیں۔
- 14۔ 31 دسمبر 2021 کو غیر آڈٹ شدہ کھاتوں پر مبنی بینک کے پروویڈنٹ فنڈ اور گریجویٹ فنڈ کی سرمایہ کاری کی مالیت بالترتیب 1,110.964 ملین اور 346.174 ملین روپے ہے۔
- 15۔ مندرجہ ذیل معلومات ڈائریکٹرز کی رپورٹ کے ساتھ وابستہ ہیں۔
- ۱۔ سال کے دوران ڈائریکٹرز اور چیف ایگزیکٹو کے ذریعے حصص کی خرید و فروخت۔
- ۲۔ گزشتہ چھ سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار۔

کارپوریٹ گورننس کے کوڈ کی تعمیل:

بینک کارپوریٹ گورننس کے بہترین طریقوں کی تعمیل کو اپنی اولین ترجیح سمجھتا ہے۔ ہمارا خیال ہے کہ کارپوریٹ گورننس میں بہتری ایک جاری رہنے والا عمل ہے۔ کارپوریٹ گورننس کی مضبوطی اور بہتری بورڈ اور اس کے انتظام کے لئے ایک ترجیحی عمل ہے جس کا مقصد یہ ہے کہ اس کے حصص یافتگان اور صارفین سمیت اپنے تمام اسٹیک ہولڈرز کی توقعات کو پورا کرنے کے لئے بینک کے کارپوریٹ اقدار کی پائیدار ترقی اور بہتری کو جاری رکھنا ہے۔ بورڈ اور انتظامیہ بینک کی کارپوریٹ اقدار کو بہتر بنانے اور ان پر عملدرآمد کرنے کی کوشش کرتے ہیں جس سے ادارے کو تمام اسٹیک ہولڈرز بشمول اس کے شیئر ہولڈرز اور صارفین کی توقعات پر پورا اترنے کے قابل بنایا جاتا ہے۔ بینک اسلامی اپنے ہر عمل خصوصاً صارفین کے ساتھ معاملات میں بھی شفافیت اور اہلیت کو یقینی بناتا ہے۔ اس کی عکاسی مندرجہ ذیل بنیادی اقدار سے ہوتی ہے۔

۱۔ مصنوعات کا مستند ہونا

۲۔ صارف پر توجہ

۳۔ دیانت داری

۴۔ سالمیت

۵۔ ٹیم ورک

۶۔ عاجزی

۷۔ جدت

مالیاتی رپورٹنگ (آئی سی ایف آر) پر داخلی کنٹرول:

بینک نے مالیاتی رپورٹنگ کنٹرولز سمیت اندرونی کنٹرول کے مجموعی سیٹ کے اثرات کا اندازہ کرنے کے لئے داخلی کنٹرول سے متعلق اسٹیٹ بینک آف پاکستان (ایس بی پی) کے رہنما اصولوں پر تہدی سے عمل کیا۔ بینک کی وسعت پر طریقہ کار اور کنٹرولز کی ایک مفصل دستاویز، مکمل طور پر کنٹرول ڈیزائن کے ایک جامع خلا، تجزیہ اور شناخت شدہ خلیج کے تدارک کے منصوبے کی تیاری کے ساتھ مکمل ہوئی۔ مزید برآں، بینک نے کلیدی کنٹرولز کے آپریٹنگ اثرات کو یقینی بنانے کے لئے ایک جامع جانچ اور رپورٹنگ فریم ورک تیار کیا ہے اور ڈیزائن میں کی جانے والی بہتری کے امور کو نمایاں طور پر حل کیا ہے۔ داخلی کنٹرول اور فنانشل رپورٹنگ (آئی سی ایف آر) روڈ میپ کی تسلی بخش تکمیل پر، اسٹیٹ بینک نے بیرونی آڈیٹرز کے ذریعہ لاگت فارم رپورٹ (ایل ایف آر) پیش کرنے سے سال 2017 میں بینک کو استثناء دیا ہے۔

سرمایہ کاری کا منصوبہ:

بینک سرمایہ کاری کی منصوبہ بندی کو ایک چیلنجنگ معاشی ماحول میں کام کرنے کیلئے ایک لازمی جز سمجھتا ہے تاکہ مضبوط ریگولیٹری تقاضوں کی تعمیل اور بیرونی خطرات کو جذب کیا جاسکے۔ بینک سمجھتا ہے کہ سرمائے کی سمجھد اسطرح کا تعین کرنے کیلئے ٹھوس سرمائے کی منصوبہ بندی بہت ضروری ہے تاکہ بینک کسی بھی دباؤ کا مقابلہ کرنے کی صلاحیت رکھتے ہوئے اپنے اسٹریٹجک کاروباری منصوبے کے ساتھ ہم آہنگ رہے۔ اس کی مناسبت سے، بینک نے طویل المدتی افق پر SBP کی طرف سے مقرر کردہ Basel III اور MCR فریم ورک کے مطابق رہنے کیلئے ایک تعمیری سرمایہ کا منصوبہ ترتیب دیا ہے۔

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

سیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کے ذریعہ جاری کردہ لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشنز 2019 (سی سی جی) کے تحت اور بورڈ آف ڈائریکٹرز اپنی ذمہ داری سے پوری طرح واقف ہیں۔ مندرجہ ذیل بیانات کارپوریٹ گورننس اور بہترین طرز عمل کے اعلیٰ معیار کی طرف اس کے عزم کا مظہر ہیں۔

- 1- بینک کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے اس کے امور کی شفافیت، اس کے کام کے نتائج، زرفنڈ کی ترسیل اور ترسیلات زر (ایکویٹی) میں تبدیلیوں کو پیش کرتے ہیں۔
- 2- بینک کے اکاؤنٹ کی مناسبت کتابیں برقرار رکھی گئی ہیں۔
- 3- مالیاتی گوشواروں کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں، سوائے اس کے کہ اگر مالیاتی گوشواروں میں علیحدہ سے ظاہر کیا گیا ہو، اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہو۔
- 4- بین الاقوامی مالیاتی رپورٹنگ معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں مالیاتی گوشواروں کی تیاری میں عمل کیا گیا ہے اور اس میں ہونے والے کسی بھی طرح کے اخراج کا موزوں طریقے سے وضاحت کی گئی ہے۔
- 5- داخلی کنٹرول کا نظام ڈیزائن کے اعتبار سے مستحکم ہے اور اسے موثر انداز میں نافذ کیا گیا ہے اور اس کی نگرانی کی جا رہی ہے۔
- 6- بینک کے اپنے امور کو اس طرح جاری رکھنے کی صلاحیت پر کسی قسم کا شبہ نہیں ہے۔
- 7- سکوک یا قرض کے حوالے سے کوئی ایسی دستاویز نہیں ہیں جن میں بینک ناہندہ ہو یا ممکنہ طور پر ناہندہ ہونے کا خدشہ ہو۔
- 8- CCG کے بہترین طریقوں میں سے مادی طور پر کسی بھی قسم کی رخصتی نہیں ہوئی ہے۔
- 9- چیئرمین اور بورڈ کے دیگر اراکین کی تقرری کی شرائط قابل اطلاق اور بہترین طریقہ کار کے مطابق ہیں اور یہ کہ بینک کے بہترین مفاد میں ہیں۔

ایم سی سی یہ یقینی بناتا ہے کہ کریڈٹ رسک کی سرگرمیاں بورڈ کی منظور شدہ پالیسیوں، ریگولیٹری ضروریات، بینک کی رسک برداشت کرنے کی صلاحیت اور صنعت کے بہترین طریقوں کے مطابق ہیں۔ ALCO مارکیٹ، لیکویڈیٹی اور ملک کو درپیش رسک کے حالات، اثاثہ جات اور واجبات کی مدت تکمیل پر وفاق کا جائزہ لیتی ہے، قیمتوں کا تعین کرتی ہے اور صارفین کے اثاثہ جات اور معیار کے حصول کے سلسلے میں مناسب لیکویڈیٹی مینجمنٹ کے فیصلے لیتی ہے۔ پالیسیوں اور عمل میں ترمیم کی گئی ہے تاکہ مزید سختی کی جائے جس سے اثاثہ جات کے معیار میں مزید بہتری آئے گی۔

ERM کو مارکیٹ رسک فنکشن رپورٹنگ کے ذریعہ ایجوٹی، فارن ایجوٹیج اور لیکویڈیٹی سے وابستہ خطرے کی پیمائش اور نگرانی کی جارہی ہے۔ دباؤ کی جانچ اور حساسیت کے حوالے سے اقدامات کو مارکیٹ کو درپیش نقصان کے خدشات کی نگرانی اور انتظام و انصرام کے لئے رسک مینجمنٹ ٹولز کے طور پر استعمال ہوتے ہیں۔ جامع فنانشل پالیسیوں اور طریقہ کار کے ذریعہ اثاثوں کے معیار کو یقینی بنایا جا رہا ہے، مناسب طور پر فنانشل کی منظوری کے اقدار، مناسب کو لیٹرل کوریج، اس کی دستاویزات اور وقتاً فوقتاً جائزے کے ذریعے تنویض کیا جاتا ہے۔ جامع رسک تجزیہ اور پورٹ فولیو تنوع پر توجہ دیتے ہوئے مالی اعانت میں اضافے کو یقینی بنایا گیا ہے۔ بینک مارکیٹ کے رسک کی تشخیص کے لئے رسک کی مالیت کا حساب لگاتا ہے۔ لیکویڈیٹی کا یومیہ انتظام و انصرام، زر نقد کی ترسیل کی مماثلت، انضباطی وسائل کی ضرورت کی تکمیل اور موزوں لیکویڈیٹی اثاثہ جات کو برقرار رکھنے کے ذریعے کیا جاتا ہے۔ کسی بھی ممکنہ لیکویڈیٹی رسک کا اندازہ کرنے کے لئے مختلف لیکویڈیٹی تناسب کی نگرانی کی جارہی ہے۔

ٹریڈری سے متعلق امور کی نگرانی میں مارکیٹ اور لیکویڈیٹی رسک فنکشن کے کردار کو مختلف حدود کے تعین، ان کی نگرانی، اطلاع دہندگی اور نظام میں بہتری کے عمل کو تقویت ملی ہے۔ نقصان کے اعداد و شمار کی رپورٹنگ، رسک اور کنٹرول کی از خود تشخیص، اہم رسک انڈیکٹرز کا احاطہ، رسک کی نشاندہی کے ذریعے دستاویزات اور بینک کے طریقوں میں بہتری، آپریشنل رسک مینجمنٹ فریم ورک میں مستقل بہتری کا ثبوت ہے۔

مضبوط آپریشنل رسک مینجمنٹ فریم ورک کے دائرہ کار کو وسعت دینے کے لئے مستقل کوششیں کی جارہی ہیں۔ بینک کے پاس داخلی آپریشنل رسک آگاہی کا پروگرام ہے جس کا مقصد صلاحیت کو بڑھانا اور تربیت اور ملازمت سے متعلق آگاہی کے ذریعے عملے میں صلاحیت کو بڑھانا اور خطرہ سے پاک کلچر پیدا کرنا ہے تاکہ زیادہ سے زیادہ خطرات سے آگاہی کو فروغ دیا جاسکے۔

بینک نے (CAR) کو 31 دسمبر 2021 تک 14.15 فیصد پر برقرار رکھا ہے، جو کہ 11.50 فیصد کی ریگولیٹری حد سے کافی اوپر ہے۔ بینک نے اپنے اثاثوں کے پورٹ فولیو کے رسک پروفائل کو احتیاط سے مانیٹر کرنے اور ان کا انتظام کر کے اپنے CAR کا انتظام کیا ہے۔

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

اندرونی کنٹرول کا بیان:

بورڈ آف ڈائریکٹرز اس بات کی یقین دہانی کے لئے اپنی ذمہ داری کو تسلیم کرتا ہے کہ ہمارے بینکنگ آپریشنز کے تمام پہلوؤں کا احاطہ کرنے والا ایک مناسب اور موثر اندرونی کنٹرول سسٹم موجود ہے اور بینک کی انتظامیہ اس کی سختی سے پیروی کر رہی ہے۔ تاہم اسے کاروباری مقاصد کے حصول میں ناکامی کے خطرے کو کم کرنے کیلئے ڈیزائن کیا گیا ہے کیونکہ اسے مکمل طور پر ختم کرنا ممکن نہیں ہے۔

بورڈ کارپوریٹ گورننس کے اعلیٰ ترین معیار کی تعمیل کی تصدیق کرتا ہے اور یہ کہ بینک کا موجودہ اندرونی کنٹرول کا موجودہ سسٹم ڈیزائن کے مطابق ہے اور ایک آزاد غیر جانبدار آڈٹ پارٹنٹ کے ذریعے موثر طریقے سے عمل درآمد اور نگرانی کی جا رہی ہے جو براہ راست بورڈ آڈٹ کمیٹی کو رپورٹ کرتا ہے۔

بورڈ داخلی کنٹرول سے متعلق انتظامیہ کی طرف سے دیئے گئے بیان کی توثیق کرنے پر راضی ہے جس میں سالانہ رپورٹ میں شامل مالی معاملات کی اندرونی کنٹرول سے متعلق انتظامیہ کی تفتیش بھی شامل ہے۔

رسک مینجمنٹ فریم ورک:

رسک مینجمنٹ کا مقصد کاروباری سرگرمیوں کے معمول کے دوران پیدا ہونے والی غیر یقینی صورتحال کا موثر طریقے سے انتظام کرنا ہے۔ یہ بینکاری کاروبار کا ایک اہم ترین شعبہ ہے یہ بینکاری کاروبار کے کلیدی تقاضوں میں سے ایک ہے جس کے ذریعے بینک وسیع پیمانے پر خطرات سے نمٹنے کے لئے مقرر کردہ خطرات کے پیرامیٹرز کے اندر رہتے ہوئے رسک ایڈجسٹ شدہ منافع کو بڑھانے کا انتظام کرتا ہے۔ رسک مینجمنٹ گروپ میں درج ذیل ڈویژنز ہیں، جن کی سربراہی سینئر ایگزیکٹوز کرتے ہیں جو سربراہ رسک مینجمنٹ کو اطلاع دیتے ہیں۔

- کارپوریٹ کریڈٹ رسک مینجمنٹ

- کنزیومر کریڈٹ رسک مینجمنٹ

- انٹرنیشنل رسک مینجمنٹ

- آپریشنل رسک اور اندرونی کنٹرول

- انفارمیشن سیکورٹی

- سیکورٹی اور حفاظت انتظام

- صارفین سے وصولی

- کریڈٹ ایڈمنسٹریشن

متعلقہ تجربہ اور مہارت کے ساتھ سینئر مینجمنٹ کے ممبروں پر مشتمل خصوصی کمیٹیاں، بورڈ کے ذریعے طے شدہ مجموعی حکمت عملی کے مطابق اپنے فرائٹس سرانجام دیتی ہیں تاکہ گزارشات کو رسک برداشت کرنے کی استطاعت کو یقینی بنایا جاسکے۔ کمیٹیوں میں شامل ہیں:

1۔ مینجمنٹ کریڈٹ کمیٹی (ایم سی سی)

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

صارفین کی شکایات:

بینک اسلامی نے شکایات سے نمٹنے کی ایک مضبوط پالیسی اور شکایات کے ازالے کا طریقہ نافذ کیا ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ شکایات اور صارفین کے مسائل کا بروقت ازالہ کیا جائے جس کا مقصد اسی نوعیت کے مسائل کو دوبارہ رونما ہونے سے روکنا ہے۔ شکایات درج کرانے کیلئے صارفین کے پاس مختلف ذرائع (برائچوں کے ذریعہ، فون بینکنگ، ویب سائٹ، سوشل میڈیا، ایمیل وغیرہ) موجود ہیں جن کیلئے صارفین کو وقتاً فوقتاً ایس ایم ایس الرٹس، اے ٹی ایم اسکرینوں اور ویب سائٹ پر دکھائے گئے بینرز کے ذریعے بھی آگاہ کیا جاتا ہے۔ شکایات کے انتظام کے عمل کو رجسٹریشن، تصدیق اور عبوری جواب (جس کا بھی اطلاق ہو) کے ذریعے شفاف رکھا جاتا ہے۔ بینک کی شکایات سے نمٹنے کے طریقہ کار سے متعلق صارفین کے تاثرات کا اندازہ لگانے کیلئے سالانہ بنیادوں پر صارفین کا سروے بھی کیا جاتا ہے۔ صارفین کو بینکنگ محتسب کے دفتر سے رابطہ کرنے کا اختیار بھی دیا گیا ہے، اگر وہ بینک سے موصول ہونے والے جواب سے مطمئن نہیں ہوتے۔

سال 2021 کے دوران بینک کو مجموعی طور پر 62,646 شکایات موصول ہوئیں جبکہ ایک شکایت کے ازالے کیلئے 3.89 روز دفتری اوقات کی اوسط رہی، اس کے علاوہ مرکزی بینک اور بینکاری محتسب پاکستان کی جانب سے 320 شکایات موصول ہوئیں۔

تعمیل

بینک اسلامی ایک مضبوط تعمیلاتی کلچر کے ساتھ کام کرتا ہے جس نے بینک کو اعلیٰ اخلاقیات، دیانتداری اور ایمانداری کے اعلیٰ معیارات کی پیروی کرنے کے قابل بنایا ہے۔ جو اوپر سے شروع ہوتا ہے اور اس کو چھلی سطح تک اپنے خطوط و روح میں ریگولیٹری ضروریات، معیارات، طریقہ کار اور قوانین کے ہموار اور موثر عملدرآمد کو یقینی بناتا ہے۔ لہذا بینک کے تعمیلاتی فنکشن ادارے کی سرگرمیوں کو قابل اطلاق قانون اور ضوابط کے فریم ورک کے دائرہ کار میں رکھنے اور اس کے اسٹیک ہولڈرز کے مفادات کے تحفظ کی خاطر تعمیلاتی رسک کی خاص سطح پر نگرانی میں کلیدی کردار ادا کرتا ہے۔ تعمیلاتی فنکشن تمام ریگولیٹری تقاضوں کی تعمیل کو یقینی بناتا ہے جس میں اینٹی منی لانڈرنگ (AML)، دہشت گردی کی مالی اعانت کا مقابلہ کرنا (CFT)، انسداد پھیلاؤ کی مالی اعانت اور تجارت پر مبنی منی لانڈرنگ (TBML) فریم ورک شامل ہیں۔ بینک نے اے ایم ایل، سی ایف ٹی اور ٹی بی ایم ایل کے خطرات سے بچنے کا انتظام کرنے کیلئے خصوصی طور پر ڈیسک قائم کی گئی ہے۔ بینک نے آن بورڈنگ افراد کے خطرات کو کم کرنے کیلئے معروف سروس فراہم کنندگان سے سوسکرپشنز بھی حاصل کی ہیں اور مقامی اور بین الاقوامی پابندیوں کے نظام کی تعمیل کرنے اور صارفین کی مسلسل نگرانی کیلئے ریگولیٹری ٹیکنالوجیز (Reg Tech) کا استعمال کر رہا ہے۔ بینک کا کمپلائنس فنکشن فارن اکاؤنٹ ٹیکس کمپلائنس ایکٹ (FATCA) اور کامن رپورٹنگ اسٹینڈرڈز (CRS) کی تعمیل کیلئے بروقت رپورٹنگ کرتا ہے۔ اسے ہائی رسک اکاؤنٹس کا جائزہ لینے اور منظوری دینے، AML/CFT سے متعلق معاملات پر سیکمنٹس اور برائچوں کو سہولت فراہم کرنے، مقامی اور بین الاقوامی پابندیوں سے متعلق مشورے اور ملک گیر بنیادوں پر ریگولیٹری تقاضوں پر باقاعدگی سے وسیع ٹریننگ کے انعقاد کی ذمہ داری بھی سونپی گئی ہے۔

خیرات اور عطیات:

خیرات اس مقصد کیلئے رکھے گئے اکاؤنٹ کے ذریعے تقسیم کی جاتی ہے۔ ان خیراتی ادائیگی اکاؤنٹس کے ذرائع یہ ہیں (i) بینک میں غیر شرعی آمدنی، (ii) منافع بخش آمدنی کی پورٹفولیو، (iii) صارفین سے وصول کئے گئے لیٹ پیمنٹ سرچارجز اور (iv) خیراتی ادائیگی اکاؤنٹس پر کمایا گیا منافع۔ بینک کی جانب سے کی گئی خیراتی تقسیم محض شریعت سے متعلق تعیلات کیلئے ہی نہیں ہوتیں بلکہ ان کا مقصد معاشرے میں قابل قدر اور مثبت تبدیلی لانا بھی ہوتا ہے۔ خیراتی ادائیگیاں ان اداروں کو کی جاتی ہیں جو عمومی فلاح و بہبود کی تاریخ اور فلسفے کے ساتھ کام کر رہی ہوں۔ بینک کی جانب سے کی جانے والی خیراتی ادائیگیوں کی تفصیلات مالیاتی گوشواروں کے نوٹ 22.3.1 میں واضح کی گئی ہیں۔ اس کے علاوہ، بینک نے عطیات کے ذریعے فنڈز بھی فراہم کئے، جن کی تفصیلات مالیاتی گوشواروں کے نوٹ 32.2 میں ظاہر کی گئی ہیں۔

صارف خدمات اور شکایات کا نظام:

بینک اپنے صارفین کی قدر کرتا ہے اور صحیح طریقے سے ان کی خدمت کرنے پر فخر محسوس کرتا ہے۔ اس کو یقینی بنانے کیلئے، ہم کھلے دل اور شفافیت کی بنیاد پر صارفین کو مسلسل منصفانہ نتائج فراہم کرتے ہیں۔ اسی طرح، بینک نے صارفین کے ساتھ منصفانہ سلوک (FTC) کو اپنے کارپوریٹ ثقافت کا لازمی حصہ بنایا ہے اور انہی خطوط پر بینک نے صارفین کے تحفظ کیلئے ایک موثر فریم ورک قائم کیا ہے۔

بینک بلا تفریق، مصنوعات اور خدمات کو ڈیزائن، فروخت اور ان کا انتظام کرتے ہوئے صارفین کی ضروریات اور فوائد کے تصور کو اپنا مقصد بنایا ہے۔ بینک اپنے صارفین کو اعلیٰ معیار کی خدمات اور اطمینان فراہم کرنے کیلئے پرعزم ہے اور اس کے حصول کیلئے، بینک نے ایک غیر جانبدار "سروس کوالٹی ڈیپارٹمنٹ" مقرر کیا ہے۔ بینک اس بات کو یقینی بناتا ہے کہ صارفین کیلئے بینکنگ کے تجربے کو مزید بہتر، آرام دہ اور خوش نما بنانے کیلئے باقاعدگی سے نئے اقدامات اٹھائے جائیں۔ وہ چینل جو براہ راست صارفین کے ساتھ منسلک ہوتے ہیں ان کو کلیدی سروس اشاریوں پر عملدرآمد کرنے کی ضرورت ہوتی ہے جن کی سخت نگرانی کی جاتی ہے۔ صارفین کو اعلیٰ معیاری تجربہ فراہم کرنے کیلئے، بینک کا سروس کوالٹی کا شعبہ اپنے عملے کو باقاعدگی سے سروس پر معمور اشاریوں اور شکایت کے انتظام کی تربیت دیتا ہے۔

سروس کے معیار کی مجموعی کارکردگی اور استعداد پر نظر رکھنے کیلئے، بینک کی انتظامیہ نے سی ای او کی سربراہی میں 'سروس ایکسی لینس کمیٹی' (SEC) تشکیل دی ہے۔ SEC سہ ماہی بنیادوں پر اجلاس منعقد کرتی ہے اور سروس کوالٹی ڈیپارٹمنٹ کے تجویز کردہ سروس کے مختلف معیارات کا جائزہ لینے کی ذمہ دار ہے۔ یہ ڈیپارٹمنٹ کی جانب سے تیار کردہ سروس کے معیار پر مختلف رپورٹس کا بھی جائزہ لیتی ہے اور موجودہ طریقہ کار کو مضبوط اور آسان بنانے کیلئے بہتری کے شعبوں کی نشاندہی کرتی ہے جس میں غیر ضروری عوامل کی نشاندہی شامل ہیں۔ یہ صارفین اور دیگر اسٹیک ہولڈرز کی خدمات کے معیار میں بہتری کی بھی تجویز کرتی ہے اور کوالٹی ایٹورنس میں تحقیق اور تجزیے کو مسلسل بنیادوں پر انجام دینے کیلئے سفارشات پیش کرتی ہے۔

- زرمبادلہ کی شرح میں اتار چڑھاؤ۔
- میکرو اکنامک اشاریے کی سمت۔
- قوانین، ضابطے، قواعد، کارپوریٹ گورننس اور اکاؤنٹنگ فریم ورک میں تبدیلیاں
- مسابقتی منظر نامہ
- سرمائے کی وافر دستیابی
- شریعت کے مطابق سرمایہ کاری کے مواقع کی دستیابی۔
- جغرافیائی سیاسی اور امن و امان کی صورتحال سے منسلک بیرونی خطرات۔
- تکنیکی رکاوٹیں۔
- سماجی اور ماحولیاتی تبدیلیاں۔
- بحران، قدرتی آفات یا وبائی امراض کی صورت میں کاروبار کا تسلسل۔

کارپوریٹ سماجی ذمہ داریاں

بینک اسلامی کا مشن ہے کہ وہ اپنے شراکت داروں اور اپنے آپریشنز کے دائرہ کار کے سماجی و اقتصادی ماحول میں موجود ہر ایک کی اقدار میں اضافہ کرے۔ اسی لئے بینک سماجی طور پر ذمہ دارانہ انداز میں کام کرنے پر پختہ یقین رکھتا ہے اور معیشت، معاشرے اور ماحولیات میں تعمیراتی کردار ادا کرتا ہے۔

منفرد صلاحیتوں کے حامل افراد کیلئے اقدامات:

سال کے دوران بینک نے منفرد صلاحیتوں کے حامل افراد میں آگاہی کے فروغ پر توجہ مرکوز رکھی۔ یہ انڈسٹری میں اپنی نوعیت کا پہلا اقدام تھا، جس میں بینک اسلامی نے منفرد صلاحیتوں کے حامل افراد کیلئے معروف اداروں میں اشاروں کی زبان میں 'اسلامی بینکنگ آگاہی' سیمینار کا انعقاد کیا۔ شرکاء میں ان اداروں کے طلباء، اساتذہ، عملہ اور سابق طلباء شامل تھے۔ سیمینار کا انعقاد بینک کے منفرد صلاحیتوں کے حامل ملازمین نے اشاروں کی زبان میں کیا۔

اسلامی بینکنگ کے تصورات کے بارے میں ایک ویڈیو سیریز اشاروں کی زبان میں شروع کی گئی تھی اور اسے بینک کے آفیشل فیس بک پیج اور سوشل میڈیا چینلز پر متعارف کرایا گیا تھا۔ اس کا مقصد منفرد صلاحیتوں کے حامل افراد میں اسلامی بینکاری سے متعلق آگاہی پیدا کرنا تھا، جو عموماً مالی شمولیت کے زمرے میں نہیں آتے۔ یہ سیریز اس لحاظ سے منفرد ہے کہ ویڈیوز میں اشاروں کی زبان ہی گفتگو کا ذریعہ ہے۔ اس بات کو یقینی بنانے کیلئے کہ ویڈیوز منفرد صلاحیتوں کے حامل افراد کے ساتھ عام لوگوں تک بھی پہنچے، ویڈیوز میں اردو سب ٹائٹلز کے ساتھ انگریزی وائس اوور بھی شامل ہے۔ ویڈیو سیریز میں اسلامی بینکاری کا تعارف، ربا کا جائزہ اور اسلامی اور روایتی بینکاری کے درمیان اہم فرق جیسے موضوعات کا احاطہ کیا گیا ہے۔

گروپ کی مالی کارکردگی:

31 دسمبر 2020 کے اثاثوں کے مقابلے میں 31 دسمبر 2021 تک گروپ کے کل اثاثوں میں 20.9 فیصد اضافہ ہوا۔ گروپ کی مالی حیثیت میں اضافہ بنیادی طور پر اسلامی بینکنگ کے شعبہ کے ڈیپازٹس اور آمدنی کے اثاثوں میں اضافہ سے ہوا۔ 2020 کی چوتھی سہ ماہی (4Q 2020) سے اثاثوں کی قیمتوں میں کمی کی وجہ، مالی سال 2020 کے مقابلے میں مالی سال 2021 کے دوران گروپ کو حاصل آمدنی میں خالص اسپریڈز میں کمی آئی ہے۔ تاہم گروپ نے مالی سال 2021 میں 2,060 ملین روپے کے PAT کا اعلان کیا جو گزشتہ مالی سال 2020 کے 1,568 ملین روپے کے مقابلے میں 31.4 فیصد زیادہ ہے۔ یہ بنیادی طور پر (1) غیر فعال قرضوں کے مقابلے میں درج کئے گئے پروویڈنگ چارجز میں کمی اور ریورسل میں اضافہ (2) ملکیتی جائیداد سے متعلق تنازعات کا تصفیہ، اور (3) لاک ڈاؤن کے اختتام کے بعد برانڈ ڈیری مصنوعات کی مانگ میں اضافہ کی ریکوری کی بنیاد پر متعلقہ ادارے سے منافع میں اضافہ سے منسوب ہے۔

31 دسمبر 2021 کو ختم ہونے والے سال کے دوران، گروپ نے کامیابی سے دو ڈیجیٹل کمپنیوں کی فروخت کا عمل مکمل کر لیا جن کی درجہ بندی 'غیر موجودہ اثاثہ جات برائے فروخت'، یعنی بی آئی پی ایل سیکیورٹیز لمیٹڈ اور بینک اسلامی مضاربہ انویسٹمنٹ لمیٹڈ ہیں۔ نتیجتاً ان اداروں کو اب گروپ کا حصہ تصور نہیں کیا جائے گا۔

مستقبل کی حکمت عملی

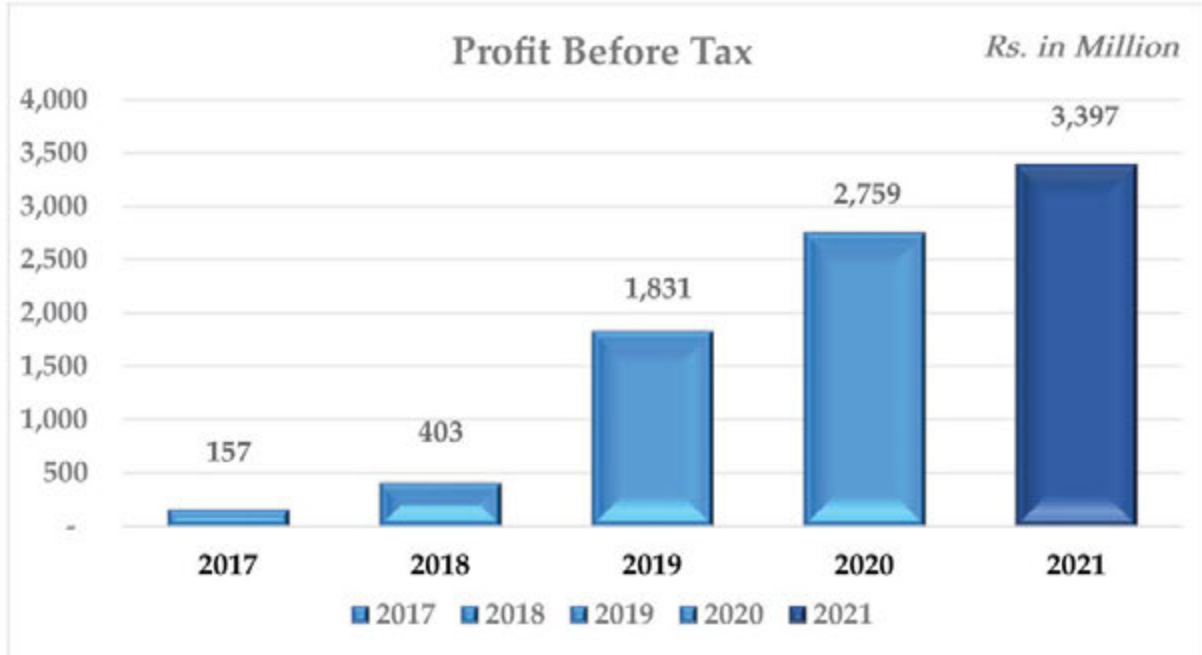
بینک اسلامی آنے والے برسوں میں اپنی ترقی کو جاری رکھنے اور سرفہرست اسلامی بینکوں میں اپنی پوزیشن برقرار رکھنے کا تصور کرتا ہے۔ اس مقصد کو پورا کرنے کیلئے، بینک نے 2022 - 2024 کی مدت کیلئے ایک اسٹریٹجک پلان ('پلان') مرتب کیا ہے تاکہ واضح کردہ ادارہ جاتی اہداف کا تعین کیا جاسکے اور ان اہداف کے حصول کیلئے ایک جامع روڈ میپ تیار کیا جاسکے۔ اس منصوبے کی تکمیل میں، بینک نے ایک اسٹریٹجک پلاننگ ٹول کو اپنایا ہے جس کا نام SOAR تجزیہ (قوت، مواقع، خواہشات اور نتائج) ہے جو باہمی تعاون پر مبنی نقطہ نظر کی پیروی کرتا ہے اور شرکاء کو ادارے کے تمام اقدامات میں شامل کرتا ہے۔ اس نقطہ نظر نے بینک کو اپنی موجودہ قوت اور مواقع پر توجہ مرکوز کرتے ہوئے مقاصد اور اہدات کی تشکیل میں مدد کرتا ہے جبکہ مطلوبہ نتائج کے حصول کیلئے مستقبل کی انگلیوں اور ایکشن پلان کیلئے اسٹریٹجک وژن کی تخلیق کرتا ہے۔ یہ منصوبہ ڈیپازٹ میں تیز رفتار نمو، کاروباری حجم کو بڑھانا، نقد انتظامی خدمات کو بڑھانا، کریڈٹ رسک پر وفاق کو بہتر بنانا، تکنیکی جدت کا حصول، بینک کے ڈیجیٹل فٹ پرنٹ کا پھیلاؤ، براؤنچ نیٹ ورک میں اضافہ اور شیئر ہولڈرز کی قدر میں اضافہ کیلئے مختلف کے پی آئی ایز KPIs کا تعین کرتا ہے جبکہ اعلیٰ معیار کے انسانی وسائل کو راغب کرنا، برانڈ کی شناخت کے نفاذ، صحت مند سرمائے کی بنیاد کو برقرار رکھتے ہوئے صارفین پر توجہ مرکوز رکھنے والا اسلامی بینک بنانا ہے۔

مستقبل میں بینک کی ترقی، کارکردگی اور پوزیشن پر اثر انداز ہونے والے رجحانات اور عوامل:

بینک کے بورڈ آف ڈائریکٹرز اور انتظامیہ ادارے کی کارکردگی کی نگرانی کیلئے پرعزم ہیں تاکہ یہ یقینی بنایا جاسکے کہ بینک اپنے اسٹریٹجک کاروباری منصوبے کے مطابق ترقی کر رہا ہے۔ آپریٹنگ اور مالیاتی بجٹ کیلئے بینک کی کارکردگی کا جائزہ لینے کیلئے بورڈ ہر سہ ماہی میں کم از کم ایک بار اجلاس کا انعقاد کرے گا۔ KPIs کا اندازہ لگانے کیلئے، بورڈ اور انتظامیہ مختلف عوامل پر غور کرتے ہیں جو ممکنہ طور پر بینک کی مستقبل کی کارکردگی کو متاثر کر سکتے ہیں، اور امکان ہے کہ اس کے اسٹریٹجک پلان اور بجٹ کے اہداف میں قلیل مدتی تبدیلیوں کی ضرورت پڑ سکتی ہے۔ ان عوامل میں شامل ہیں:

- پالیسی کی شرح میں رد و بدل اور بینک کے اثاثوں اور واجبات کی قیمتوں پر اس کا اثر۔

بینک کے آپریٹنگ اخراجات میں 9.8 فیصد اضافہ ہوا جس کی بنیادی وجہ افراط زر، کاروباری حجم میں اضافہ اور بینک کی آئی ٹی انفراسٹرکچر میں بہتری پر ہونے والی لاگت ہے۔ حسب توقع، گرتے ہوئے اسپریڈز کی وجہ سے بینک کی لاگت سے آمدنی کا تناسب 74 فیصد تک کم ہو گیا۔ نتیجتاً بینک کا آپریٹنگ منافع کم ہو کر مالی سال 2021 میں 3,429 ملین روپے تھا جس کے مقابلے میں مالی سال 2020 میں آپریٹنگ منافع 5,360 ملین روپے تھا۔



بینک کے قبل از ٹیکس منافع میں 23.1 فیصد اضافہ ہوا جس کی بنیادی وجہ غیر فعال قرضوں کی وصولیوں اور ملکی جائیداد سے متعلق تنازعات کے تصفیہ تھے۔ اس نے بینک کو سال 2021 کیلئے اپنے خالص پروویڈنگ چارج کو گزشتہ سال کے مقابلے میں 2,569 ملین روپے تک کم کرنے میں مدد فراہم کی ہے۔ نتیجتاً بینک نے 31 دسمبر 2021 کو ختم ہونے والے سال کیلئے اپنا اب تک کا سب سے زیادہ بعد از محصول منافع (PAT) 2,131 ملین روپے کا اعلان کیا، جو گزشتہ سال کے مقابلے میں 25.1 فیصد زیادہ ہے جو کہ سال 2020 میں (PAT) 1,703 ملین روپے تھا۔ الحمد للہ

گروپ کے نتائج

اہم امور اور سرگرمیاں:

گروپ کی مادی اور اہم بنیادی سرگرمیاں مندرجہ ذیل ہیں۔

- بینک اسلامی پاکستان لمیٹڈ (ہولڈنگ کمپنی) - شیڈول کمرشل اسلامی بینک
- شکر گنج فوڈ پروڈکٹ لمیٹڈ (ایسوسی ایٹ) - کھانے کی مصنوعات کی تیاری، پروسیسنگ اور فروخت۔

اقتصادی اعشاریوں میں بہتری اور صنعتی اور قابل استعمال اشیاء کی مانگ کے مطابق، بینکنگ انڈسٹری میں مجموعی کھاتے کے حجم میں خاطر خواہ اضافہ دیکھا گیا۔ اسی طرح بینک اسلامی کی مالیاتی حیثیت میں بھی متاثر کن نمودار ج کی گئی، جس میں اس کے ڈیپازٹس میں سال 2021 کے دوران 21.6 فیصد اضافہ ہوا جبکہ بینکنگ انڈسٹری کی شرح نمو 17.3 فیصد رہی۔ مزید برآں، سال 2021 ایک تاریخی سال ثابت ہوا جہاں بینک نے نہ صرف 300 بلین روپے کا سنگ میل عبور کیا اور اپنے ڈیپازٹس 31 دسمبر 2021 تک 344.8 بلین روپے پر بند کئے، بلکہ اس کے ساتھ ہی بینک نے سال 2021 کے اختتام پر ایک بلین روپے فی براؤنڈ ڈیپازٹ کا سنگ میل عبور کیا جو 2018 کے اختتام پر 0.56 بلین روپے فی براؤنڈ ڈیپازٹ تھا۔ یعنی 3 سال کی مدت میں تقریباً دوگنا ہو گیا۔ سال 2021 کے دوران ڈیپازٹس میں اضافہ کی بڑی حد تک وجہ جارحانہ حکمت عملی تھی جس پر عمل کر کے بینک نے اپنے کرنٹ اکاؤنٹ (CA) کو بڑھایا، جس کی اہم وجہ پروڈکٹ کی پیشکشوں میں بہتری، سیز فورمز میں اضافہ، تجارتی حجم پر توجہ مرکوز کرنے اور عام سیز اور مارکیٹنگ کی حکومت عملی پر عملدرآمد کیلئے جارحانہ پیش قدمی کی گئی۔ نتیجتاً مالی سال 2021 میں بینک کے CA ڈیپازٹ 36.9 فیصد اضافے کے ساتھ 130.6 بلین روپے پر پہنچ گیا، جس کے بعد دسمبر 2020 میں 33.6 فیصد کے مقابلے میں دسمبر 2021 میں CA کی ساخت 37.9 فیصد تک پہنچ گئی۔ مزید برآں، بینک تجارتی کاروبار، کیش منیجمنٹ اور ایمپلائئی بینکنگ کو فروغ دے کر CA ڈیپازٹس کو بہتر بنانے کیلئے پرعزم رہے گا۔

بینک کے ڈیپازٹس میں اضافہ کے ساتھ، لیکویڈیٹی بنیادی طور پر کارپوریٹ فناننگ، حکومت پاکستان کے سکوک اور کنزیومر فناننگ کی طرف انویسٹ کر دی گئی۔ اسی طرح بینک کی اسلاک فناننگ میں 39.2 فیصد اضافہ ہوا جبکہ سرمایہ کاری میں 31.1 فیصد اضافہ ریکارڈ کیا گیا۔ نتیجتاً، بینک کا مجموعی ایڈوائس ٹو ڈیپازٹ ریلیٹو (ADR) اور سرمایہ کاری ٹو ڈیپازٹ (IDR) کا تناسب بھی مالی سال 2021 میں ADR اور IDR کے مقابلے میں مالی سال 2020 میں بالترتیب 57 فیصد اور 36.2 فیصد ہو گیا۔ کارپوریٹ فناننگ میں اضافہ بینک کی جارحانہ مارکیٹنگ کی وجہ سے ممکن ہوا جس میں مضبوط انڈر رائٹنگ کے عمل نے بہت تعاون کیا، جبکہ کنزیومر کریڈٹ میں اضافہ آٹو ز اور ہاؤسنگ سیکمنٹ میں صارفین کی طلب میں اضافہ کو حاصل کرنے کیلئے بینک کی متحرک حکمت عملی کا نتیجہ تھا۔ آگے بڑھتے ہوئے، بینک اپنے مضبوط اور موثر رسک مینجمنٹ فریم ورک کی بنیاد پر، حکومت پاکستان کے حالیہ اقدامات کی بناء پر اپنی توجہ کارپوریٹ، سرکاری اور صارفین کی فناننگ کی طرف مرکوز رکھے گا اور زرعی اور ایس ایم ای فناننگ کی طرح زیادہ توجہ دے گا۔ فناننگ بک میں اضافہ اور غیر فعال قرضوں کی وصولی کیلئے کوششوں کو وسعت دیتے ہوئے، بینک کے اثاثوں کے معیار کے اشاریے مالی سال 2021 میں مزید بہتر ہوئے اور دسمبر 2021 کے آخر میں 85.1 فیصد کے کوریج کے تناسب کے ساتھ انفلیکشن کے تناسب میں نمایاں کمی سے 8.7 فیصد رہ گئی دسمبر 2020 کے مقابلے میں انفلیکشن کا تناسب بالترتیب 12.1 فیصد اور 82.7 فیصد تھا۔

آمدنی کے اثاثوں اور بینک کے کرنٹ اکاؤنٹ ڈیپازٹس میں اضافہ کے باوجود، نیٹ اسپریڈز میں 12.5 فیصد کمی واقع ہوئی۔ یہ بنیادی طور پر فلوئنگ ریٹ اثاثوں پر قیمتوں کے دوبارہ اثر انداز ہونے کے وقفے کی وجہ سے تھا۔ 2021 کی چوتھی سہ ماہی (4Q 2021) کے بعد، پالیسی ریٹس میں کچھ تصحیح دیکھنے میں آئی جو بتدریج سال 2022 میں بینک کے اسپریڈز پر مثبت اثر ڈالے گی۔

بینک کی سروس پر مبنی نان فنڈڈ آمدنی میں 29.6 فیصد اضافہ ہوا جس کی وجہ فیس اور کمیشن کی آمدنی میں اضافہ بذریعہ (1) ڈیجیٹل ڈیلیوری میٹریکس (2) تجارت اور FI تعلقات، (3) ویلٹھ مینجمنٹ سروسز اور (4) کنزیومر فنانس سے متعلق فیس اور چارجز شامل ہیں۔ بینک نے اپنی دو ڈیجیٹل کمپنیوں یعنی بی آئی پی ایل سکیو ریٹیز لمیٹڈ اور بینک اسلامی مضاربہ لمیٹڈ میں اپنی سرمایہ کاری کی فروخت پر 151.6 بلین روپے کا ایک طرفہ منافع حاصل کیا۔ مزید برآں، تجارتی کاروبار میں ترقی کے ساتھ، بینک کے فاریکس (FX) ڈیک نے بھی 32 فیصد کی متاثر کن نمودار ج کی ہے۔ ان ذرائع سے NFI میں اضافہ جزوی طور پر طے شدہ اکم سکیورٹیز کی فروخت پر کمپنیل گین میں کمی سے پورا ہوا۔

مالی کارکردگی

تغییرات	31 دسمبر 2020	31 دسمبر 2021	مالی حیثیت کا گوشوارہ
روپے ملین میں			
13.15 %	19,895	22,511	صافی اثاثہ جات
21.56 %	283,641	344,788	ڈیپازٹس
39.19 %	130,162	181,176	فنانسنگ اور متعلقہ اثاثہ جات - صافی
31.08 %	95,240	124,838	سرمایہ کاری - صافی
-16.08 %	41,640	34,945	ایف آئی (FI's) پر واجب الادا

تغییرات	31 دسمبر 2020	31 دسمبر 2021	نفع و نقصان کا کھاتہ
روپے ملین میں			
-9.75%	25,744	23,235	حاصل کردہ نفع / آمدن
-7.18%	13,255	12,303	خرچ کردہ نفع / آمدن
-12.47%	12,489	10,932	حاصل کردہ صافی فرق
-36.03%	5,360	3,429	آپریٹنگ منافع
25.13%	1,703	2,131	بعد از محصول منافع
25.13%	1,536	1,922	فی حصص آمدن (روپے میں)



بینکنگ انڈسٹری کی صورتحال:

پاکستان کی معیشت میں تیزی کے ساتھ بینکنگ شعبہ نے سال 2021 (جنوری تا دسمبر) کے دوران مستحکم نمو ریکارڈ کی۔ دسمبر 2020 سے موازنہ کرنے پر اس مدت کے دوران بڑھتی ہوئی اقتصادی سرگرمیوں کے باعث بینکنگ انڈسٹری کے ڈپازٹس میں 17.3 فیصد اضافہ ہوا جبکہ فنانسنگ میں 19.4 فیصد اضافہ ریکارڈ کیا گیا۔ پہلے 9 مہینوں کے دوران پالیسی کی شرح میں استحکام، معاون بجٹ کے اقدامات اور کوویڈ 19 سے متعلقہ رعایتی پیکجوں کی شکل میں طاقتور محرک کی شمولیت سے کریڈٹ اتارنے کے فروغ میں اہم کردار ادا کیا ہے۔ اسی طرح بینکنگ انڈسٹری کی سرمایہ کاری کھاتوں میں بھی زیر جائزہ مدت کے دوران 22.3 فیصد اضافہ ہوا ہے۔ حکومت کی جانب سے 50 فیصد سے کم مجموعی ADR (ایڈوانس نوڈیٹ پاپازٹ شرح) والے بینکوں پر اضافی ٹیکس، نجی اور سرکاری دونوں شعبوں کی فنانسنگ میں اضافے کا بنیادی ذریعہ بنے گا۔ مزید برآں، اس طرح سے بینکوں کے درمیان بڑے کارپوریٹس اور پبلک سیکٹر کے اداروں کو اپنی کریڈٹ پیشکش کی قیمتوں کے تعین کے حوالے سے سخت مقابلے کا باعث بن سکتا ہے۔ واجبات کی مد میں، ڈیپازٹس میں بھی اضافے کی توقع ہے کیونکہ اعلیٰ اتھارٹی نے اخراجات کے مقابلے میں بچت کی حوصلہ افزائی کرنے کیلئے بیچ مارک کی شرحوں میں بتدریج اضافے کے ذریعے مانیٹری سختی کی جانب اپنا موقف کسی حد تک تبدیل کر دیا ہے۔ بہر حال، ترقی کے اس رجحان کے ساتھ، توقع ہے کہ ڈیپازٹس میں اضافہ غیر منافع بخش ڈیپازٹس کے بجائے زیادہ منافع بخش ڈیپازٹس کی طرف متوجہ رہے گا۔

جبکہ بینکنگ انڈسٹری کی نان پرفارمنگ فنانسنگ کی تعداد دسمبر 2020 میں 829 بلین روپے سے دسمبر 2021 میں 860 بلین روپے تک بڑھ گئی، انفیکشن کا تناسب دسمبر 2020 میں 9.8 فیصد سے بہتر ہو کر دسمبر 2021 میں 8.5 فیصد ہو گیا، جس کی بنیادی وجہ فنانسنگ کھاتوں کی مجموعی نمو ہے۔ تاہم پالیسی کی شرح اور KIBOR میں بڑھتے ہوئے رجحان کے ساتھ، سال 2022 میں بدعنوانی میں اضافہ زیادہ ممکن نظر آتا ہے۔

بینکنگ انڈسٹری کے منافع بخش اشاریے 2021 کے 9 ماہ کے دوران غیر متحرک رہے جہاں مقامی کمرشل بینکوں میں 2021 کے 9 ماہ کے دوران 6 فیصد کی نمو دیکھی گئی۔ تاہم KIBOR اور PKR سے منسلک فلوٹنگ ریٹ اثاثوں کی قیمت میں تبدیلی کی وجہ سے خالص مارجن میں ممکنہ اضافے کی وجہ سے آنے والی سہ ماہیوں میں اس رجحان کے اندر تبدیلی ہونے کی توقع ہے۔ یہ بات قابل غور ہے کہ شرح سود کے بڑھتے ہوئے منظر نامے میں اثاثوں کی دوبارہ قیمت کے تعین میں وقفے کی وجہ سے بینکوں کا منافع مختصر مدت میں دباؤ کا شکار رہ سکتا ہے۔ سرمائے کی مناسبت سے بینکنگ کمپنیوں کی اکثریت سے توقع ہے کہ وہ ریگولیٹری شرح کی تعمیل کریں گے کیونکہ ریگولیٹری کم از کم سالوینسی کی ضرورت کو 12.5 فیصد سے کم کر کے 11.5 فیصد کر دیا ہے تاکہ بینک کریڈٹ رسک میں متوقع اضافہ کو جذب کر سکیں۔ یہ زمری 2022 میں بھی جاری رہ سکتی ہے۔

(ماخذ: اسٹیٹ بینک آف پاکستان - اقتصادی ڈیٹا اور پبلیکیشنز اور بینکوں کے شائع کردہ مالیاتی بیانات)

اہم لین دین

فروخت کے لئے رکھے گئے اثاثہ جات کی درجہ بندی:

بینک کے بورڈ آف ڈائریکٹرز کے فیصلے کے عین مطابق، جس میں 25 اپریل، 2019 کو پاکستان اسٹاک ایکسچینج میں اعلان کیا تھا، بینک نے اپنے دو ذیلی اداروں یعنی بی آئی پی ایل سیکورٹیز لمیٹڈ اور بینک اسلامی مضاربانو - سٹمنٹ لمیٹڈ کو فروخت کرنے کا عمل مکمل کر لیا ہے۔ اب یہ دونوں ادارے بینک کے ذیلی ادارے نہیں ہیں۔

اجناس کی قیمتوں میں مسلسل اضافہ (بشمول توانائی)، درآمدات میں اضافہ، اور مضبوط مقامی سرگرمیوں نے جولائی تا دسمبر 2021 کے دوران کرنٹ اکاؤنٹ خسارے (CAD) کو بڑھا کر 9.1 بلین ڈالر تک پہنچا دیا ہے جو کہ گزشتہ سال اس مدت کے دوران 1.1 بلین ڈالر کے سرپلس پر تھی۔ جبکہ رواں مالی سال کے دوران درآمدات میں اضافہ کی توقع ہے، تجارتی شراکت داروں کے ساتھ بڑھتی ہوئی اقتصادی سرگرمیوں اور کرنٹ اکاؤنٹ کے توازن کو برقرار رکھنے کیلئے حکومت کی جانب سے برآمدات میں سہولیات فراہم کرنے کیلئے اسکیم متعارف کرائی گئی جس کے باعث مالی سال 2022 میں برآمدات کی نمو تیز ہونے کی بھی توقع ہے۔ مزید برآں، توقع کے مطابق ایشیاء کی قیمتیں معمول پر لانے اور روشن ڈیجیٹل اکاؤنٹ کے ذریعے ترسیلات زر میں اضافہ بھی کرنٹ اکاؤنٹ خسارہ (CAD) کم کرنے میں مدد فراہم کرتا رہے گا۔ مجموعی طور پر مالی سال 2022 کے اختتام تک کرنٹ اکاؤنٹ خسارہ (CAD) مجموعی ملکی پیداوار (GDP) کے 3 فیصد کی پائیدار سطح تک پہنچنے کی توقع ہے۔ اس کے برعکس، بین الاقوامی سطح پر ایشیاء کی قیمتیں معمول پر آنے میں توقع سے زیادہ وقت لگنے کی صورت میں خسارہ زیادہ ہو سکتا ہے۔

جبکہ جون 2021 کے اختتام سے لے کر اب تک 6 ماہ کے دوران روپے کی قدر میں 12 فیصد سے زائد کمی واقع ہوئی ہے، اوپن مارکیٹ کے ذریعے امریکی ڈالر کی نقل و حرکت پر قانون سازوں کی جانب سے مختلف اقدامات کے نفاذ کے نتیجے میں پاکستانی روپے اور امریکی ڈالر کی برابری میں بہتری آئی ہے 18 فروری 2022 تک ڈالر کی قیمت 175.90 روپے تھی جو 22 دسمبر 2021 کو 178.10 روپے کی سطح پر تھی۔

سال بسال مہنگائی کی شرح جنوری 2022 میں 13 فیصد رہی جو گزشتہ سال جنوری 2021 میں 5.7 فیصد تھی جس کی بڑی وجہ توانائی کی قیمتوں میں اضافہ اور منی بجٹ کے ذریعے ٹیکس چھوٹ کا خاتمہ ہے۔ اسی طرح مالی سال 2022 میں اوسط افراط زر 11 فیصد رہنے کی توقع ہے جبکہ مالی سال 2021 میں افراط زر کی شرح 8.9 فیصد تھی۔

مہنگائی کے رجحانات میں حالیہ تبدیلی اور CAD میں اضافہ کے مطابق، مانیٹری پالیسی کمیٹی (MPC) نے رومل میں مالی سال 2022 میں (فروری 2022 تک) پالیسی ریٹ 275 پوائنٹس بڑھا کر 9.75 فیصد کر دیا تاکہ میکروسٹریجی پر افراط زر کے دباؤ کا مقابلہ کرنے اور استحکام کو برقرار رکھا جاسکے۔ مزید برآں، پالیسی کی شرح وضع کرنے کیلئے MPC افراط زر، مالی استحکام اور اقتصادی ترقی کو متاثر کرنے والے اشاریوں کی نگرانی جاری رکھے گی۔

(ماخذ: اسٹیٹ بینک آف پاکستان-ADB کی جانب سے MPS اور اقتصادی جائزہ)

ڈائریکٹرز کی رپورٹ

معزز حاملین حصص،

بورڈ کی جانب سے ہم 31 دسمبر 2021 کو ختم ہونے والے سال کیلئے آڈٹ شدہ سالانہ مالی گوشواروں کے ساتھ، بینک اسلامی پاکستان لمیٹڈ (بینک یا بینک اسلامی) کے ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

بنیادی سرگرمیاں

بینک اسلامی بنیادی طور پر لائسنس یافتہ مکمل شیڈ پول اسلامی کمرشل بینک کے طور پر کام کرتا ہے، جس کی 31 دسمبر 2021 تک 340 برانچیں بشمول 80 ذیلی برانچیں شریعت سے ہم آہنگ سہولیات بشمول کارپوریٹ و کمرشل، ایس ایم ای اور زرعی، صارفنی اور تجارتی سرمایہ کاری، رئیل اور سرمایہ کارانہ بینکنگ، ٹریڈری سہولیات، ڈیجیٹل ڈیلیوری چینل سمیت کیش مینجمنٹ اور ایپلوائی بینکنگ کی سہولیات اپنے معزز صارفین کو فراہم کرتا ہے۔

معاشی جائزہ اور کاروباری صورتحال

میکرو اقتصادى جائزہ:

پاکستان کی اقتصادى ترقى مالى سال 2021 میں 3.9 فیصد پر ریکارڈ کی گئی تھی اور مالى سال 2022 میں اس کے 4.0 فیصد تک پہنچنے کی توقع ہے کیونکہ کوویڈ 19 ویکسی نیشن رول آؤٹ پر وگرام کی کامیابی کے نتیجے میں حکومت پاکستان کی جانب سے معاشى محرک کی بروقت فراہمی اور آئی ایم ایف کے توسیعی فنڈ کی سہولت کے تحت جاری ڈھانچہ جاتی اصلاحات کی وجہ سے کاروبارى سرگرمیوں میں بتدریج اضافہ ہوا ہے۔ زراعت کے حوالے سے پیشن گوئی بہتر نقطہ نظر پر مبنی ہے کیونکہ حکومت نے زیر کاشت زمین کی توسیع کے ذریعہ اس شعبے کو تبدیل کرنے کا منصوبہ بنایا ہے، پانی کی مؤثر فراہمی میں اضافہ، فصل کے بعد ذخیرہ کرنے اور پروسیڈنگ کی سہولیات کی ترقی، بینک کریڈٹ میں اضافہ، اور کسانوں کو سبسڈی براہ راست منتقلی کیلئے ڈیجیٹل والٹ کی سہولت یعنی کسان کارڈ شامل ہے۔ مزید برآں، مالى سال 2022 کیلئے صنعتى نمو کا تخمینہ 4.3 فیصد ہے، جس کی وجہ سے (1) بجٹ کے اخراجات میں اضافہ، (2) سماجى پابندیاں اٹھانے کے بعد نجى کھپت میں متوقع اضافہ (3) SBP کی سبسڈى والى عارضى اقتصادى رى فنانس سہولت (TERF) کے تحت نجى/یا موجودہ پیداوارى لائونوں کو قائم رکھنے کیلئے کاروبارى اداروں کے ذریعے 430 بلین روپے مالیت کی کریڈٹ لائنز سے استفادہ حاصل کرنا (4) مناسب زرعى فصل اور (5) مضبوط ترسیلات زر شامل ہیں۔ اسی طرح زراعت اور صنعت کی جانب سے متوقع ترقى بھی پاکستان کی مجموعى سروس انڈسٹری کو فروغ دینے میں معاون ثابت ہوگی۔

Annexure to Directors Report

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

Name	Designation	No. of Shares as at January 01, 2021	Shares Purchased / sold during the Year	No. of Shares as at December 31, 2021
Mr. Haider Ali Hilaly *	Director	1,000	90,000	91,000
Mr. Tasnim-ul-Haq Farooqui **	Director	-	500	500

* He purchased Bank's 5,000 shares on March 26, 2021, 35,000 shares on March 26, 2021 and 50,000 shares on March 11, 2021.

** He was appointed as Non-Executive Director effective from August 25, 2021 and purchased 500 shares of the Bank on August 30, 2021.

Six Years' Financial Summary

Rs in Million

	2021	2020	2019	2018	2017	2016
Profit & Loss Account						
Profit / return earned	23,235	25,744	23,650	12,204	10,354	10,128
Profit / return expensed	12,303	13,255	12,860	6,170	5,250	5,791
Net Spread earned	10,932	12,489	10,790	6,034	5,104	4,337
Fee, commission, brokerage & exchange Income	1,709	1,265	802	1,073	735	404
Dividend and capital gains	316	260	671	109	151	122
Other Income	94	110	160	82	78	112
Total Other Income	2,119	1,635	1,633	1,264	964	638
Total Income	13,052	14,124	12,423	7,298	6,068	4,975
Other expenses	9,623	8,764	7,794	6,859	6,303	6,160
Profit / (loss) before tax and provisions	3,429	5,360	4,629	439	(235)	(1,185)
Provisions	32	2,601	2,799	37	(392)	(2,030)
Profit before tax	3,397	2,759	1,830	402	157	845
Profit after tax	2,131	1,703	1,087	213	1,563	452
Statement of Financial Position						
Paid up capital - net	11,008	11,008	11,008	10,000	10,000	10,000
Reserves	1,703	1,527	1,186	969	926	614
Unappropriated profit	6,336	4,330	2,876	1,695	1,474	213
Shareholders' equity	19,047	16,865	15,070	12,664	12,400	10,827
Surplus on revaluation of assets-net of tax	3,464	3,031	4,626	1,851	1,276	1,618
Net Assets	22,511	19,896	19,696	14,515	13,676	12,445
Total Assets	408,390	336,297	283,096	215,743	217,792	182,473
Earning Assets	337,403	279,350	231,759	176,410	183,421	152,493
Gross Financings	196,378	145,338	144,720	129,578	130,828	89,949
Financings-net of provisions	181,176	130,162	131,775	118,571	119,155	77,817
Non-performing Loans (NPLs)	17,077	17,529	15,388	15,403	15,837	14,534
Investments - net	124,838	95,240	55,194	38,832	42,092	46,317
Total Liabilities	385,879	316,402	263,400	201,228	204,116	170,029
Deposits & other accounts	344,788	283,641	229,985	185,944	178,310	153,736
Current & Saving Deposits (CASA)	236,806	180,768	137,799	128,808	135,680	111,037
Borrowing	21,193	16,128	15,104	7,820	15,570	6,066
Cost bearing Liabilities	239,471	209,132	173,397	132,768	136,010	110,912
Contingencies and commitments	48,805	22,001	26,652	23,135	22,435	25,557
Financial Ratios						
Profit before tax ratio (PBT / total income)	26.03%	19.53%	14.74%	5.53%	2.58%	16.95%
Net Spread earned / Profit Earned	47.05%	48.51%	45.63%	49.45%	49.29%	42.82%
Other income to total income	16.24%	11.58%	13.14%	17.32%	15.90%	12.82%
Total income / Other expense ratio (excl. provisions)	Times	1.36	1.61	1.59	1.06	0.96
Return on average equity (ROE)	11.87%	10.67%	7.84%	1.70%	13.46%	4.27%
Return on average assets (ROA)	0.57%	0.55%	0.44%	0.10%	0.78%	0.25%
Return on Capital Employed (ROCE)	1.29%	1.19%	0.94%	0.27%	0.10%	0.68%
Earning per share (EPS)	Rs.	1.9224	1.5362	1.0600	0.2099	1.5509
Gross financings / deposit ratio	56.96%	51.54%	63.24%	70.16%	73.37%	58.26%
Net financings / deposit ratio	52.55%	46.15%	57.59%	64.20%	66.82%	50.40%
Breakup value per share (excl. surplus on rev. of assets)	Rs.	17.18	15.21	13.59	12.56	12.30
Breakup value per share (incl. surplus on rev. of assets)	Rs.	20.30	17.95	17.76	14.40	13.57
Earning assets to total assets ratio	82.62%	83.07%	81.87%	81.77%	84.22%	83.57%
Earning assets to profit bearing Liabilities	Times	1.41	1.34	1.34	1.33	1.35
CASA to Total Deposits	68.68%	63.73%	59.92%	69.27%	76.09%	72.23%
NPLs to Gross Financings ratio	8.70%	12.06%	10.63%	11.89%	12.11%	16.16%
Total Assets to Equity	Times	21.44	19.94	18.79	17.04	17.56
Deposit to shareholders' equity	Times	18.10	16.72	15.18	14.58	14.38
Capital Adequacy Ratio	14.15%	16.10%	14.95%	15.10%	14.68%	13.43%
Market value per share-Dec 31	Rs.	12.81	12.01	11.09	12.00	9.29
Non Financial Information						
Number of branches	340	343	334	330	330	321
Total number of employees	4,046	3,437	3,447	3,052	3,350	3,206

Achievements and New Initiatives

Consumer Finance

Auto industry of Pakistan witnessed an unprecedented growth during 2021 whereby the country has witnessed launch of various new brands, which were well received by masses. Keeping up with the rising demand, BankIslami also contributed to the same and emerged as a major player in the market with an annual disbursement of Rs. 14.1 Bn during the year 2021. Auto Finance team was also successful in disbursing some automobile units under SBP's Kamyab Jawan Program. Moving ahead, the revised SBP's Prudential Regulations for consumer products, shortfall in availability of the semi-conductor chips across the globe and the increasing trend in policy rate may slowdown the auto finance segment.

Likewise, Housing Sector of Pakistan has also witnessed considerable boost because of supportive measures taken by the Government of Pakistan. Keeping in view the market dynamics, the Bank operated on full capacity and grew its Housing Finance portfolio through disbursement of Rs. 8.8 Bn during the year 2021. The Bank also achieved monthly disbursement of Rs. 1.8 Bn representing 123 housing units in the month of March 2021 setting a new record of highest ever monthly disbursement in the history of banking industry. BankIslami also played a pivotal role in disbursing home financing as part of Government initiative of 'Mera Pakistan Mera Ghar (MPMG)' and has been recognized by the SBP for surpassing the target before the deadline of Jun 2022. On YTD basis, the Bank disbursed Rs. 2.75 Bn under the MPMG scheme in the year 2021, which is 3.5 times and 1.5 times higher than the stipulated targets of Rs. 0.62 Bn for Dec 2021 and Rs. 1.08 Bn for Jun 2022, respectively. In addition to this, BankIslami was also the first bank to achieve its targets assigned by SBP for 'Housing & Construction'.

On the back of its aggressive strategy towards Housing segment during 2021, the BankIslami maintained its position as the Market Leader in Housing Finance, *Alhamdulillah*.

Marketing

On the marketing front, the Bank went on full throttle where it launched various advertisement campaigns across all modes, namely, TVC, digital media, print media and radio which proved to be as a vital element for the Bank to promote its products, offerings and overall brand as an Islamic Bank amongst masses at regular intervals. These campaigns comprised of, Golootlo Discount campaign, Independence Day advert film based on our strategic statement '*I am saving humanity from Riba*', Pakistan Day TVC dedicated to our talented differently-abled children of Pakistan, Corporate campaign across all modes of media and various other campaigns to promote Bank's Digital, Consumer, Liability and Home Remittance products and services.

Additionally, the Bank exercised a unique 'below the line' brand activation by arranging inter university competition with the title of 'Design-a-thon' where candidates from two renowned universities participated to design BankIslami's yearly Calendar for the year 2022. On sponsorship side, the Bank funded various events including sponsorship of Kotli Lions of Kashmir Premier League, PIA stone laying ceremony and Open Sailing competition.

Keeping in view the significance of digital platforms for marketing and dissemination of information to our stakeholders, the Marketing team of the Bank also launched its new and improved website, which has been designed based on the latest trend and needs of all our stakeholders.

Digital Delivery Channel

BankIslami, during 2021, launched WhatsApp Banking channel through which it is now offering its valued customers with convenience of interacting with the Bank's customer service channel by means of state of the art digital platforms. On the payments side, the Bank joined hands with 'PayFast' gateway to allow BankIslami's customers to make online payments through their bank account numbers on PayFast's vast merchant ecosystem. Moreover, the Bank also enabled its Tap & Pin service on its EMV compliant PayPak debit cards, which now allows its customers to process their payments via tapping their debit cards and inserting the PIN on the POS machines.

On the technical side, the BankIslami upgraded its Rendezvous Middleware, which has enabled the Bank to integrate its front-end channels with back-end systems in a seamless manner. This upgrade is compliant with latest PA-DSS mandates related to information security and has also allowed the Bank to significantly increase efficiency of its Digital Delivery Channels.

Home Remittance & Bancatakaful

Remittances flowing into Pakistan jumped to an all-time high of USD 33 Bn in the year 2021 depicting a growth of 26% from last year, as overseas workers were able to send money to their homes aided by economic recovery in Europe, USA, and determination of Pakistani's residing overseas to support their families. Following on these lines, BankIslami was able to grow its home remittance inflow and number of transactions by 28% and 18%, respectively. Additionally, the Bank also took the initiative to provide health takaful coverage to our remittance customers, which was introduced for the first time in the banking industry of Pakistan.

In the year 2021, Bancatakaful channel of the Bank, on the back of improved volumes, was able to register fee income growth of 21%. Besides this, the Bank also introduced two new high unit allocation products in partnership with Jubilee Life (Window Takaful) to cater the demand of our wealth management customers.

Distribution

Year 2021 has proved to be a hallmark year for Distribution Team. The Bank was not only able to increase its CASA mix composition from 63.7% in Dec 2020 to 68.6% in Dec 2021, but was also successful in crossing the Rs. 300 Bn benchmark for its overall deposit book which closed at Rs. 345 Bn with growth of 21.6% from last year. To achieve the momentum, the Bank has been actively working on strengthening its distribution structure and field force. Working on these lines, the Bank during the outgoing period, also expanded its field force by onboarding freelance Business Professionals and hiring of sales staff from rural areas which proved to be instrumental towards enhancing Bank's low cost deposits.

Treasury

FX Corporate Sales of BankIslami continued achieving new milestones during the Year 2021 where it recorded highest ever income of Rs. 399 Mn as compared to Rs. 285 Mn in 2020, by offering competitive quotes to clients for attracting enhanced business volumes, while keeping spread for the Bank in line with industry trend.

The FI desk of treasury successfully on boarded Citi Bank, New York in their list of correspondent banks by opening of Bank's USD account along with establishing correspondent banking relationship. Moreover, Financial Institutions department has shown remarkable increase in FI income by 58% and contributed Rs. 108 Mn in overall Bank's Income. This achievement was mainly attributable to increase in Bank's Trade Business.

Corporate Banking

Corporate Banking continued with its strategy of portfolio rationalization and diversification. During 2021, the Bank remained inclined towards adding New to Bank (NTB) customers, preferably Rated customers encompassing all major economic sectors, such as Pharmaceuticals, Automobile, Information Technology, Ceramics, Cables, Cements, Chemicals, Packaging and Textile. The Bank also rationalized limits with its customers to achieve maximum trade reciprocity. This can be substantiated with the fact that the Bank surpassed Rs. 266 Bn in overall trade business during 2021 as compared to Rs. 172 Bn during last year.

Under Islamic Temporary Economic Relief facility, the response from various businesses across different industries have been overwhelming. The Bank opened LCs of over Rs. 9.1 Bn under the Scheme utilizing its sanctioned limit fully. These LCs are being retired through disbursement under ITERF facility and till Dec 2021 Rs. 4.5 Bn has been disbursed under subject Scheme.

Keeping in view the large size of the Punjab province with growing industrialization and commercial activities there, the Bank has segregated the corporate central region in two regions, Corporate Central and Corporate Faisalabad & Multan to focus dedicatedly on these business hubs and to service clients in these regions in a more efficient manner.

SME Banking

SME team of BankIslami also continued its focus towards onboarding NTBs. Clients were tapped from trade-oriented markets through our Import based Programs being offered by 50 branches of the Bank across Pakistan. Of the total trade volume of the Bank, 41% of the business was contributed through SME clientele including NTBs.

With regards to SBP incentive schemes to support the SME segment, the Bank disbursed Rs. 84.3 Mn in 2021 under Modernization of SME scheme to support production capacity enhancement of our customers. Further, the bank financed its customers for the installation of Solar panels under SBP scheme for renewable energy. Furthermore, the Bank is also working on products which can support SBP women entrepreneur scheme for gender equality and providing level playing field to all SME end users.

Recognizing the importance of PM Kamyab Jawan Program for creation of employment in the country, the Bank ensured maximum participation and disbursed amount to the tune of Rs. 188 Mn in 2021 under all three tiers of the stated scheme. In Oct 2021, GoP launched Kamayab Pakistan Program to transform the lives of the marginalized segment of the society and to ensure their financial empowerment through micro financing schemes. The Bank, to participate in this program, has chosen Akhuwat Islamic Microfinance as its partner and executing agency to channelize funds up to Rs. 2.4 Bn.

Investment Banking

Investment Banking booked fee income of Rs. 124 Mn during 2021. The fee income was mainly derived from advisory & arrangement services from Syndicate, Sukuk and Islamic Commercial Paper (ICP) transactions.

During the year 2021, BankIslami, as Lead Advisor and Arranger, successfully closed five ICP issues amounting to Rs. 25.5 Bn for leading energy utility companies like K-Electric Limited and Lucky Electric Power Company Limited. Further, BankIslami as Joint Lead Arranger with other Banks & DFIs successfully closed Rs. 1.5 Bn Syndicated Term Finance Facility for Martin Dow Limited, one of the leading and well-known Pharmaceutical Company in Pakistan. BankIslami, as an Advisor, launched PIA Sukuk-I for Pakistan International Airlines (PIA). This was first SLR eligible Corporate Sukuk issuance during 2021, which was not only GoP backed but also Privately Placed Listed instrument issued through PSX book building process.

BankIslami, as co-arranger also participated in the Enertech Water Transmission project for the development of 45-cusec water supply arrangement from Nabisar to Vajihar to facilitate water storage and supply to industrial users in Thar.

Other notable achievements by Investment Banking Department include (i) designation of BankIslami as Market Maker at PSX for Pakistan Energy Sukuk I and II; and (ii) issuance of CTI license (Consultant to the Issue) by SECP to BankIslami, making it the first Islamic bank in Pakistan to receive this approval. This license will broaden investment banking product suite and offerings relating to transaction advisory, investment agency and market maker services for both listed and privately placed Islamic debt instruments. Consequently, BankIslami acted as an Investment Agent for Meezan Bank Ltd Tier 2 Sukuk of Rs. 9.9 Bn and TPL Corp Limited Sukuk of Rs. 2.5 Bn.

Agri Finance

BankIslami has a special focus on Agri Finance to support the vision of inclusive growth in economy as Agri segment contributes around 19% of GDP and it employs almost 38% of the labor force of the Country.

The Bank launched 'Islami Livestock Finance' product in the year 2021, keeping in view the demand and share of Non-Farm Sector. This is Shariah compliant facility for development of dairy farms, cattle farms and poultry farms, purchase of animals, construction of environmentally controlled sheds and purchase of machinery & commercial vehicles for the farm.

Based on the positive results and demand from the farming community for Islamic products, the Bank through Prime Minister Kamyab Jawan Program has been facilitating farming community, preferably small farmers of underserved areas, in obtaining financing for purchase of tractors, farm machinery, installation of solar energy solutions, drip irrigation system, purchase of dairy animals, construction of poultry sheds and other working capital requirements on subsidized rates. The Bank has disbursed Rs. 832 Mn to 595 farmers during the year with special focus on Tractor Financing. To provide timely support to farmers, the Bank has also signed MoU with Millat Tractors Limited for preferred delivery of Tractors to the farmers financed by BankIslami.

In order to further support the financial wellbeing of small farmers, who sell their commodity at the time of harvest at relatively lower prices, the Bank and M/s. Haji Sons (as collateral manager) have joined hands to extend financing facilities to farmers and traders against storage of their commodity near their farms.

BankIslami conducted several awareness program at different villages across Pakistan to bring awareness among rural community on Islamic Banking, Shariah Compliant Agri products and developing habits on how to accumulate capital. Approximately more than 5,000 farmers became part of these awareness sessions.

Cash Management Services

BankIslami's Cash Management solution under the label of LinkIslami made splendid progress during 2021, wherein the Bank has implemented new features for its valued customers. These include:

- Introduction of Corporate Online Portal suite to offer tailor made services to our Corporate & Commercial customers.
- Launch of Electronic Payment Gateway Services in collaboration with NIFT ePay.

- Electronic processing feature for settlement of all Bank's Digital Delivery Channel (DDC) merchants.
- Customized offering for onboarding collection clients over 1-Link network via our billing aggregator partner Kuickpay.

With these product upgrades, the Bank is now able to cross-sell market competitive cash management and employee banking services to corporate and business customers, which will add value to their business cash flows in an efficient manner with reduced operational cost.

The Bank's Cash Management team also achieved another milestone during the year 2021 by implementing automated Electronic-KYC system for its Employee Banking Payroll Accounts. This is an initiative to utilize technology as an enabler to make the process streamlined and time efficient.

Employee Banking

In line with Bank's business strategy to pass on the benefits of Islamic Banking towards the retail segment, BankIslami launched Bike and Durable Goods financing product for the employees of Bank's Corporate, Commercial and SME customers under Employees Banking Services. Through this Islamic Financing facility, one can own his/her own bike or home appliance on easy, affordable and flexible payment plans in a Riba-free way. The response under the Scheme is overwhelming and several mandates have been signed-off for which financing requests are being processed.

Risk Management

In line with the revised guidelines issued by the State Bank of Pakistan on Stress Testing, Risk Management department of the Bank issued its new set of internal guidelines to evaluate resilience against credit, market, liquidity and operational risks against various shocks.

With growth witnessed in auto business and housing finance, the credit underwriting units of the Bank extended their unparalleled support, without compromising Bank's set risk parameters. The Bank processed more than 16,000 Auto finance applications and 3,600 Home finance applications during the year 2021. On the recovery side, the Bank's consumer collection and Special Asset Management functions remained instrumental in reducing the overall infection ratio of the Bank. On a cumulative basis, the Bank was able to reverse provisions to the tune of Rs. 2.4 Bn during the year 2021.

The Information Security Department, which is one of the most important wing of BankIslami's Risk Management setup, consistently worked on improving the cyber security posture of the Bank by strengthening existing IT and information security controls, conducting internal security and risk assessments exercises and adding additional security controls to strengthen weak areas. In line with this, the Bank was well recognized by the top cyber threat intelligence service provider namely CTM360. The Bank achieved 1st ranking on CTM 360's Hacker View portal out of 2,800 financial institutions, making BankIslami the first and only bank to achieve A+ rating and maintained this accolade till the end of 2021.

Shariah

On the product side, the Shariah department made significant contributions towards launching of new Agri Finance products, SBP Schemes and structuring of Investment Banking deals. Moreover, to improve Bank's product suite and offerings, product manuals and standard agreement terms for Murabaha, Tijarah, Salam, Istisna, Running Musharakah & Diminishing Musharakah were updated in line with the applicable Shariah Framework to cater both business and risk management related requirements. Additionally, Shariah guidelines related to treatment of cash margin / cash collateral, treatment of shortfall in Currency Salam, treasury acceptance and treasury placement were also developed to comply with the requirements of AAOIFI and Shariah Board.



As a first of its kind initiative by any Islamic Bank in Pakistan, BankIslami launched its Islamic Banking booklets in multiple native languages, namely Urdu, Pashto, Sindhi, Punjabi, Balochi, Saraiki, Hindko and Brahui languages. These booklets aim at raising awareness about basic Islamic Banking concepts and dispelling different misconceptions about it. This unique initiative of BankIslami is expected to remove the language barrier and further foster the Islamic Banking knowledge among masses.

BankIslami, took an unprecedented initiative of launching a free of cost Islamic awareness programme with unique identity of 'Deen Connect', which was launched across all platforms. Under this program, different courses, webinars and workshops were conducted; offering courses related to understanding of Arabic language used in the Quran, Quranic Tasfeer, and Quranic Tajweed. Moreover, under the umbrella of Deen Connect, the Bank also conducted (i) specialized Quranic awareness program during the Holy month of Ramadan; (ii) webinars on different topics such as economic lessons from Seerat-ul-Nabi, Shariah Aspects of Real Estate Business, Zakat etc.; and (iii) various workshops for learning about the life of the Holy Prophet (PBUH), Salah, Ahadith, Islamic Law of Inheritance, principles of Halal/Haram and Shariah Compliant investment opportunities for Women.

In 2021, Shariah Compliance Department (SCD) coordinated with the technology team of the Bank and developed an in-house software 'Jaiza' for automating the end to end process of Shariah review of branches, including preparation of different review reports and conducting Shariah knowledge assessment of branches.

To maintain highest level of Islamic Banking and operating standards, the Shariah team reviewed more than 3,200 cases including Transaction Fact Sheets of various clients, bank guarantee drafts, approvals along with external & internal agreements and marketing & promotional content. In order to ensure a Shariah compliant environment at the branch level, Shariah team visited 80 different branches across different cities to conduct Shariah Review and Knowledge Assessment of branch staff.

Human Resource

The HR team of the Bank took various initiatives during the year 2021 to enable the Bank in coping with challenges ensuing because of inflation, changing dynamics of the global economy due to Covid-19 and ever changing industry norms owing to technological changes. These initiatives mainly included participation in employee compensation and benefit survey conducted by an external consultant, completion of performance appraisal exercise for the year 2020 through an automated and transparent e-portal system and distribution of increments and bonuses during first quarter of 2021 to deserving staff for their excellent performance and contribution. Further to this, the Bank has developed and introduced a new employee welcome pack, which includes all essential information that would help new joiners to start out their careers at the right foot.

The Bank's response to the spread of Covid-19 pandemic was potent, effective and timely. Firstly, the Covid-19 protocols were implemented in true spirit. Secondly, vaccination camps were also set up for the convenience of Bank's employees and their families; and these were run by top medical professionals.

Training and Development

During the current period under review, the Bank arranged 659 learning interventions, which benefitted 15,592 participants on pan bank basis. Training activities have substantially grown during period under review, quantitatively as well as intellectually. Learning & Development department of the Bank is persistently working on improving the quality and quantity of learning programs. While priority remained towards following the guidance of State Bank, as far as regulations relating to training was concerned, other cutting-edge Programs were also launched for the professional development of the staff. In this context, some of the key initiatives included Certified Islamic Corporate Banker Program (CICB) was developed to equip the Business team with profound knowledge of Islamic banking and products offered by BankIslami. Secondly, ICAP approved and registered BankIslami as Training Organizations outside Practice (TOoP), and the Bank successfully inducted 6 trainees under this programme, which are being provided with extensive learning opportunity.

During 2021, more than 100 classroom and 40 online training sessions of Islamic Banking Concepts have been conducted in various cities with more than 2,900 participants having attended these sessions. Furthermore, to increase the effectiveness of internal training, the Bank, in collaboration with the Institute of Business Management (IoBM), is offering IoBM accredited certification programs to its employees. During the year, a new certificate program 'Certified Islamic Corporate Banker (CICB)' was launched by the Bank in which training was imparted to participants from pan Pakistan on various topics.

Besides these flagship programs a multitude of functional, managerial and cognitive customized learning programs were launched including live sessions on general banking operations & audit irregularities, strategic management, relationship management and managerial toolkit.

Statement of Internal Control

Statement of Management's Responsibility

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

Management Evaluation of Effectiveness of the Bank's Internal Control System

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

As a continuous process, the Bank formulates/update and review several key policies and procedures for its various lines of businesses. While formulating such policies clear line of authority and responsibility have been established in order to ascertain accountability and effective internal control system.

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

The Bank's internal control system is designed to mitigate, rather than to eliminate the risk of failure to achieve the business objectives, and can only provide reasonable but 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 implemented the Internal Control Guidelines issued by State Bank of Pakistan (SBP) vide BSD Circular No. 07, of 2004 and had conducted a detailed exercise through independent consultants; documenting and benchmarking existing internal processes and controls relating to financial reporting. These process and controls are reviewed and updated periodically.

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

Considering the substantial remediation of gaps identified in the afore-mentioned exercise, SBP granted exemption for independent statutory assessment of Bank's ICFR program. Accordingly, the Bank's Internal Audit Department annually assess the efficacy of the ICFR and present its report to the Audit Committee for review.

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

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

For and On Behalf of the Board



Syed Amir Ali
President & CEO

March 01, 2022

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

1. The total number of directors are eight (8) as per the following:
 - a. Male: seven (7) including President & Chief Executive Officer
 - b. Female: one (1)
2. The composition of the Board is as follows:

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

** effective from August 25, 2021 he was-co opted as Non-Executive Director for remaining term in replacement of Mr. Siraj Ahmed Dadabhoy who had resigned.*

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
4. The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the ‘Act’) and the Regulations.
7. The meetings of the Board were presided over by the Chairman of the Board and the Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the SBP BPRD Circular No. 3 dated August 17, 2019, Act and the Regulations.

9. Out of eight (8) directors including President & Chief Executive Officer, seven (7) directors have already attained Directors training program certification namely, Mr. Syed Amir Ali, Dr. Amjad Waheed, Mr. Haider Ali Hilaly, Dr. Lalarukh Ejaz, Mr. Sulaiman Sadruddin Mehdi, Mr. Syed Ali Hasham and Mr. Tasnim-ul-Haq Farooqui.
10. There were no new appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit, during the year. The Board has approved their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed following committees comprising of members given below:

Audit Committee:

Chairperson

Mr. Haider Ali Hilaly

Members

Dr. Lalarukh Ejaz

Mr. Sulaiman Sadruddin Mehdi

Mr. Syed Ali Hasham

Mr. Tasnim-ul-Haq Farooqui *

Human Resource Management Committee

Chairperson

Mr. Sulaiman Sadruddin Mehdi

Members

Dr. Amjad Waheed

Dr. Lalarukh Ejaz

Mr. Syed Ali Hasham

Mr. Syed Amir Ali

Mr. Tasnim-ul-Haq Farooqui *

Board Remuneration Committee

Chairperson

Mr. Sulaiman Sadruddin Mehdi

Members

Mr. Ali Hussain

Dr. Amjad Waheed

Dr. Lalarukh Ejaz

Mr. Syed Ali Hasham

Mr. Tasnim-ul-Haq Farooqui *

Risk Management Committee

Chairperson

Dr. Amjad Waheed

Members

Mr. Sulaiman Sadruddin Mehdi

Mr. Syed Ali Hasham

Mr. Syed Amir Ali

Information Technology (IT) Committee

Chairperson

Dr. Lalarukh Ejaz

Members

Mr. Haider Ali Hilaly

Mr. Syed Amir Ali

Mr. Tasnim-ul-Haq Farooqui *

** effective from October 27, 2021 the Board appointed him as member of Audit Committee, Human Resource Management Committee, Board Remuneration Committee and Information Technology (IT) Committee.*

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:

Audit Committee	Quarterly
Human Resource Management Committee	Half Yearly
Board Remuneration Committee	Half Yearly
I.T Committee	Half yearly
Risk Management Committee	Yearly
15. The Board has set up an effective internal audit function with team who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



Syed Amir Ali
President & Chief Executive Officer



Ali Hussain
Chairman

Date: March 01, 2022



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INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF BANKISLAMI PAKISTAN LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of BankIslami Pakistan Limited ("the Bank") for the year ended 31 December 2021 in accordance with the requirements of regulation 36 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. 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.





KPMG Taseer Hadi & Co.

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 2021.

Date: 03 March 2022

Karachi

UDIN: CR202110106jzvgbW5OE


KPMG Taseer Hadi & Co.
Chartered Accountants

Shariah Supervisory Board Report - 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمدُ لله ربِّ العالمينَ، والصَّلَاةُ والسَّلَامُ على أشرفِ الأنبياءِ والمرسلينَ،
وعلى آلهِ وأصحابِهِ أَجْمَعِينَ، وبعدُ

All thanks and praise to Allah سبحانه و تعالى, BankIslami successfully completed the year 2021. In line with its objective of “**Saving Humanity from Riba**”, the Bank played a prominent role by taking number of initiatives, the details of which will be discussed in this report.

The Shariah Supervisory Board (SSB) of BankIslami held four quarterly meetings during the year to review and approve various matters including product and service innovations and modifications, concepts, transactions and related Shariah considerations. Two meetings of the SSB were also held with the Board of Directors to discuss the Shariah Compliance environment and implementation status of SSB’s decisions, Fatawa, observations and recommendations. The Shariah Compliance Department remained closely engaged with SSB for seeking Shariah opinion on various matters, enabling it to arrange timely responses to business and other support functions of the Bank. The SSB was further strengthened this year with the appointment of Mufti Syed Hussain Ahmed as member of SSB.

The SSB hereby presents its Annual Report on the affairs of BankIslami for the year ended December 31, 2021.

Shariah Compliance

At the outset, we commend the commitment of the Board of Directors and the Management on maintaining and strengthening the Shariah Compliance environment of the Bank and providing the utmost support to the Shariah Compliance Department (SCD) in discharging its responsibilities.

SCD’s objective is to ensure the adherence of Bank’s operations to Shariah guidelines by reviewing processes and monitoring implementation of necessary internal controls. SCD is equipped with qualified professionals – including Shariah Scholars, business graduates from reputed institutions and a Chartered Accountant.

In its endeavor to enhance and strengthen the Shariah Compliance environment of the Bank, SCD, as per the directives of the Shariah Board, issued various guidelines/instructions during the year. Shariah Guidelines related to ‘Treatment of Cash Margin/Cash Collateral’, ‘Treatment of Shortfall in Currency Salam’, ‘Treasury Acceptance’ and ‘Treasury Placement’ were also developed/revised during the year. SCD also developed a ‘Shariah Non-Compliance Risk (SNCR) Management Framework’ for regular assessments, identification and documentation of Shariah non-compliance risks in the products and services offered by the Bank.

Manuals of different products including Murabahah, Tijarah, Salam, Istisna, Running Musharakah and Diminishing Musharakah were revised during the year along with their respective agreements and Risk Control & Self-Assessment documents, in which the Shariah non-compliance risks and their mitigants were highlighted in detail. Furthermore, to improve the understanding of customers and staff about Islamic Banking products and manage the related SNCR, transaction summaries in the Urdu language were developed for various modes of financing for SME and Agri Clients.

SCD performed Review of financial transactions of Bank's customers in two phases: (i) pre-execution review which was for all type of transactions; and (ii) post-execution review, carried out on a sample check basis.

During the year, the department continued its monitoring of the Bank's operational activities, by reviewing more than 3,200 cases including Transaction Fact Sheets (TFS) of various clients, bank guarantee drafts and agreements.

Shariah Review of various functions/operations was also conducted by SCD, including the following:

- Pool Management on monthly basis before announcement and distribution of profit to customers.
- Various schemes launched by SBP during the pandemic COVID-19.
- Restructuring and rescheduling of customer financing cases.
- Surprise Review of Special rate deposit portfolio to ensure Shariah compliance.
- Closing out (Profit/ loss calculation) of different clients availing Running Musharakah.
- Corporate, SME, Consumer, Trade Finance and Treasury transactions.

Furthermore, monitoring of financing transactions of the Bank's customers under various Islamic modes was also performed through video calling and physical client visits. This was done to ensure that the transactions are executed according to the instructions of the SSB.

The team also visited branches in different cities to conduct 'Shariah Review and Knowledge Assessment' of branch staff across the country to ensure a Shariah Compliant environment at the branch level. In order to increase the scope of these reviews, SCD conducted virtual Shariah Review and Shariah Knowledge Assessment of the branch staff. Accordingly, review of 80 branches across Pakistan was performed during the year.

To improve its overall Shariah Review process, SCD in coordination with the IT department developed in-house software to automate the end to end process of branches' Shariah review and effective preparation of different reports to ensure regulatory compliance.

SSB, with the assistance of SCD, performed reviews and issued approvals for marketing and promotional material of the Bank published during the year including social media posts, sponsorship content and marketing designs.

In addition to Shariah Review, Internal Shariah Audit Unit (ISAU), working under the Internal Audit department, conducted Shariah Audit of branches and various departments/functions of the Bank to ensure compliance of Shariah guidelines issued by the SSB and State Bank of Pakistan. The SSB determined corrective actions on reports issued by SCD, Internal and External Shariah Audit Reports and SBP Inspection Report.

During the year, Shariah team facilitated the Bank in offering various financing schemes in collaboration with the Government of Pakistan and State Bank of Pakistan in order to assist various economic sectors of Pakistan. The Bank launched a unique 'Qardh Facility' (under the Prime Minister's Kamyab Jawan - Youth Entrepreneurship Scheme), which is an admirable initiative of the Management. The facility is offered to young entrepreneurs for establishing new business/expanding their existing business and aims to promote entrepreneurship and tackle unemployment in the country.

The Bank also continued to play its due role in development of Islamic Capital Market by acting as Shariah Structuring Bank in number of Islamic Commercial Papers and Sukuk transactions.

Training and Development

During the year, more than 100 classroom and 40 online training sessions of Islamic Banking Concepts were conducted by the Shariah team in various cities with more than 2,900 participants having attended these sessions. Specific training sessions were conducted for Treasury Front and Back Office, Special Assets Management (SAM), Collection and Agriculture Finance departments' staff. Further, in a bid to improve staff's Shariah and Islamic Banking knowledge, the team took an initiative to share daily posts under the titles '*Islam aur Ma'ashat*', '*Seerat un Nabi*', '*Ramadan Kareem*', '*Namaz Ki Fazeelat*', '*Zakat*', etc.

A specific training session was arranged for Heads of Departments on '*Stock Market and its Activities (An Analysis from Shariah Perspective)*', which was conducted by Chairman SSB, whereas a training session on '*Riba & Its Prohibition*' was also conducted by Resident Shariah Board Member (RSBM) for Senior Management. Furthermore, a knowledge sharing session on '*Prohibition of Riba in the Light of Qur'an and Sunnah*' was conducted for the Board of Directors by Chairman, SSB. Sessions on Treasury & Risk Management and Running Musharakah were also arranged for members of the SSB during the year.

To increase the effectiveness of internal training, the Bank, in collaboration with the Institute of Business Management (IoBM), introduced IoBM accredited certification programs for its employees. In this regard, during the year, a new certificate program "Certified Islamic Corporate Banker (CICB)" was launched by the Bank in which training was conducted for pan-Pakistan participants on various topics with a special focus on the financing side products of the Bank. This is in addition to the already launched "Certified Islamic Retail Banker" program which focuses on the retail side products of the Bank. Such comprehensive certificate programs are helpful in imparting detailed and area-specific Islamic Banking knowledge.

"Deen Connect" Islamic Awareness Program

During the year, "Deen Connect" Islamic Awareness program was launched by the Bank. Under this program, different courses, webinars and workshops are conducted with an aim to propagate teachings of Islam. This program is being offered completely free of cost to all i.e. for both customers and non-customers. Alhamdulillah, this is an unprecedented initiative in the local banking industry. Sessions conducted during the year included:

- **Quranic Courses** such as *Quranic Arabic*, *Short Tafseer of Surahs* and *Tajweed-ul-Quran*;
- **Webinars** on different topics such as *Economic Lessons from Seerat-ul-Nabi*, *Zakat*, *Shariah Aspects of Real Estate Business*, etc.;
- **Workshops** on different topics such as *Islamic Commercial Law*, *How to Elevate Your Salah*, *Islamic Law of Inheritance*, *Basic Halal Awareness*, etc.

Islamic Banking Awareness

In line with its objective of “Saving Humanity from Riba”, a number of awareness programs were carried out by the Bank during the year.

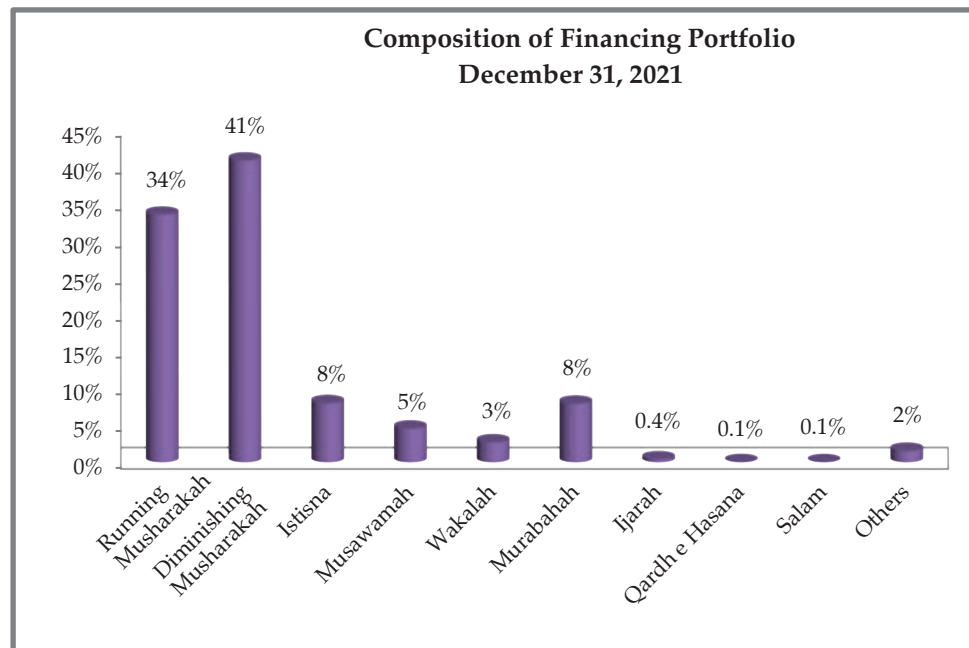
Islamic Banking awareness seminars were conducted for general public in various cities to address the public’s queries and misconceptions pertaining to Islamic Banking, with a focus on small cities and rural areas. Awareness sessions were also conducted for students in a number of universities as well for students of religious institutions. Moreover, a number of articles were also published in different magazines to spread awareness of Islamic banking.

As a first of its kind initiative by any Islamic Bank in Pakistan, BankIslami launched its Islamic Banking booklets in multiple native languages i.e. Urdu, Pashto, Sindhi, Punjabi, Balochi, Saraiki, Hindko and Brohi languages. These booklets aim to raise awareness about basic Islamic banking concepts and dispelling different misconceptions about it. This initiative is expected to remove the language barrier that can further boost the cause of Islamic banking and also lead to financial inclusion, In sha Allah.

Throughout the year, the Bank remained focused on spreading awareness about Islamic banking amongst the differently-abled persons. As another first of a kind initiative in the Industry, BankIslami conducted ‘Islamic Banking Awareness’ seminars in Sign Language at renowned institutions for the differently-abled persons, delivered by a differently-abled member of the Bank’s Shariah department. A video series about Islamic Banking concepts was also initiated in Pakistani Sign Language and was launched via Bank’s official social media channels. In order to ensure that the videos target differently-abled people along with the general public, these videos contain English voice-over along with Urdu subtitles.

Composition of Financing Portfolio

The Bank used variety of Islamic modes to provide financing to its customers. As at December 31, 2021 the financing portfolio comprised of products based on Running Musharakah (34%), Diminishing Musharakah (41%), Istisna (8%), Murabahah (8%), Musawamah (5%), Wakalah (3%), Ijarah (0.4%), Qardh e Hasana (0.1%), Salam (0.1%) and other modes of financing (2%). This is illustrated by the following diagram:



Charity

The Bank received an amount of Rs. 35.1 million from customers during the year in respect of charity on delays in payments and credited these payments to the Charity account.

During the year, income of Rs. 3.63 million was declared as Shariah non-compliant and accordingly credited to Charity account.

It may be pertinent to mention that since the charity funds are kept under remunerative accounts at the Bank, accrued Mudarabah profit thereon of Rs. 311,860 was also credited to the Charity account.

Disbursement during the year from the Charity fund has amounted to Rs. 51.44 million. Detail of charity disbursed to various institutions is available in the notes to the accounts.

Recommendations/Suggestions

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

- Specialized training programs like ‘Certified Islamic Corporate Banker’ and ‘Certified Islamic Retail Banker’ programs have been launched after much deliberation and can significantly aid in the effective implementation of Shariah guidelines. It is thus recommended that the number of batches trained annually under these programs should be increased.
- In addition to completing regular training of new joiners in Credit Administration, Trade Finance, Treasury Back Office, Human Resources, etc., who are to be involved in executing transaction documents, they should be required to undergo Shariah related specific sessions with SCD, before they start working in their respective departments.
- The automation of certain processes in the Pool Management and Credit Administration functions which is underway should be expedited.
- Islamic Banks should collectively develop a strategy whereby use of Takaful coverage is increased to manage risk on the Financing side.

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 its 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 Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.
- vii. 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.

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

وَصَلَّى اللهُ وَسَلَّمَ عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ



Mufti Javed Ahmad
Resident Shariah Board Member



Mufti Muhammad Hussain Khaleel Khail
Shariah Board Member



Mufti Syed Hussain Ahmed
Shariah Board Member



Mufti Irshad Ahmad Aijaz
Chairman, Shariah Supervisory Board

Date: March 01, 2022

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

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

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

وصلی اللہ وسلم علی نبینا محمد وبارک وسلم



مفتی محمد حسین خلیل نیل
رکن، مجلس امور شرعیہ



مفتی جاوید احمد
مقیم رکن، مجلس امور شرعیہ



مفتی ارشاد احمد اعجاز
سربراہ، مجلس امور شرعیہ



مفتی سید حسین احمد
رکن، مجلس امور شرعیہ

یکم مارچ ۲۰۲۲

تجاویز:

شرعی جائزوں کی رپورٹوں اور متعلقہ افراد کی جانب سے ملنے والی معلومات کی روشنی میں ہم درج ذیل تجاویز پیش کرتے ہیں:

- خصوصی تربیتی پروگرام جیسے "سرٹیفائیڈ اسلامک کارپوریٹ مینجر" اور "سرٹیفائیڈ اسلامک ریٹیل مینجر" بہت غور و خوض کے بعد متعارف کروائے گئے ہیں، نیز یہ پروگرام شرعی ہدایات کے نفاذ میں موثر کردار ادا کر سکتے ہیں، لہذا ان پروگراموں کے انعقاد کی تعداد میں اضافہ کیا جانا چاہئے۔
- وہ شعبے جن کا کام معاملات کی دستاویزات پر عملدرآمد کروانا ہوتا ہے جیسے معاملات کی دستاویزات کو منظم کروانے والا شعبہ، ٹریڈری کے معاملات منظم کرنے والا شعبہ، شعبہ انسانی وسائل وغیرہ میں آنے والے نئے عملے کی معمول کے مطابق تربیت کے ساتھ ساتھ، کام شروع کرنے سے پہلے شعبہ تعمیل امور شریعہ کے ساتھ خصوصی نشست بھی ہونی چاہئے۔
- پول مینجمنٹ اور کریڈٹ ایڈمنسٹریشن ڈپارٹمنٹ کو خود کار کرنے کے عمل کو تیز کیا جانا چاہئے۔
- اسلامی بینکوں کو سٹاکفائل کے دائرے کو وسیع کرنے کے لیے مجموعی طور لائحہ عمل طے کرنا چاہئے تاکہ تمویلی خطرات کے انتظام کو بہتر کیا جاسکے۔

نتیجہ بحث:

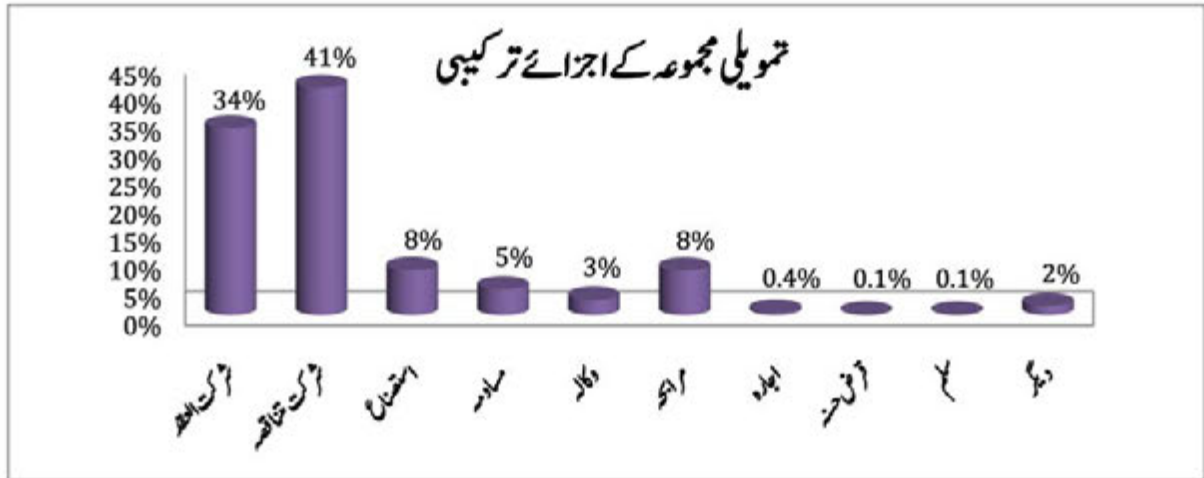
ہم داخلی شرعی جائزہ رپورٹس، داخلی شریعہ آڈٹ رپورٹس اور وقتاً فوقتاً کیے جانے والے مختلف شرعی تعمیل کی جانچ پرکھ کی بنیاد اور اپنی بہترین معلومات کے مطابق یہ رائے دیتے ہیں کہ:

- (۱) بینک مجموعی طور پر مجلس امور شریعہ 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 مجلس امور شریعہ 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 کرواتا ہے کہ شریعت میں ممنوع طریقہ سے حاصل شدہ آمدنی چیرنی اکاؤنٹ میں ڈال کر صحیح مصرف میں لگائی جائے۔
- (۵) بینک نفع و نقصان کی تقسیم اور پول مینجمنٹ کے حوالے سے اسٹیٹ بینک کی جانب سے جاری کردہ ہدایات پر عمل پیرا رہا ہے۔

سال کے دوران معذور افراد کے درمیان بھی اسلامی بینکاری کی آگاہی کو بڑھانے پر بینک کی توجہ مرکوز رہی۔ اپنی نوعیت کے پہلے قدم کے طور پر بینک اسلامی نے قوت گویائی و سماعت سے معذور افراد کے لیے ایک مشہور ادارہ میں علامتی زبان میں 'اسلامی بینکاری آگاہی سیمینار' منعقد کیا، جسے شریعہ ڈپارٹمنٹ کے قوت گویائی و سماعت سے معذور عملے نے منعقد کروایا۔ پاکستانی علامتی زبان میں اسلامی بینکاری کے تصورات پر مبنی ویڈیوز کے سلسلے کا بھی آغاز کیا گیا، جس کی تشہیر سماجی رابطوں کی ویب سائٹس کے طریقوں کے ذریعے کی گئی۔ اس بات کی یقین دہانی کے لیے کہ ویڈیو عام معذور افراد کے ساتھ عام عوام کے لیے بھی مفید ہو تو اس میں انگریزی آواز اور اردو تحریر کو بھی شامل کیا گیا۔

تمویلی مجموعہ کے اجزائے ترکیبی:

بینک صارفین کو تمویلی سہولیات فراہم کرنے کے لیے مختلف اسلامی طریقے اختیار کرتا ہے۔ 31 دسمبر 2021 کی تاریخ پر بینک کا تمویلی مجموعہ 34% رٹنگ مشارکہ، 41% شرکت متناقصہ، 18% استصناع، 8% مرابحہ، 5% مساومہ، 3% دکالہ، 0.4% اجارہ، 0.1% قرضہ حسنہ، 0.1% سلم اور 2% دیگر طریقہ ہائے تمویل پر مشتمل تھا، جس کی وضاحت دی گئی شکل میں موجود ہے۔



خیرات:

بینک نے ادائیگیوں میں تاخیر کی مد میں 35.1 ملین روپے خیرات وصول کی اور اسے خیراتی کھاتے میں ڈال دیا گیا۔

سال کے دوران 3.63 ملین روپے آمدنی کو غیر شرعی آمدن قرار دیا گیا، لہذا اسے بھی خیراتی کھاتے میں ڈال دیا گیا۔

یہ بات بھی قابل ذکر ہے کہ خیراتی رقم کو نفع بخش کھاتے میں رکھا جاتا ہے، جس پر 311,860 روپے ہونے والا نفع بھی خیراتی کھاتے میں ڈال دیا گیا۔

سال کے دوران 51.44 ملین روپے خیراتی کھاتے سے خرچ کیے گئے۔ جن خیراتی اداروں کو یہ رقم دی گئی ان کی تفصیلات کھاتوں کے نوٹس میں موجود ہے۔

بینک نے تعلیم و تربیت کے سلسلے کو مزید بڑھانے کے لیے "انسٹیٹیوٹ آف بزنس مینجمنٹ (آئی او بی ایم)" کے تعاون کے ساتھ اپنے ملازمین کے لیے آئی او بی ایم سے مستند پروگرامز کا اجراء کیا۔ اس سلسلے میں، سال کے دوران، بینک کی تمویلی مصنوعات کی تربیت پر توجہ مرکوز کرتے ہوئے، بینک نے "سرٹیفائیڈ اسلامک کارپوریٹ ٹینکر" پروگرام متعارف کروایا، جس میں پورے پاکستان سے عملہ نے شرکت کی۔ یہ پہلے سے متعارف کروائے گئے "سرٹیفائیڈ اسلامک ریٹیل ٹینکر" پروگرام پر ایک اضافہ تھا، جس میں ڈپازٹ اور صارفین کی تمویل کی پروڈکٹس پر توجہ دی جاتی ہے۔ اس قسم کے جامع مستند پروگرام اسلامی بینکنگ کے خصوصی پہلوؤں کی تفصیلی معلومات فراہم کرتے ہیں۔

"دین کنیکٹ" اسلامی آگاہی پروگرام:

سال کے دوران، بینک نے "دین کنیکٹ" اسلامی آگاہی پروگرام متعارف کروایا۔ اس پروگرام کے تحت مختلف کورسز، ویڈیوز، ورکشاپس منعقد کی گئیں، جن کا مقصد اسلامی تعلیمات کی اشاعت ہے۔ یہ پروگرام صارفین اور غیر صارفین سب کے لیے بلا معاوضہ پیش کیا جاتا ہے۔ الحمد للہ بینکنگ کے شعبہ میں یہ ایک بے نظیر قدم ہے۔ سال کے دوران منعقد کی گئی متعدد نشستوں میں چند درج ذیل ہیں:

- قرآنی کورسز، جیسے قرآنی عربی، سورتوں کی مختصر تفسیر، قرآن کی تجوید کے موضوعات پر کورسز۔
- ویڈیوز، جیسے سیرت النبی ﷺ کے معاشی اسباق، زکوٰۃ، جائیداد کی خرید و فروخت کے شرعی احکام وغیرہ کے موضوعات پر آن لائن ویڈیوز
- ورکشاپس، جیسے اسلام کا قانون تجارت، نماز کو کیسے بہتر بنائیں، اسلامی قانون وراثت، بنیادی حلال آگاہی وغیرہ کے موضوعات پر ورکشاپس

اسلامی بینکاری آگاہی:

سال کے دوران بینک نے "انسانیت کو سود سے بچانا" کے ہدف کو سامنے رکھتے ہوئے کئی آگاہی پروگرام بھی منعقد کیے۔

اسلامی بینکاری کی آگاہی کے سیمینارز عوام کے لیے مختلف شہروں خصوصاً دیہی اور چھوٹے علاقوں میں منعقد کیے گئے تاکہ اسلامی بینکاری کے بارے میں عوام کے سوالات اور غلط فہمیوں کا ازالہ کیا جاسکے۔ آگاہی نشستیں مختلف جامعات اور مدارس کے طلبہ کے لیے بھی منعقد کی گئیں۔ اس کے ساتھ ساتھ مختلف جرائم میں اسلامی بینکاری کی آگاہی کے لیے مضامین بھی شائع کیے گئے۔

پاکستان میں اسلامی بینکنگ کی جانب سے اپنی نوعیت کے پہلے اقدام کے طور پر بینک اسلامی نے اسلامی بینکاری کا کتابچہ کئی علاقائی زبانوں میں متعارف کروایا، جن میں اردو، پشتو، سندھی، پنجابی، بلوچی، سرائیکی، ہندکو اور براہوی شامل ہیں۔ ان کتابچوں کا مقصد اسلامی بینکاری کی آگاہی پھیلانا اور مختلف غلط فہمیوں کا ازالہ کرنا ہے۔ یہ اقدام زبان کی رکاوٹ کو ختم کر کے اسلامی بینکنگ کے رجحان کو بڑھانے گا اور اس کے ساتھ ساتھ مالیاتی سہولیات حاصل کرنے والے افراد کے دائرے کو وسیع کرے گا۔ ان شاء اللہ۔

مجلس امور شرعیہ نے شعبہ تعمیل امور شرعیہ کے تعاون سے تشہیری مواد بشمول سماجی رابطے کے پیغامات، اسپانسر شپ مواد، اور تشہیری ڈیزائن، کا جائزہ لیا اور ان کی منظوری دی۔

شرعی جائزے کے ساتھ ساتھ داخلی آڈٹ کا ذیلی شعبہ داخلی شریعہ آڈٹ نے براؤنچ اور بینک کے مختلف شعبوں کا شریعہ آڈٹ کیا تاکہ مجلس امور شرعیہ اور اسٹیٹ بینک آف پاکستان کی جاری شدہ ہدایات پر عمل درآمد یقینی بنایا جاسکے۔ مجلس امور شرعیہ نے شرعی جائزے کی رپورٹس، داخلی و بیرونی آڈٹ کی رپورٹس اور اسٹیٹ بینک کی اسپیکیشن رپورٹس پر درستی کے اقدامات تجویز کیے۔

سال کے دوران بینک اسلامی نے شریعہ ٹیم کی معاونت سے پاکستان کے مختلف معاشی شعبوں کی مدد کے لیے اسٹیٹ بینک کی ہدایات کی روشنی میں، حکومت پاکستان کی متعارف کردہ فنانسنگ اسکیمز پیش کیں۔ بینک نے ایک منفرد "قرض کی سہولت" (وزیر اعظم کی کامیاب جوان پوٹھ انٹرپرائز سہولت کے تحت) متعارف کروائی جو کہ انتظامیہ کا قابل تحسین اقدام ہے۔ یہ سہولت نوجوان تاجروں کو نئے کاروبار شروع کرنے اور موجودہ کاروبار کو پھیلانے کے لیے پیش کی جاتی ہے۔ اس کا مقصد ملک میں تاجروں کو ترقی دینا اور بیروزگاری کے مسئلے سے نبرد آزما ہونا ہے۔

مختلف اسلامی کمرشل پیپر اور سکوک کے معاملات کی تشکیل کے ساتھ بینک اسلامی کیپٹل مارکیٹ کی ترقی کے لیے بھی اپنی ذمہ داری نبھاتا رہا۔

تعلیم و تربیت:

سال کے دوران شریعہ ٹیم نے مختلف شہروں میں سو سے زائد بالمشافہہ اور چالیس آن لائن اسلامی بینکاری کے بنیادی تصورات کی تربیتی نشستیں منعقد کیں، جس میں دو ہزار نو سو (2900) افراد کو تربیت فراہم کی گئی۔ ٹریڈری فرنٹ اور بیک آفس، خصوصی اثاثوں کے انتظام کا شعبہ، وصولی کا شعبہ، اور زرعی تمویل کے شعبہ کے عملے کی خصوصی تربیتی نشستیں منعقد کی گئیں۔ اس کے علاوہ عملے کی شرعی اور اسلامی بینکاری کی معلومات بڑھانے کے لیے شریعہ ٹیم نے "اسلام اور معیشت"، "سیرت النبی ﷺ"، "رمضان کریم"، "نماز کی فضیلت" اور "زکاہ" کے موضوعات پر مختلف پوسٹوں کا اجراء کیا۔

شعبوں کے سربراہان کے لیے "بازار حصص اور اس کی سرگرمیاں (ایک شرعی تجزیہ)" کے موضوع پر سربراہ مجلس امور شرعیہ نے ایک مخصوص تربیتی نشست کا انعقاد کیا جبکہ اعلیٰ انتظامیہ کے لیے "سود اور اس کی ممانعت" کے موضوع پر مہتمم رکن مجلس امور شرعیہ نے تربیتی نشست منعقد کی۔ نیز "سود کی ممانعت قرآن و حدیث کی روشنی میں" کے موضوع پر بورڈ آف ڈائریکٹرز کے لیے سربراہ مجلس امور شرعیہ نے ایک علمی نشست منعقد کی۔ "ٹریڈری اور رسک مینجمنٹ" اور "رنگ مشارکہ" کے موضوع پر ارکان مجلس امور شرعیہ کے لیے سال کے دوران مختلف نشستیں منعقد کی گئیں۔

جانب سے پیش کی جانے والی مصنوعات و خدمات میں شرعی اصولوں کی ممکنہ خلاف ورزیوں کی نشاندہی کے سلسلے میں "شرعی عدم تعمیل کے خطرات کا ضابطہ عمل" تیار کیا۔

مختلف مصنوعات اور طریقہ ہائے تمویل بشمول مرابحہ، تجارت، سلم، استھناع، رنگ مشارکہ اور شرکت متناقصہ کے عمل درآمد کی دستاویزات، ان کے معاہدات اور خطرات کم کرنے کی دستاویزات کی تجدید کی گئی، جن میں شرعی اصولوں کی ممکنہ خلاف ورزیوں کے خطرات اور ان خطرات سے بچنے کے طریقے تفصیل سے ذکر کیے گئے۔

زرعی شعبہ اور چھوٹے کاروبار کے لیے مختلف طریقہ ہائے تمویل کا اردو میں خلاصہ تیار کیا گیا، تاکہ صارفین اور عملہ کی اسلامی بینکاری کی مصنوعات سے متعلق معلومات میں بہتری آئے اور شرعی اصولوں کی خلاف ورزی کا خطرہ کم ہو۔

مالی معاملات کے شرعی جائزے کا عمل شعبہ تعمیل امور شرعیہ دو مرحلوں میں کرتا ہے: ایک تمام صارفین کے لیے معاملے کے ہونے سے پہلے اور دوسرے معاملات کے ہو جانے کے بعد منتخب معاملات کا۔

سال کے دوران، شعبہ نے بینک کی عملی سرگرمیوں کی نگرانی کو جاری رکھتے ہوئے تین ہزار دو سو (3200) سے زائد معاملات، جن میں مختلف صارفین کی معاملے کی تفصیلات پر مشتمل دستاویز، بینک کی ضمانتوں کی دستاویز اور مختلف معاہدات شامل ہیں۔

شعبہ تعمیل امور شرعیہ نے بینک کے مختلف کاموں کا شرعی جائزہ بھی لیا، جن کی تفصیلات درج ذیل ہیں:

- نفع کے اعلان اور تقسیم سے پہلے پول مینجمنٹ کا ماہانہ جائزہ،
- کردنا و باکے دوران متعارف کروائی گئیں اسٹیٹ بینک آف پاکستان کی مختلف اسکیمیں،
- طریقہ تمویل میں تبدیلی اور ادائیگی کی ترتیب (ری اسٹرکچرنگ اور ری شیڈیولنگ) میں تبدیلی والے معاملات،
- شرعی تعمیل کی یقین دہانی کے لیے خصوصی نفع کے کھاتوں کا غیر اعلانیہ جائزہ،
- رنگ مشارکہ کے صارفین کے نفع و نقصان کے حتمی حسابات،
- کارپوریٹ، چھوٹے کاروبار، عام صارفین، بین الاقوامی تجارت کی فائننسنگ کے صارفین اور ٹریڈری کے معاملات۔

مزید مختلف اسلامی طریقہ تمویل کے تحت کیے جانے والے معاملات کی شرعی نگرانی کے سلسلے میں کسٹمرز سے ملاقاتیں اور ویڈیو کالز بھی کی گئیں۔ اس کا مقصد مجلس امور شرعیہ کی ہدایت کے مطابق معاملات کی انجام دہی کو یقینی بنانا ہے۔

شریہ ٹیم نے ملک کے مختلف شہروں کی برانچوں کا "شرعی جائزہ اور علمی جانچ پرکھ" بھی کیا تاکہ برانچ کی سطح پر شرعی تعمیل کے ماحول کی یقین دہانی ہو سکے۔ اس جائزے کے دائرے کو بڑھاتے ہوئے شعبہ تعمیل امور شرعیہ نے آن لائن شرعی جائزہ اور علمی جانچ پرکھ کا سلسلہ بھی شروع کیا جس کے نتیجے میں پورے پاکستان میں ۸۰ برانچز کا جائزہ لیا گیا۔

شرعی جائزے کی سرگرمی کو بہتر بناتے ہوئے انفارمیشن ٹیکنالوجی کے شعبے کے تعاون سے شعبہ تعمیل امور شرعیہ نے ایک سوفٹ ویئر تیار کیا، جس کے نتیجے میں برانچ کے شرعی جائزہ کا عمل ابتدا سے آخر تک خود کار ہو گیا اور درکار پورٹل میں با آسانی تیار ہونے لگیں۔

شریعیہ بورڈ کی رپورٹ برائے سال 2021ء

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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

تمام شکر اور تعریفیں اللہ سبحانہ و تعالیٰ کی، کہ بینک اسلامی نے 2021 کا سال کامیابی کے ساتھ مکمل کر لیا۔ "انسانیت کو سود سے بچانا" کے مقصد کو مد نظر رکھتے ہوئے، بینک نے امتیازی کردار ادا کرتے ہوئے بہت سے نئے اقدامات کیے جن کی تفصیلات اس رپورٹ میں زیر بحث آئیں گی۔

سال کے دوران مجلس امور شرعیہ کی چار سہ ماہی مجالس منعقد ہوئیں، جن میں نئی مصنوعات و خدمات کا اجراء اور ان کی بہتری، مختلف تصورات، معاملات اور متعلقہ شرعی امور کا جائزہ لے کر منظوری دی گئی۔ شرعی تعمیل کے ماحول، مجلس امور شرعیہ کے فیصلوں کے نفاذ، فتاویٰ، قابل توجہ امور اور تجاویز کے بارے میں تفصیلی آگاہی فراہم کرنے کے لیے مجلس امور شرعیہ کی دو نشستیں بورڈ آف ڈائریکٹرز کے ساتھ بھی منعقد ہوئیں۔ بینک کے کاروبار اور معاون شعبوں کو بروقت شرعی راہنمائی فراہم کرنے کے لیے شعبہ تعمیل امور شرعیہ مختلف امور سے متعلق رائے جاننے کے لیے مجلس امور شرعیہ کے ساتھ مسلسل رابطے میں رہا۔ اس سال مفتی سید حسین احمد صاحب کے مجلس امور شرعیہ کے ممبر کے طور پر تقرر سے مجلس امور شرعیہ مزید مضبوط ہو گئی ہے۔

مجلس امور شرعیہ بینک اسلامی کے معاملات سے متعلق 31 دسمبر 2021 کو ختم ہونے والے سال کی رپورٹ پیش کرتا ہے۔

تعمیل امور شرعیہ:

اس موقع پر ہم بینک میں تعمیل شرعیہ کے ماحول کو برقرار رکھنے، اس میں مزید بہتری لانے اور شعبہ تعمیل امور شرعیہ کی ذمہ داریوں سے عہدہ براں ہونے کے لیے ہر ممکن تعاون پر بینک اسلامی کے بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار کو سراہتے ہیں۔

شعبہ تعمیل امور شرعیہ کا مقصد بینک کی سرگرمیوں کا جائزہ لے کر مناسب نگرانی کا نظام تشکیل دینا ہے تاکہ بینک کی سرگرمیوں میں شرعی ضروریات و ہدایات کی تعمیل کی یقین دہانی ہو سکے۔ شعبہ تعمیل امور شرعیہ مناسب تعلیم یافتہ عملہ پر مشتمل ہے جن میں علمائے کرام، چارٹرڈ اکاؤنٹ اور ملک کے ممتاز تعلیمی اداروں کے کاروباری تعلیم میں سند یافتہ فضلاء شامل ہیں۔

سال کے دوران تعمیل امور شرعیہ کے ماحول کو مزید بہتر بنانے کے سلسلے میں مجلس امور شرعیہ کی ہدایات کے مطابق شعبہ تعمیل امور شرعیہ نے مختلف ہدایت نامے جاری کیے۔ اس حوالے سے شرعی ہدایات برائے نقدی ضمانات، کرنسی سلم میں کرنسی کی سپردگی کے وقت کم وصولی کے مسئلے کے حل پر مشتمل ہدایات، ٹریڈری فنڈز کی لین دین کے لیے راہنما ہدایات تیار / بہتر کی گئیں۔ شعبہ تعمیل امور شرعیہ نے بینک کی

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 a Trustee. Accordingly, the Bank is entrusted with the responsibility to distribute the charity funds onwards. This report provides a brief detail of the major institutions which have been beneficiaries of the charity funds.

Utilization of Charity

During the year 2021, BankIslami disbursed Rs. 51.4 Mn. from the Charity Account. The amount was utilized to provide assistance to renowned charitable institutions working primarily in the areas of healthcare, education, poverty alleviation and disaster relief. Further, the bank continued supporting organizations combating the effects of Covid-19 pandemic.

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

Afzaal Memorial Thalassemia Foundation (AMTF):

Afzaal Memorial Thalassemia Foundation is a registered NGO founded in the year 2003. It is currently spread over a facility of approx. 12,000 sq. ft. of constructed area which has been uniquely designed to serve more than 1500 blood disorders and Thalassemia patients with distinction and at par with international standards.



AMTF's Composite Unit provides OPD, day care, ICU, labs, blood bank, ultra-sound, echo-cardiography and digital x-ray facilities under one roof. These facilities are in addition to specialty clinics i.e. Cardiac, Neuro Orthopedic and eye which are totally free of cost on no cash counter basis. The existing facility is powered by qualified and experienced administrative, medical, para medical and lab & diagnostic services staff motivated to serve humanity courteously without any discrimination.

Alamgir Welfare Trust International (AWTI):

Alamgir Welfare Trust International has been providing social welfare services in Pakistan since 1993. The Trust provides services to the needy and deprived classes of the society in areas that include health, education, marriage assistance of orphan girls, funeral services, rescue centers, Sadqa/Aqeeqa services, joint Qurbani, Hajj/Umra services, construction of mosques, water projects, cooked food distribution, ration distribution and Ramadan services.



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

Baitussalam Welfare Trust:

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

The trust is also running a venture namely “Bait us Salam Education Foundation” that aims at building state of the art schools with highly qualified and experienced team of educators to provide high quality education on nationwide basis specially for under-privileged areas. Bait us Salam Welfare Trust also provided food and healthcare services to masses during the Covid-19 pandemic, and carried out a disaster relief activity on the account of the earthquake in Harnoi, Balochistan.



Bait-Ul-Sukoon Trust Cancer Hospital (BUSTCH):

BUSTCH was established in 1999 as a cancer treatment center and hospital. It has now become a modern 50 bed three-story hospital equipped with modern diagnostic facilities, Mammogram, Ultrasound, X-ray and a pathological laboratory. The hospital building is situated at the Karachi Cooperative Housing Society.



The hospital provides surgical, chemotherapy, radiotherapy and supportive management services like blood transfusion, analgesic and nutritious support to economically challenged patients. A strong support team, consisting of renowned oncologists, surgeons (breast, ENT/Oro-facial, orthopedic, general), physicians and psychologists is available for patients.

Indus Hospital & Health Network (IH&HN):

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



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

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

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



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

Lahore University of Management Sciences (LUMS):

Over the last three decades, LUMS has evolved into Pakistan's leading university, and has had immeasurable impact on business and society. The focus of the university is on learning without borders which led to cross-disciplinary research centers contributing to global research, policy papers, and linkages between academia, industry and the government.



LUMS is focused on inclusion with one in three students availing some form of financial aid every year. Its National Outreach Program (NOP) recently won the global award in the 'Best Practices in Diversity, Equity, and Inclusion' category in the Platinum Awards by the Council for the Advancement and Support of Education (CASE). The NOP seeks out talented students from across the country and has since inception, funded over 1200 scholars, providing full tuition waivers, and additional living stipends and allowances.

Saylani Welfare International Trust (SWIT):

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



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

The Citizens Foundation (TCF):

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



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

Deen Connect



As one of the leading Islamic banks, BankIslami views Islamic banking not just as a business but as a mission driven by a deep rooted faith in Islamic values. Accordingly, the Bank takes pride in taking initiatives not only for the promotion of Islamic banking but also for the spreading of Islamic values and principles through different means. In line with this, an Islamic awareness program “*Deen Connect*” was launched by the Bank during the year 2021.

“*Deen Connect*” is a completely free of cost Islamic awareness program, for customers and non-customers alike. This is a first of its kind initiative in the local banking industry and received a very positive response Alhamdulillah. Various topics were chosen to cover important aspects of daily life. Respected and learned Shariah scholars and experts were invited to conduct sessions, and address the questions of general public live through different social media pages of the Bank.

The initiative comprised of online courses, webinars, workshops, short messages through mobile application, e-video series as well as physical sessions. Following are key highlights of the various sessions conducted:

- “*Quranic Arabic*”, “*Quranic Translation & Short Tafseer*” and “*Quranic Tajweed*” courses were conducted to improve understanding of Holy Quran, its translation, short Tafseer, and correct Tajweed. Shariah scholars were engaged to conduct these online courses and an overwhelming number of participants completed these courses to receive participation certificates.
- An e-video series under the title “*Paigham-e-Quran*” was launched during the holy month of Ramadan. In this series, one chapter (Para) of Holy Quran was covered daily by a Shariah scholar, summarizing the message of Quran.
- A series of webinars covering different contemporary issues that common Muslims face were conducted throughout the year and the level of interest of participants was evident from their engagement on Bank's social media pages. Topics included Zakat, Qurbani, Shariah Aspects related to Real Estate Investments, etc.
- Different online and physical workshops were conducted on varying topics by esteemed Shariah scholars throughout the year.
- The mobile application of the Bank was utilized to share an Islamic quote i.e. a Hadith or Quranic verse with customers on a regular basis.

All in all, the “*Deen Connect*” program provided a platform to the general public whereby they can access Shariah scholars to find authentic information and answers from the sources of Shariah. The aim of the program is to provide a free and easy-to-access platform for Islamic knowledge.



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INDEPENDENT AUDITOR'S REPORT

To the members of BankIslami Pakistan Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **BankIslami Pakistan Limited** (the Bank), which comprise the unconsolidated statement of financial position as at 31 December 2021, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 33 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the 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 2021 and of the profit, the comprehensive income, the changes in equity and its cash flow 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 unconsolidated 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.



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Key Audit Matter

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:

S.No.	Key Audit Matters	How the matter was addressed in our audit
1.	<p>Provision against Islamic financing, related assets and advances (Refer Note 12.16)</p>	
	<p>The Bank's Islamic financing portfolio includes fund-based and non-funded financing facilities.</p> <p>As per the Bank's accounting policy (refer note 7.4.13 to the financial statements), the Bank determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision against corporate and consumer financing in respect of potential credit losses in the portfolio.</p> <p>The Prudential Regulations require specific provisioning against loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision against financing, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and</p>	<p>Our audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> • Reviewed the design and tested the operating effectiveness of key controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing loans. <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> - automated (IT system based) controls over correct classification of non-performing financing on time based criteria; - controls over monitoring of financing with higher risk of default and correct classification of non-performing financing on subjective criteria; - controls over accurate computation and recording of provisions; and



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S.No.	Key Audit Matters	How the matter was addressed in our audit
	<p>business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified provision as a significant area of audit judgment and a key audit matter.</p>	<ul style="list-style-type: none"> - controls over the governance and approval process related to provisions, including continuous reassessment by the management. • In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total Islamic financing portfolio and performed the following substantive procedures for sample loan accounts: <ul style="list-style-type: none"> • verified repayments of loan / profit installments and checked that non-performing financing have been correctly classified and categorized based on the number of days overdue; and • examined watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate. • Checked the accuracy of specific provision made against non-performing financing and of general provision made against consumer finance by recomputing the provision amount after considering the benefit of forced sales value, if any, in accordance with the criteria prescribed under the PRs.





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S.No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> Where the management has not identified indicators displaying impairment, reviewed the credit history, account movement, financial ratios, report on security maintained and challenged the management's assessment based on our view of the credit from the review of credit file.
2.	<p>Valuation of investments (Refer note 11 to the financial statements)</p>	
	<p>The carrying value of investments held by the Bank amounted to Rs. 124,838 million, which constitutes 30.54% of the Bank's total assets as at 31 December 2021.</p> <p>The significant portion of the investments comprise of federal government securities and Non-Government shariah compliant securities.</p> <p>Investments are carried at amortised cost or fair value in accordance with the Bank's accounting policy relating to their recognition. Provision against investments is made based on impairment policy of the Bank which includes both objective and subjective factors.</p> <p>We identified assessing the carrying value of the investment as a key audit matter because of its significance to the financial statements and also because assessing the key impairment</p>	<p>Our audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> Assessed the design and tested operating effectiveness of the relevant controls in place relating to valuation of investments; Checked the valuation of investments in the portfolio, as recorded in the general ledger, to supporting documents, externally quoted market prices and break-up values including the significant or prolonged decline in fair value of equity investments for impairment; Obtained independent confirmations for verifying the existence of the investment portfolio as at 31 December 2021 and reconciled it with the books and records of the Bank. Where such confirmations were not available, alternate procedures were performed; Evaluated the Bank's assessment of available for sale financial assets



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S.No.	Key Audit Matters	How the matter was addressed in our audit
	assumptions involves management judgment.	<p>for any additional impairment in accordance with the relevant accounting standards as applicable in Pakistan and performed an independent assessment of the assumptions and conclusions; and</p> <ul style="list-style-type: none"> • Considered the Bank's disclosures of investments, such as the fair value hierarchy, to the requirements of applicable financial reporting framework.
3.	Recoverability of deferred tax assets	
	<p>As disclosed in note 15 to the financial statements, the Bank has recorded Rs. 4,308.141 million with respect to deferred tax assets, of which Rs. 2,591.2 million represents carryforward accumulated tax losses.</p> <p>The carry-forward of unused tax losses requires a deferred tax asset to be recognized to the extent that it is probable that future tax profits are available against which the unused tax losses can be set off.</p> <p>We deemed this subject to be a key audit matter because management is required to exercise judgement when deciding whether to recognize a deferred tax asset for tax loss carryforwards as well as when assessing the recoverability of recognized deferred tax assets.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the process and controls on this area relevant to our audit; • Evaluated the appropriateness of the components on which the Bank has recognized deferred tax asset in light of the requirements of the Income Tax Ordinance, 2001, considering factors including age and expiry of the deferred tax asset and tax rates enacted. • Evaluated the Banks's assumptions and estimates in relation to the likelihood of generating future taxable income, principally by performing sensitivity analysis and testing the key assumptions used by the management. • Assessed the adequacy of the Bank's disclosures in accordance



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S.No.	Key Audit Matters	How the matter was addressed in our audit
		with applicable financial reporting framework.
4.	Impairment testing of goodwill	
	<p>As at 31 December 2021, intangible assets include goodwill amounting to Rs. 2,944.297 million acquired as a result of scheme of amalgamation as disclosed in note 14.2 to the financial statements.</p> <p>Goodwill is required to be annually assessed for impairment under IAS-36 "Impairment of Assets". Accordingly, Management has performed an impairment test of the goodwill which is subjective in nature due to assumptions made about future performance.</p> <p>As disclosed in note 14.2, the Bank uses a discounted cash flow model to determine value in use, on the basis of the certain key assumptions.</p> <p>Due to the significance and impact of the assumptions and judgements involved, the impairment tests of goodwill is considered to be a key audit matter.</p>	<p>Our audit procedures, amongst others, included the following:</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; • Involved our internal valuation specialists to review and evaluate management's key assumptions used in impairment calculations; • Performed sensitivity analyses around the key assumptions used in the models. • Assessed the adequacy of the related disclosures in the financial statements in accordance with the applicable financial reporting framework.



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Information other than the Unconsolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The Other Information comprises the information included in the Bank's Annual Report but does not include the consolidated and unconsolidated financial statements and our auditor's reports 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 unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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.





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Auditors' Responsibilities for the Audit of the unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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.



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- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated 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

1. 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 unconsolidated statement of financial position, the unconsolidated profit and loss Account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow Statement 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;
 - 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



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- 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.

Other Matter

The unconsolidated financial statements of the Bank for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those unconsolidated financial statements on 4th March 2021.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

Date: 03 March 2022

Karachi

UDIN: AR2021101062rVXH1pN4


KPMG Taseer Hadi & Co.
Chartered Accountants

Unconsolidated Statement of Financial Position

AS AT DECEMBER 31, 2021

	Note	2021	2020
		----- Rupees in '000 -----	
ASSETS			
Cash and balances with treasury banks	8	24,552,347	22,034,025
Balances with other banks	9	3,691,953	12,308,269
Due from financial institutions - net	10	34,945,365	41,640,012
Investments - net	11	124,838,317	95,239,635
Islamic financing, related assets and advances - net	12	181,176,239	130,161,889
Fixed assets	13	13,617,439	11,741,506
Intangible assets	14	3,176,180	3,108,498
Deferred tax assets	15	4,308,141	5,824,886
Other assets - net	16	18,084,193	13,636,969
Non-current assets held for sale	17	-	601,609
Total Assets		408,390,174	336,297,298
LIABILITIES			
Bills payable	18	3,484,210	3,324,085
Due to financial institutions	19	21,193,332	16,127,616
Deposits and other accounts	20	344,787,956	283,641,351
Subordinated sukuk	21	2,000,000	2,000,000
Deferred tax liabilities		-	-
Other liabilities	22	14,413,474	11,309,073
		385,878,972	316,402,125
NET ASSETS		22,511,202	19,895,173
REPRESENTED BY			
Share capital - net	23	11,007,991	11,007,991
Reserves	24	1,703,164	1,526,894
Surplus on revaluation of assets - net of tax	25	3,464,337	3,030,509
Unappropriated profit		6,335,710	4,329,779
		22,511,202	19,895,173
CONTINGENCIES AND COMMITMENTS	26		

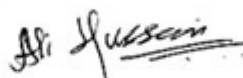
The annexed notes 1 to 50 and Annexure-I & II form an integral part of these unconsolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Unconsolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020
----- Rupees in '000 -----			
Profit / return earned	27	23,235,371	25,743,683
Profit / return expensed	28	12,303,231	13,254,781
Net Profit / return		10,932,140	12,488,902
OTHER INCOME			
Fee and commission income	29	1,226,894	900,127
Dividend income		24,643	17,391
Foreign exchange income		481,902	364,705
Gain on securities	30	291,630	242,433
Other income - net	31	94,417	110,779
Total other income		2,119,486	1,635,435
Total Income		13,051,626	14,124,337
OTHER EXPENSES			
Operating expenses	32	9,549,614	8,578,042
Workers' Welfare Fund		70,693	55,321
Other charges	33	2,525	130,504
Total other expenses		9,622,832	8,763,867
Profit before provisions		3,428,794	5,360,470
Provisions and write offs - net	34	31,888	2,601,023
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		3,396,906	2,759,447
Taxation	35	1,265,556	1,056,312
PROFIT AFTER TAXATION		2,131,350	1,703,135
----- Rupees -----			
Basic / Diluted earnings per share	36	1.9224	1.5362

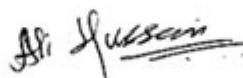
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PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Unconsolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	----- Rupees in '000 -----	
Profit after taxation for the year	2,131,350	1,703,135
Other Comprehensive Income / (Loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments - net of tax	(8,674)	(1,590,724)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Re-measurement (loss) / gain on defined benefit obligations - net of tax	(33,779)	3,280
Movement in surplus on revaluation of fixed assets - net of tax	595,816	58,376
Movement in surplus on revaluation of non-banking assets - net of tax	(68,684)	24,774
	493,353	86,430
Total comprehensive income	<u>2,616,029</u>	<u>198,841</u>

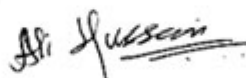
The annexed notes 1 to 50 and Annexure-I & II form an integral part of these unconsolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Unconsolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2021

Note	Share capital	Discount on issue of shares	Statutory reserve*	Revenue reserve for bad debts & contingency	Surplus on revaluation of		Unappropriated profit	Total
					Investments	Fixed / Non-Banking Assets		
----- Rupees in '000 -----								
Balance as at December 31, 2019	11,087,033	(79,042)	936,267	250,000	2,988,734	1,637,630	2,875,710	19,696,332
Profit after taxation for the year	-	-	-	-	-	-	1,703,135	1,703,135
Other comprehensive (loss) / income - net of tax	-	-	-	-	(1,590,724)	83,150	3,280	(1,504,294)
	-	-	-	-	(1,590,724)	83,150	1,706,415	198,841
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(2,760)	2,760	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	(1,863)	1,863	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(83,658)	83,658	-
Transfer to statutory reserve	-	-	340,627	-	-	-	(340,627)	-
Balance as at December 31, 2020	11,087,033	(79,042)	1,276,894	250,000	1,398,010	1,632,499	4,329,779	19,895,173
Profit after taxation for the year	-	-	-	-	-	-	2,131,350	2,131,350
Other comprehensive income / (loss) - net of tax	-	-	-	-	(8,674)	527,132	(33,779)	484,679
	-	-	-	-	(8,674)	527,132	2,097,571	2,616,029
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(57,781)	57,781	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	(1,381)	1,381	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(6,866)	6,866	-
Transfer from surplus on revaluation of non-banking assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(18,602)	18,602	-
Transfer to statutory reserve	-	-	426,270	-	-	-	(426,270)	-
Transfer from revenue reserve for bad debts & contingency to unappropriated profit	24.2	-	-	(250,000)	-	-	250,000	-
Balance as at December 31, 2021	11,087,033	(79,042)	1,703,164	-	1,389,336	2,075,001	6,335,710	22,511,202

*This represents reserve created under section 21(1) of the Banking Companies Ordinance, 1962.

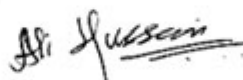
The annexed notes 1 to 50 and Annexure-I & II form an integral part of these unconsolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Unconsolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020
----- Rupees in '000 -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		3,396,906	2,759,447
Less: Dividend income		(24,643)	(17,391)
		3,372,263	2,742,056
Adjustments for non-cash charges and other items:			
Depreciation on fixed assets	13.2	782,063	719,431
Depreciation on non-banking assets	16.1.1	6,416	8,715
Depreciation on right-of-use assets	13.2	769,483	809,412
Amortization	14	66,944	65,095
Depreciation on operating Ijarah assets	12.14	566,486	1,112,358
Finance cost on Ijarah (lease) liabilities	28	416,247	389,614
Provisions and write offs - net	34	31,888	2,601,023
Charge for defined benefit plan	32.1	139,925	126,159
Gain on sale of non-current assets held for sale	30.1	(151,601)	-
Gain / (loss) on sale of fixed assets	31	3,521	(3,613)
		2,631,372	5,828,194
		6,003,635	8,570,250
(Increase) / decrease in operating assets			
Due from financial institutions		6,694,647	1,271,608
Held-for-trading securities		-	-
Islamic financing and related assets and advances - net		(51,916,445)	(1,729,968)
Other assets		(3,602,339)	(121,999)
		(48,824,137)	(580,359)
Increase / (decrease) in operating liabilities			
Bills payable		160,125	1,304,162
Due to financial institutions		5,065,716	1,024,009
Deposits and other accounts		61,146,605	53,189,275
Other liabilities (excluding current taxation)		3,457,570	(2,416,367)
		69,830,016	53,101,079
		27,009,514	61,090,970
Contributions to defined benefit plan		(150,000)	(100,000)
Income tax paid		(528,793)	(514,618)
Net cash generated from operating activities		26,330,721	60,476,352
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(29,590,094)	(41,620,298)
Dividends received		24,643	17,391
Payment of Ijarah (lease) liability against right-of-use assets		(1,072,180)	(978,697)
Investments in fixed assets		(2,447,277)	(560,412)
Investments in intangible assets		(134,626)	(71,799)
Proceeds from disposal of non-current assets held for sale		753,210	-
Proceeds from disposal of fixed assets		37,609	262,086
Net cash used in investing activities		(32,428,715)	(42,951,729)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated sukuk		-	300,000
Net cash generated from financing activities		-	300,000
(Decrease) / Increase in cash and cash equivalents		(6,097,994)	17,824,623
Cash and cash equivalents at the beginning of the year		34,342,294	16,517,671
Cash and cash equivalents at the end of the year	38	28,244,300	34,342,294

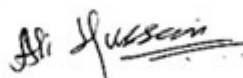
The annexed notes 1 to 50 and Annexure-I & II form an integral part of these unconsolidated financial statements.



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DIRECTOR



DIRECTOR

Notes to and Forming Part of the Unconsolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

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 340 branches including 80 sub-branches as at December 31, 2021 (2020: 343 branches including 81 sub-branches). The registered office of the Bank is situated at 11th Floor, Dolmen City Executive Tower, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Pakistan Stock Exchange Limited.

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

2 BASIS OF PREPARATION

- 2.1 The Bank provides financing mainly through Murabaha, Istisna, Diminishing Musharakah, Import Murabaha, Salam, Musawamah, Running Musharaka (Shirkat-ul-Aqd), Ijarah and other Islamic modes as briefly explained in note 7.4 to these unconsolidated financial statements.

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

- 2.2 These unconsolidated financial statements are the separate financial statements of the Bank in which investments in subsidiary and associates are carried at cost less accumulated impairment losses, if any, and are not consolidated. The consolidated financial statements of the Bank 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 unconsolidated financial statement line items.

3 STATEMENT OF COMPLIANCE

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

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

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

3.2 The SBP, through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these unconsolidated 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 unconsolidated 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.

Further, 'SBP, vide its BPRD Circular Letter No. 24 of 2021 dated July 05, 2021, has deferred the applicability of IFRS 9 on banks in Pakistan to accounting period beginning on or after January 01, 2022. The impact of application of IFRS 9 on Bank's unconsolidated financial statements is presently being assessed and the same will conclude subsequent to issuance of final application guidelines by SBP.

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 unconsolidated financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in these unconsolidated financial statements.

4 CHANGES IN REPORTING STANDARDS AND INTERPRETATIONS

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

There are certain interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

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

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2022:

<u>Standard, Interpretation or Amendment</u>	<u>Effective date (annual periods beginning on or after)</u>
Annual improvement process IFRS 9 Financial Instruments - Fees in the '10 percent' test for de-recognition of financial liabilities	January 01, 2022 January 01, 2023
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS	January 01, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of International Financial Reporting Standards	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2023

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unconsolidated 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 unconsolidated financial statements or where judgment was exercised in the application of the accounting policies are as follows:

- (a) Classification and valuation of investments in accordance with the Bank's policy (notes 7.3 and 11).
- (b) Provision for non-performing Islamic financing and related assets and advances (notes 7.4.14 and 12.16).
- (c) Determination of forced sales value of underlying securities of non-performing Islamic financing and related assets and advances (note 12.17.5).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non-associate entities (notes 7.3.5 and 11).
- (e) Determination of lease term and incremental benchmark rate for lease contract of various properties used by Bank's branches (notes 7.5.3, 13 & 22).
- (f) Staff retirement benefits (notes 7.11 and 40).
- (g) Revaluation and depreciation / amortization of fixed assets and intangible assets (notes 7.5, 13.2 and 14).
- (h) Valuation of non-banking assets acquired in satisfaction of claims (notes 7.7 and 16.1).
- (i) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 7.6, 15 and 35).
- (j) Estimation of other provisions and contingent liabilities (notes 26 and 34).

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

6 BASIS OF MEASUREMENT

6.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention, except that certain fixed assets, certain investments, foreign currency balances, commitments in respect of shariah compliant alternative of foreign exchange contracts and non-banking assets acquired in satisfaction of claims have been marked to market and are carried at fair value. Further, staff retirement benefits as discussed in notes 7.11 and 40 to the unconsolidated financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

6.2 Functional and Presentation Currency

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

6.3 Rounding off

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

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7.1 Cash and cash equivalents

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

7.2 Due to / from financial and other institutions

7.2.1 Bai Muajjal

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

7.2.2 Musharaka

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

7.2.3 Musharaka from State Bank of Pakistan under Islamic Export Refinance Scheme (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 Shariah guidelines issued by the SBP. The profit of the pool is shared as per the agreed PSR between the partners.

7.2.4 Acceptances from State Bank of Pakistan for financial assistance

The Bank has recorded Acceptances from State Bank of Pakistan for financial assistance at its fair value which is amortized over its agreed term.

7.2.5 Commodity Murabaha

In Commodity Murabaha, 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.

7.2.6 Wakalah

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

7.3 Investments

7.3.1 Classification

Investments of the Bank, including investments in associates and subsidiary 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 subsidiary and associates, which do not fall under the 'held for trading' or 'held to maturity' categories.

(d) Associates

Associate is an entity over which the Bank has significant influence but not control. Investment in associates are initially carried at cost.

(e) Subsidiary

Subsidiary is an entity over which the Bank has control. Investment in subsidiary is initially carried at cost.

7.3.2 Regular way contracts

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

7.3.3 Initial recognition and measurement

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

Premium or discount on Shariah compliant securities classified as 'available for sale' is amortized using the effective profit rate method and taken to the unconsolidated profit and loss account.

7.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the unconsolidated profit and loss account for the year.

(b) Held to maturity

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

(c) Available for sale

Quoted / Government securities are subsequently re-measured at fair value. Surplus / (deficit) arising on re-measurement is included in the statement of unconsolidated comprehensive income and recognized in the unconsolidated statement of financial position in equity. The surplus / (deficit) arising on these securities is taken to the unconsolidated profit and loss account when actually realized upon disposal.

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

(d) Associates

Investment in associate is subsequently carried at cost less accumulated impairment losses, if any.

(e) Subsidiary

Investment in subsidiary is subsequently carried at cost less accumulated impairment losses, if any.

7.3.5 Impairment

Available for sale and held to maturity

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

Investment in associates and subsidiary

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

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

7.4 Islamic financing, related assets and advances

7.4.1 Islamic financing and related assets are financial products originated by the Bank and principally comprise of Murabahah, Istisna, Ijarah, Salam, Muswammah, Diminishing Musharakah, Running Musharakah (Shirkat-ul-Aqd) and other Islamic modes of financing and the related assets.

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

7.4.2 Ijarah Financing {Ijarah contracts where the Bank acts as Mujir (lessor)}

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

(a) Under finance method, the present value of minimum Ijarah payments have been recognized and shown under Islamic financing and related assets. The unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on a receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the mustajir (lessee).

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

7.4.3 Murabahah

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

7.4.4 Istisna

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

7.4.5 Diminishing Musharakah

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

7.4.6 Import Murabahah

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

7.4.7 Salam

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

7.4.8 Musawamah / Tijarah

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

7.4.9 Musharakah

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

7.4.10 Wakalah-tul-Istismar (Investment Agency Wakalah)

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

7.4.11 Running Musharakah

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

7.4.12 Ijarah

Ijarah is a contract where the owner of an asset transfers its usufruct (i.e. the usage right) to another person for an agreed period, at an agreed consideration. The rentals received / receivable on Ijarah are recorded as income / revenue. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir up to the date of maturity / termination of Ijarah agreement.

7.4.13 Advances

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. Subsequent to acquisition, the Bank converted portfolio of conventional advances into Shariah compliant financings. Advances represent unconverted portfolio, mostly consist of delinquent accounts, and are stated net of specific and general provisions.

7.4.14 Provisioning

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

Specific provision

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

General provision

Consumer Financing

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

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

7.5 Fixed assets

7.5.1 Property and equipment

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

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

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

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

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

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

7.5.2 Capital work in progress

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

7.5.3 Ijarah (Leased) assets {where the Bank is Mustajir (lessee)}

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

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

Right-of-use (RoU) assets

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

Ijarah (lease) Liability

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

7.5.4 Intangible assets

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

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

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

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

7.5.5 Impairment

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

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

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

7.6 Taxation

7.6.1 Current

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

7.6.2 Deferred

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

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

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

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

7.7 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially recorded at cost and revalued at each year-end date of the unconsolidated 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 unconsolidated profit and loss account as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the unconsolidated 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 unconsolidated profit and loss account.

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

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

7.8 Non-current assets held for sale

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

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

7.9 Subordinated Sukuk

Subordinated sukuk is initially recorded at the amount of proceeds received. Profit expense on sub-ordinated sukuk is charged to unconsolidated profit and loss account over the period on an accrual basis and is recognised as part of other liabilities.

7.10 Acceptances

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

7.11 Staff retirement benefits

7.11.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognized in the unconsolidated statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the unconsolidated 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, 2021.

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

7.11.2 Defined contribution plan

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

7.12 Revenue recognition

7.12.1 Profit on Murabahah and Commodity Murabahah is recognized over the financing stage of Murabahah on an accrual basis. Profit on Murabahah transactions for the period from the date of disbursement to the date of culmination of Murabahah is recognized immediately on the culmination date.

7.12.2 Profit from Istisna, Salam and Muswammah are recorded on an accrual basis commencing from the time of sale of goods till the realization of proceeds by the Bank. Profit from Diminishing Musharakah are recognized on a time proportionate basis in the form of rentals.

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

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

7.12.4 Provisional profit of Musharakah financing is recognized on an accrual basis. Actual profit / loss on Musharakah financing is adjusted after declaration of profit by Musharakah partner or on liquidation of Musharakah.

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

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

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

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

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

7.12.10 Fee on issuance of letter of credit and acceptance is recognized on receipt basis as generally the transactions consummate within an accounting period. Commission on guarantees, if considered material, is recognized over the period of guarantee. The Bank earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has fully provided the service to the customer. Where the contract requires services to be provided over time, the income is recognised on a systematic basis over the life of the related service.

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

7.12.12 Income earned from revenues that are not Shariah complaint are not recognized in the unconsolidated profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Board of the Bank.

7.13 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 unconsolidated profit and loss account 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. Effective from July 01, 2021, any income accruing on conventional products is being credited directly to the Charity Payable account after deducting any actual costs incurred on recovery of an amount as approved by the Shariah compliance.

7.14 Financial Instruments

7.14.1 Financial assets and financial liabilities

All financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any loss on de-recognition of the financial assets and financial liabilities is taken to unconsolidated profit and loss accounts directly. Financial assets carried on the unconsolidated 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, subordinated sukuk and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

7.14.2 Offsetting of financial instruments

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

7.14.3 Shariah compliant derivatives (Under Wa'ad Structure)

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

7.15 Foreign currencies

7.15.1 Functional and presentation currency

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

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

7.15.3 Translation gains and losses

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

7.15.4 Commitments

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

7.16 Fiduciary assets

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

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

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

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

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

7.18 Pool Management

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

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

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

The risk characteristic of each pool mainly depends on the asset 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.

7.18.1 General Pool

For General Pools, the Bank allocates PKR financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business. Investments in Sovereign Guarantee Sukuk, Bai Muajjal with State Bank of Pakistan and Bai Muajjal with Government of Pakistan and other financial institutions 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.

7.18.2 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.

7.18.3 Specific Musharakah Pool

7.18.3.1 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.

7.18.3.2 Other Specific Musharkah Pool

The Other Specific Musharakah Pool assets comprise of consumer housing finance portfolio, sukuk and the related liability of the pool comprises of musharakah acceptance from a financial institution. This pool is created to fund the housing finance portfolio.

7.18.3.3 Financial Institution (FI) Pools

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

7.19 Provisions and Contingent Assets and Liabilities

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

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

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

7.20 Business Combinations

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, the difference is recognized directly in the unconsolidated profit and loss account as bargain purchase.

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

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

7.21 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments. The Bank has defined its segments in line with the requirements of IFRS 8 - "Operating Segments".

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

7.21.1 Business segments

Trading and sales

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

Retail banking

It includes retail Islamic financing and related assets, deposits and banking services offered to the Bank's retail customers.

Commercial banking

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

Support Centre

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

7.21.2 Geographical segment

The Bank operates only in Pakistan.

7.22 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.

7.23 Remuneration framework

In order to align the remuneration practices in Pakistan with the international standards and best practices, the SBP issued Guidelines on Remuneration Practices through its BPRD circular no. 02 dated 03 March 2016, which were subsequently revised through BPRD Circular No. 01 dated 25 January 2017.

In accordance with these guidelines, the Bank has developed a comprehensive remuneration framework. The aim of this framework is to promote an effective risk management culture, and to ensure that the remuneration practice at the Bank is in line with the Bank's objectives taking into consideration all risks that the Bank may face. As a result, a fair, objective, transparent and sound remuneration policy, aligned with risks and responsibilities of Financial Intermediation has been put in place. The framework has been reviewed and recommended by the Board's Remuneration Committee (BRC) and approved by the Board of Directors (BoD).

Under the policy, all employees across the Bank who are materially responsible for risk taking - Material Risk Takers (MRTs), or risk controlling activities - Material Risk Controllers (MRCs) are identified. The remuneration of these MRTs and MRCs is dependent upon the achievement of performance measured through risk-adjusted balance scorecards, which include financial and nonfinancial / qualitative performance indicators including compliance with internal policies/ procedures/ controls, customer experience, as well as certain risk-adjusting factors (negative earners) such as regulatory compliance, frauds, complaints etc. All other individuals who do not fall within the criteria of MRTs and MRCs continue to be governed through the Bank's existing HR policy. The features of total compensation i.e. fixed remuneration as well as variable remuneration offered through performance bonuses have been disclosed in note 42 to these financial statements.

A certain portion of the variable compensation of the MRTs and MRCs is subjected to mandatory deferrals for a defined period, thus creating alignment between the employees' and stakeholders' interests and reinforcing that compensation is appropriately linked to longer-term sustainable performance. Deferred remuneration, especially with risk adjustments, improves risk-taking incentives because the amount ultimately received by employees can be made to depend on risk outcomes, and shall vest proportionately over the deferral period following the year of variable remuneration award, subject to any malus trigger adjustments. Under the Bank's framework, the deferred percentage decided for distribution in the year 2021 was 50 percent, while the deferral period is set at three years.

The payouts for variable compensation for the performance years 2019 and onwards, for MRTs and MRCs is based on the revised mechanism which takes into consideration factors (such as position within the organization, roles and responsibilities, risk alignment, and performance against KPIs) for differentiating the variable pays across employees or group of employees under the framework. Furthermore, the balanced scorecards used for performance assessment also take into consideration that MRCs are remunerated independently of the functions they oversee. As approved by the Board, and as allowed under the SBP's Guidelines on Remuneration Practices, the deferral amount retained for performance years is set aside and managed by the Bank internally, with a team of members from amongst the internal management responsible for oversight and subsequent payouts.

	Note	2021	2020
-----Rupees in '000-----			
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
- Local currency		8,369,573	6,153,879
- Foreign currency		710,923	601,823
		<u>9,080,496</u>	<u>6,755,702</u>
With the State Bank of Pakistan in:			
- Local currency current account	8.1	10,641,385	11,281,084
- Foreign currency deposit accounts:			
- Cash reserve account	8.2	565,020	431,873
- Special cash reserve account	8.2	682,577	522,019
- US dollar clearing account		11,674	21,184
		<u>1,259,271</u>	<u>975,076</u>
With National Bank of Pakistan in:			
- Local currency current account		3,563,460	2,955,558
National Prize Bonds	8.3	7,735	66,605
		<u>24,552,347</u>	<u>22,034,025</u>

- 8.1** This represents the amount held against Cash Reserve Requirement and Statutory Liquidity Requirement. Balance held under this account is non-remunerative.
- 8.2** As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% and Special cash reserve of 6% are required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). These accounts are non-remunerative in nature.
- 8.3** The Bank has collected National Prize Bonds from customers in line with circular issued by SBP in this regard. The value of the Prize Bonds represents a receivable due to the Bank from the Government of Pakistan occurring as a result of Islamic concept of Hawala (assignment of debt) arrangement.

	Note	2021	2020
-----Rupees in '000-----			
9 BALANCES WITH OTHER BANKS			
In Pakistan:			
- In current accounts		967	2,361
- In deposit accounts	9.1	125	369
		<u>1,092</u>	<u>2,730</u>
Outside Pakistan:			
- In current accounts		3,501,107	8,992,757
- In deposit accounts	9.2	189,754	3,312,782
		<u>3,690,861</u>	<u>12,305,539</u>
		<u>3,691,953</u>	<u>12,308,269</u>

- 9.1** These represent deposits with various Islamic banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements range between 2.22% to 5.90% (2020: 2.00% to 5.90%) per annum.
- 9.2** These represent deposit placement outside Pakistan with an Islamic banking division of a foreign bank under Wakala arrangement. The expected profit rate on these arrangements is 0.08% (2020: 0.08%) per annum.

10 DUE FROM FINANCIAL INSTITUTIONS - NET

Note	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000-----						
Secured						
Bai Muajjal Receivable						
-from Banks	10.1	4,951,909	-	4,951,909	-	-
-from Other Financial Institutions	10.1	4,008,737	-	4,008,737	16,888,683	-
						16,888,683
Unsecured						
Wakalah Placement	10.2	-	518,416	518,416	-	3,073,290
Musharaka Placements	10.3	15,000,000	-	15,000,000	12,000,000	-
						12,000,000
Bai Muajjal Receivable						
-from Banks	10.1	1,980,792	-	1,980,792	4,818,345	-
-from Other Financial Institutions	10.1	8,485,511	-	8,485,511	4,859,694	-
Other placements		24,300	-	24,300	27,540	-
						27,540
		34,451,249	518,416	34,969,665	38,594,262	3,073,290
Provision against placements	10.4	(24,300)	-	(24,300)	(27,540)	-
						(27,540)
		<u>34,426,949</u>	<u>518,416</u>	<u>34,945,365</u>	<u>38,566,722</u>	<u>3,073,290</u>
						<u>41,640,012</u>

10.1 The average return on this product ranges between 7.35% to 11.52% (2020: 6.42% to 10.80%) per annum. The balances have maturities ranging between 21 days to 363 days (2020: 5 days to 46 days). The Secured Bai Muajjal are secured against Federal Government securities received as collateral and having market value of Rs. 8,900 million as at December 31, 2021 (2020: Rs. 17,309 million).

10.2 This represents foreign currency placements and the expected profit rates on these agreements range between 0.04% to 0.2% (2020: 0.10% to 1.25%) per annum. The agreements have remaining maturities of 6 days (2020: 6 to 180 days).

10.3 The expected profit rates on this agreements range between 10% to 11% (2020: 7.00% to 7.20%) per annum and the agreements have maturity ranging from 4 to 7 days (2020: 14 to 60 days).

10.4 Category of classification

	2021		2020	
	Classified Placements	Provision held	Classified Placements	Provision held
-----Rupees in '000-----				
Loss	24,300	24,300	27,540	27,540

10.4.1 The Bank does not hold overseas classified placements.

11 INVESTMENTS - NET

	Note	2021	2020
		-----Rupees in '000-----	
Investments - Islamic	11.1 & 11.3	124,260,642	94,661,960
Investments - Conventional (relating to amalgamated entity)	11.2 & 11.4	577,675	577,675
		<u>124,838,317</u>	<u>95,239,635</u>

11.1 Islamic Investments by type

Note	2021				2020			
	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								
Federal Government Shariah Compliant Securities	83,614,067	-	22,710	83,636,777	54,812,890	-	(9,222)	54,803,668
Shares / Modaraba certificates	277,373	(70,677)	153,826	360,522	332,869	(79,244)	81,472	335,097
Non-Government Shariah Compliant Securities	37,710,377	(35,880)	1,960,904	39,635,401	36,852,598	(35,880)	2,078,535	38,895,253
	121,601,817	(106,557)	2,137,440	123,632,700	91,998,357	(115,124)	2,150,785	94,034,018
Associates	627,942	-	-	627,942	627,942	-	-	627,942
Total Islamic investments	122,229,759	(106,557)	2,137,440	124,260,642	92,626,299	(115,124)	2,150,785	94,661,960

11.2 Conventional Investments by type*

Available for sale securities								
Shares	1,189,030	(611,355)	-	577,675	1,189,030	(611,355)	-	577,675
Non-Government Debt Securities	230,292	(230,292)	-	-	263,710	(263,710)	-	-
	1,419,322	(841,647)	-	577,675	1,452,740	(875,065)	-	577,675
Held to maturity securities								
Non-Government Debt Securities	92,145	(92,145)	-	-	321,601	(321,601)	-	-
Associates	1,032,169	(1,032,169)	-	-	1,032,169	(1,032,169)	-	-
Subsidiary	104,771	(104,771)	-	-	104,771	(104,771)	-	-
Total conventional investments	2,648,407	(2,070,732)	-	577,675	2,911,281	(2,333,606)	-	577,675

11.3 Islamic Investments by segments

Federal Government Shariah Compliant Securities								
GoP Ijarah Sukuks	73,308,231	-	22,710	73,330,941	44,507,054	-	(9,222)	44,497,832
Bai Muajjal	10,305,836	-	-	10,305,836	10,305,836	-	-	10,305,836
	83,614,067	-	22,710	83,636,777	54,812,890	-	(9,222)	54,803,668
Shares								
Listed companies	270,553	(70,677)	153,826	353,702	332,869	(79,244)	81,472	335,097
Non-Government Shariah Compliant Securities								
Listed								
Pakistan Energy Sukuk-I	27,146,945	-	1,832,419	28,979,364	27,503,500	-	1,925,245	29,428,745
Pakistan Energy Sukuk-II	3,392,588	-	42,172	3,434,760	2,000,000	-	12,000	2,012,000
	30,539,533	-	1,874,591	32,414,124	29,503,500	-	1,937,245	31,440,745
Unlisted								
Sukuk certificates	7,170,844	(35,880)	86,313	7,221,277	7,349,098	(35,880)	141,290	7,454,508
Foreign securities								
Equity securities	6,820	-	-	6,820	-	-	-	-
Associate								
Shakarganj Food Products Limited	627,942	-	-	627,942	627,942	-	-	627,942
Total Islamic investments	122,229,759	(106,557)	2,137,440	124,260,642	92,626,299	(115,124)	2,150,785	94,661,960

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

11.3.1 These represents Bank's investment in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments carrying profit rate at 6 months KIBOR + 80bps.

11.3.2 These represents Bank's investment in Pakistan Energy Sukuk-II issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments carrying profit rate at 6 months KIBOR - 10bps.

11.4 Conventional Investments by segments*

Note	2021				2020			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
Shares								
Unlisted Companies	33,680	(33,680)	-	-	33,680	(33,680)	-	-
	33,680	(33,680)	-	-	33,680	(33,680)	-	-
Non Government Debt Securities								
Listed	80,432	(80,432)	-	-	85,888	(85,888)	-	-
Unlisted	242,005	(242,005)	-	-	499,423	(499,423)	-	-
	322,437	(322,437)	-	-	585,311	(585,311)	-	-
Foreign securities								
Equity securities	1,155,350	(577,675)	-	577,675	1,155,350	(577,675)	-	577,675
Associates								
KASB Capital Limited	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	432,302	(432,302)	-	-	432,302	(432,302)	-	-
New Horizon Exploration & Production Limited	558,000	(558,000)	-	-	558,000	(558,000)	-	-
	1,032,169	(1,032,169)	-	-	1,032,169	(1,032,169)	-	-
Subsidiary								
My Solutions Corporation Limited	104,771	(104,771)	-	-	104,771	(104,771)	-	-
	104,771	(104,771)	-	-	104,771	(104,771)	-	-
	2,648,407	(2,070,732)	-	577,675	2,911,281	(2,333,606)	-	577,675

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

11.5 Investments given as collateral

Note 2021 2020
----- Rupees in '000 -----

Federal Government Securities	5,889,000	5,000,000
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11.6 Provision for diminution in value of investments
11.6.1 Opening balance

2,448,730 2,461,080

Charge / (reversal)

Charge for the year

- -

Reversals for the year

(14,022) (12,350)

Provision for diminution in value of investments - net

(14,022) (12,350)

Amounts written off

(257,419) -

Closing Balance

11.6.1 2,177,289 2,448,730

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

Investments - Islamic	106,557	115,124
Investments - Conventional	2,070,732	2,333,606
	2,177,289	2,448,730

11.6.2 Particulars of provision against debt securities

Category of classification	2021		2020	
	Non-performing investments	Specific Provision	Non-performing investments	Specific Provision
----- Rupees in '000 -----				
Domestic				
Loss	634,568	358,317	897,442	621,191
Total	634,568	358,317	897,442	621,191

11.6.2.1 The Bank does not hold overseas classified debt securities.

2021 2020

11.7 Quality of Available for Sale Securities

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

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

11.7.1 Federal Government Securities - Government guaranteed

GoP Ijarah Sukuks	73,308,231	44,507,054
Bai Muajjal	10,305,836	10,305,836
	83,614,067	54,812,890

11.7.2 Non Government Debt Securities*

	2021	2020
	Cost -----Rupees in '000-----	
Listed		
Unrated	30,619,965	29,503,500
Unlisted		
AAA	5,063,381	6,097,536
AA+	442,000	442,000
AA	-	100,000
AA-	83,333	150,000
A+	50,000	27,431
A	220,000	-
A-	-	220,000
Unrated	1,461,990	575,841
	<u>7,320,704</u>	<u>7,612,808</u>

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

11.7.3 Shares (Equity Securities)11.7.3.1 Listed Companies

- Bank (Islamic Bank)	140,357	190,997
- Modarabas	91,675	91,675
- Chemical	38,521	50,197
	<u>270,553</u>	<u>332,869</u>

11.7.3.2 Unlisted Companies

Note	2021			2020	
	As at	Cost	Breakup value	Cost	Breakup value
	----- Rupees in '000 -----				
June 30, 2010	5,680	0.50	5,680	0.50	
June 30, 2021	28,000	0.69	28,000	(0.07)	
11.4	<u>33,680</u>	<u>1.19</u>	<u>33,680</u>	<u>0.43</u>	

11.7.4 Foreign SecuritiesEquity SecuritiesUnlisted

	Note	2021	2020
		Cost ----- Rupees in '000 -----	
SWIFT (Society for World Wide Interbank Financial Telecommunication)	11.3	6,820	-
Evolence Capital Limited - Incorporated in British Virgin Islands	11.4	1,155,350	1,155,350
		<u>1,162,170</u>	<u>1,155,350</u>

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

Non Government Debt SecuritiesUnlisted

Unrated		92,145	321,601
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11.8.1 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Nil (December 31, 2020: Nil).

11.9	Details of investment in subsidiaries	2021						
		As at	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation
		----- Rupees in '000 -----						

Unlisted

My Solutions Corporation Limited	December 31, 2017	100.00	Pakistan	14,448	29,678	1,978	(6,237)	(6,237)
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11.10

Details of investment in associates

	As at	Holding %	Country of incorporation	2021				
				Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
	----- Rupees in '000 -----							

Unlisted

Islamic								
Shakarganj Food Products Limited	September 30, 2021	36.38	Pakistan	10,484,998	7,323,684	18,024,041	124,315	117,758
Conventional								
KASB Funds Limited	December 31, 2015	43.89	Pakistan	46,465	32,465	23,640	(66,241)	(65,679)
New Horizon Exploration and Production Limited	December 31, 2014	20.00	Pakistan	452,899	117,949	73,048	37,870	37,870
KASB Capital Limited*	December 31, 2016	21.78	Mauritius	\$ 652,864	\$ 135,428	\$ -	\$ (34,084)	\$ (34,084)

* This represents the full US\$ amount.

12 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES - NET

	Note	2021	2020
-----Rupees in '000-----			
Islamic financing and related assets - net	12.1	180,992,699	129,896,587
Advances (relating to amalgamated entity) - net	12.2	183,540	265,302
		<u>181,176,239</u>	<u>130,161,889</u>

12.1 ISLAMIC FINANCING AND RELATED ASSETS

	Note	Performing		Non Performing		Total	
		2021	2020	2021	2020	2021	2020
-----Rupees in '000-----							
In Pakistan							
- Running Musharakah	12.9	62,385,085	39,189,963	1,424,510	1,668,510	63,809,595	40,858,473
- Diminishing Musharakah financing and related assets - Others	12.3	32,865,920	28,935,891	1,616,390	1,491,171	34,482,310	30,427,062
- Diminishing Musharakah financing and related assets - Auto		22,580,287	14,336,290	267,268	223,763	22,847,555	14,560,053
- Diminishing Musharakah - Housing		18,814,897	13,446,210	1,621,348	1,631,646	20,436,245	15,077,856
- Istisna financing and related assets	12.4 & 12.10	14,388,358	11,397,127	948,614	1,022,049	15,336,972	12,419,176
- Murabahah financing and related assets	12.5 & 12.11	14,608,663	3,496,899	581,036	440,795	15,189,699	3,937,694
- Musawamah financing and related assets / Tijarah	12.6	4,709,506	8,380,530	4,059,763	3,024,150	8,769,269	11,404,680
- Investment Agency Wakalah		5,208,333	6,250,000	-	-	5,208,333	6,250,000
- Financing against Bills		1,593,966	23,236	-	-	1,593,966	23,236
- Murabahah against Bills		970,192	72,092	-	892	970,192	72,984
- Ijarah financing under IFAS 2 and related assets	12.7	504,768	1,573,616	338,865	186,736	843,633	1,760,352
- Musharakah financing		280,000	280,000	-	-	280,000	280,000
- Net investment in Ijarah financing in Pakistan	12.13	131,545	143,162	-	-	131,545	143,162
- Qardh-e-Hasana		1,680	946	121,860	541,060	123,540	542,006
- Salam	12.8	104,898	109,900	-	-	104,898	109,900
- Past Due Acceptance		32,280	29,153	-	-	32,280	29,153
- Housing finance portfolio - others		31,241	33,897	-	-	31,241	33,897
Islamic financing and related assets - gross		179,211,619	127,698,912	10,979,654	10,230,772	190,191,273	137,929,684
Less: Provision against non-performing Islamic financing and related assets							
- Specific	12.17	-	-	(8,431,606)	(7,231,104)	(8,431,606)	(7,231,104)
- General	12.17	(766,968)	(801,993)	-	-	(766,968)	(801,993)
		(766,968)	(801,993)	(8,431,606)	(7,231,104)	(9,198,574)	(8,033,097)
Islamic financing and related assets - net of provision		178,444,651	126,896,919	2,548,048	2,999,668	180,992,699	129,896,587

12.2 ADVANCES

- Loans, cash credits, running finances, etc. - In Pakistan*		89,776	110,380	4,830,544	6,009,473	4,920,320	6,119,853
- Net investment in finance lease - In Pakistan	12.13	-	-	582,185	582,185	582,185	582,185
- Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan		-	-	684,295	706,325	684,295	706,325
Advances - gross		89,776	110,380	6,097,024	7,297,983	6,186,800	7,408,363
Provision against advances							
- Specific	12.17	-	-	(6,097,024)	(7,260,504)	(6,097,024)	(7,260,504)
- General	12.17	(55)	(55)	-	-	(55)	(55)
		(55)	(55)	(6,097,024)	(7,260,504)	(6,097,079)	(7,260,559)
Advances - net of provision		89,721	110,325	-	37,479	89,721	147,804
Fair value adjustment	12.18	-	-	93,819	117,498	93,819	117,498
Advances - net of provision and fair value adjustment		89,721	110,325	93,819	154,977	183,540	265,302

* This includes non-interest bearing performing financing facilities amounting to Rs. 89.776 million (2020: Rs. 106.507 million).

	Note	2021	2020
		-----Rupees in '000-----	
12.3 Diminishing Musharakah financing and related assets - Others			
Diminishing Musharakah financing		29,496,294	30,180,621
Advance against Diminishing Musharakah financing		4,986,016	246,441
		<u>34,482,310</u>	<u>30,427,062</u>
12.4 Istisna financing and related assets			
Istisna financing		6,984,506	4,131,021
Advance against Istisna financing		8,352,466	8,254,755
Istisna inventories		-	33,400
		<u>15,336,972</u>	<u>12,419,176</u>
12.5 Murabahah financing and related assets			
Murabahah financing		7,461,935	2,292,974
Deferred murabahah income		288,114	71,613
Advances against Murabaha financing		1,927,813	252,008
Murabaha Inventories		5,511,837	1,321,099
		<u>15,189,699</u>	<u>3,937,694</u>
12.5.1 Murabaha receivable - gross	12.5.2	7,750,049	2,364,587
Less: Deferred murabaha income	12.5.4	(179,290)	(56,097)
Profit receivable		(108,824)	(15,516)
Murabaha financing		<u>7,461,935</u>	<u>2,292,974</u>
12.5.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		2,364,587	5,549,675
Sales during the year		28,912,989	13,004,482
Received during the year		(23,527,527)	(16,189,570)
Adjusted during the year		-	-
Closing balance		<u>7,750,049</u>	<u>2,364,587</u>
12.5.3 Murabaha sale price (for transactions during the year)		28,912,989	13,004,482
Murabaha purchase price (for transactions during the year)		(28,095,715)	(12,572,837)
		<u>817,274</u>	<u>431,645</u>
12.5.4 Deferred Murabahah income			
Opening balance		56,097	88,968
Arising during the year		817,274	431,645
Recognized during the year		(694,081)	(464,516)
Closing balance		<u>179,290</u>	<u>56,097</u>
12.6 Musawamah financing and related assets / Tijarah			
Musawamah financing		6,246,037	8,036,816
Advance against Musawamah financing		266,839	205,000
Musawamah inventories		2,256,393	3,162,864
		<u>8,769,269</u>	<u>11,404,680</u>
12.7 Ijarah financing under IFAS 2 and related assets			
Net book value of assets under IFAS 2	12.14	843,022	1,759,670
Advance against Ijarah financing		611	682
		<u>843,633</u>	<u>1,760,352</u>
12.8 Salam			
Salam financing		54,999	-
Advance against Salam		49,899	109,900
		<u>104,898</u>	<u>109,900</u>
12.9 Running musharakah financing and related assets includes financing amounting to Rs. 2,554 million (2020: Rs. 1,492 million) under Islamic Export Refinance Scheme.			
12.10 Istisna financing and related assets includes financing amounting to Rs. 1,586 million (2020: Rs. 154.188 million) and advance amounting to Rs. 678.800 million (2020: Rs. 1,580 million) under Islamic Export Refinance Scheme.			
12.11 Murabahah financing and related assets includes financing amounting to Rs. 192.500 million (2020: Rs. 139.750 million) and advance amounting to Nil (2020: Rs. 80 million) under Islamic Export Refinance Scheme.			
12.12 Musawamah / Tijarah financing and related assets includes Advance amounting to Rs. 100 million (2020: Nil) under Islamic Export Refinance Scheme.			

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

	2021	2020
	----- Rupees in '000-----	
Islamic financing and related assets	131,545	143,162
Advances	582,185	582,185
	<u>713,730</u>	<u>725,347</u>

12.13.1 Net investment in Ijarah financing in Pakistan and finance lease

	2021				2020			
	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	684,648	-	-	684,648	677,779	-	-	677,779
Residual value	73,328	-	-	73,328	91,814	-	-	91,814
Minimum Ijarah payments	757,976	-	-	757,976	769,593	-	-	769,593
Profit for future periods	(44,246)	-	-	(44,246)	(44,246)	-	-	(44,246)
Present value of minimum Ijarah payments	713,730	-	-	713,730	725,347	-	-	725,347

12.14 Ijarah Assets

	2021							
	Cost			Accumulated depreciation			Book value as at December 31, 2021	Rate of Depreciation %
	As at January 01, 2021	Addition/ (deletions)	As at December 31, 2021	As at January 01, 2021	Charge / (deletions)	As at December 31, 2021		
	----- Rupees in '000 -----							
Plant and Machinery	1,994,099	-	1,899,200	1,290,620	366,789	1,582,580	316,620	20-33.33
		(94,899)			(74,829)			
Vehicles	2,934,790	-	1,690,590	1,878,599	199,697	1,164,188	526,402	20-33.33
		(1,244,200)			(914,108)			
	4,928,889	-	3,589,790	3,169,219	566,486	2,746,768	843,022	
		(1,339,099)			(988,937)			

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

12.14.1 Future Ijarah payments receivable

	2021				2020			
	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	103,305	40,092	-	143,397	1,474,156	168,432	-	1,642,588

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

	2021	2020
	----- Rupees in '000-----	
In local currency	195,464,197	144,618,552
In foreign currency	913,876	719,495
	<u>196,378,073</u>	<u>145,338,047</u>

- 12.16 Islamic financing and related assets and advances include Rs. 17,076.678 million (2020: Rs. 17,528.755 million) which have been placed under non-performing status as detailed below:

Category of classification

	2021		2020	
	Non-performing Islamic financing, related assets and advances	Specific Provision	Non-performing Islamic financing, related assets and advances	Specific Provision
	----- Rupees in '000 -----			
Domestic				
Other assets especially mentioned	164,571	-	149,428	-
Substandard	554,426	92,057	485,371	34,915
Doubtful	1,113,707	334,116	1,947,553	536,216
Loss	15,243,974	14,102,457	14,946,403	13,920,477
Total	17,076,678	14,528,630	17,528,755	14,491,608

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

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

	2021			2020		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	14,491,608	802,048	15,293,656	12,726,980	337,812	13,064,792
Charge for the year	2,736,255	(35,025)	2,701,230	2,181,260	464,236	2,645,496
Reversals for the year	(2,389,299)	-	(2,389,299)	(416,632)	-	(416,632)
	346,956	(35,025)	311,931	1,764,628	464,236	2,228,864
Amount written off	(309,934)	-	(309,934)	-	-	-
Closing balance	14,528,630	767,023	15,295,653	14,491,608	802,048	15,293,656

12.17.1

Islamic	8,431,606	766,968	9,198,574	7,231,104	801,993	8,033,097
Conventional	6,097,024	55	6,097,079	7,260,504	55	7,260,559
	14,528,630	767,023	15,295,653	14,491,608	802,048	15,293,656

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

	Note	2021	2020
		-----Rupees in '000-----	
Gross reversals for the year		2,389,299	416,632
Charge for the year		(2,701,230)	(2,645,496)
		(311,931)	(2,228,864)
Fair value adjusted - net		(23,679)	(1,361)
Net charge taken to the profit and loss account	34	(335,610)	(2,230,225)

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

	2021			2020		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	14,528,630	767,023	15,295,653	14,491,608	802,048	15,293,656
In foreign currency	-	-	-	-	-	-
	14,528,630	767,023	15,295,653	14,491,608	802,048	15,293,656

- 12.17.4 The Bank maintains general reserve (provision) amounting to Rs. 417.023 million (2020: 352.048 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing. In addition, the Bank carries general provision of Rs. 350 million (December 31, 2020: Rs. 450 million) as a matter of prudence based on management estimate.

- 12.17.5 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2021 amounts to Rs. 1,043.691 million (2020: Rs. 890.288 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 636.651 million (2020: Rs. 543.076 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

12.18 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.

12.19	Particulars of write offs	2021	2020
		-----Rupees in '000-----	
	Against provisions	309,934	-
	Directly charged to the profit and loss account	-	-
		<u>309,934</u>	<u>-</u>
	Write offs Rs. 500,000 and above		
	- Domestic	309,934	-
	- Overseas	-	-
	Write offs below Rs. 500,000	-	-
		<u>309,934</u>	<u>-</u>

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

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

12.20 **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	2021	2020
		-----Rupees in '000-----	
Balance at the beginning of the year		3,095,075	2,888,625
Financing granted during the year		1,230,050	1,168,453
Payments received during the year		(806,608)	(962,003)
Balance at the end of the year	12.20.1	<u>3,518,517</u>	<u>3,095,075</u>

12.20.1 This includes Rs. 1.883 million (2020: Rs. 2.361 million) as Qardh-e-Hasana to employees under the Bank's Human Resource Policy.

12.21	SBP other refinance schemes	Note	2021	2020
			-----Rupees in '000-----	
	Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)		4,489,370	3,038
	Islamic refinance scheme for payment of wages and salaries		1,824,118	2,805,692
	Islamic refinance scheme for combating COVID (IRFCC)		328,351	31,895
	Islamic refinance facility for Modernization of SMEs		115,470	-
	Refinance for Islamic Financing Facility of Storage of Agricultural Produce (IFFSAP)		18,289	-
			<u>6,775,598</u>	<u>2,840,625</u>

13 **FIXED ASSETS**

Capital work-in-progress	13.1	1,264,988	179,270
Property and equipment	13.2	9,709,779	8,575,597
Right of use assets	13.2	2,642,672	2,986,639
		<u>13,617,439</u>	<u>11,741,506</u>

13.1 **Capital work-in-progress**

Advances to suppliers and contractors	74,265	138,670
Advance for acquiring properties:		
- Office premises	1,190,723	762,503
	1,264,988	901,173
Provision for impairment against advance for acquiring properties	-	(721,903)
	<u>1,264,988</u>	<u>179,270</u>

13.1.1 This includes advances against purchase of property amounting to Rs. 1,143.632 million (2020: Rs. 721.903 million). In view of settlement of dispute with a developer and withdrawal of related litigations, the provision against subject advance amounting to Rs. 721.903 million has been reversed during the year.

13.2 Property and Equipment

	2021						Total
	Freehold/ Leasehold land	Freehold/ Leasehold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	
	----- Rupees in '000 -----						
At January 1, 2021							
Cost / Revalued amount	3,310,812	3,481,832	3,072,175	3,492,862	68,447	4,582,201	18,008,329
Accumulated depreciation	-	(296,539)	(1,826,109)	(2,697,462)	(30,420)	(1,595,562)	(6,446,093)
Net book value	3,310,812	3,185,293	1,246,066	795,400	38,027	2,986,639	11,562,236
Year ended December 2021							
Opening net book value	3,310,812	3,185,293	1,246,066	795,400	38,027	2,986,639	11,562,236
Additions	-	187,022	289,103	446,453	12,554	425,516	1,360,648
Movement in surplus on assets revalued during the year	254,088	806,052	-	-	-	-	1,060,140
Disposals	-	(34,836)	(3,681)	(58,751)	-	-	(97,268)
Write offs	-	-	(78,055)	-	-	-	(78,055)
	-	(34,836)	(81,736)	(58,751)	-	-	(175,323)
Movement in Accumulated Depreciation							
Depreciation charge	-	(150,886)	(264,042)	(353,598)	(13,537)	(769,483)	(1,551,546)
Reversal of depreciation on disposal	-	2,152	3,244	50,742	-	-	56,138
Reversal of depreciation on write off	-	-	40,158	-	-	-	40,158
	-	(148,734)	(220,640)	(302,856)	(13,537)	(769,483)	(1,455,250)
Closing net book value	3,564,900	3,994,797	1,232,793	880,245	37,044	2,642,672	12,352,451
At December 31, 2021							
Cost / Revalued amount	3,564,900	4,440,070	3,279,542	3,880,564	81,001	5,007,717	20,253,794
Accumulated depreciation	-	(445,273)	(2,046,749)	(3,000,319)	(43,957)	(2,365,045)	(7,901,343)
Net book value	3,564,900	3,994,797	1,232,793	880,245	37,044	2,642,672	12,352,451
Depreciation rate / years	-	2%	10%	15%-25%	20%	1-5 years	
	----- Rupees in '000 -----						
At January 1, 2020							
Cost / Revalued amount	3,434,712	3,532,630	3,012,024	3,107,316	62,399	4,331,182	17,480,263
Accumulated depreciation	-	(148,170)	(1,758,821)	(2,409,892)	(22,185)	(786,150)	(5,125,218)
Net book value	3,434,712	3,384,460	1,253,203	697,424	40,214	3,545,032	12,355,045
Year ended December 2020							
Opening net book value	3,434,712	3,384,460	1,253,203	697,424	40,214	3,545,032	12,355,045
Additions	-	-	328,886	398,801	11,287	251,019	989,993
Movement in surplus on assets revalued during the year	57,620	2,520	-	-	-	-	60,140
Disposals	(181,520)	(53,318)	(213,108)	(13,255)	(5,239)	-	(466,440)
Write offs	-	-	(55,627)	-	-	-	(55,627)
	(181,520)	(53,318)	(268,735)	(13,255)	(5,239)	-	(522,067)
Movement in Accumulated Depreciation							
Depreciation charge	-	(151,402)	(255,183)	(299,872)	(12,972)	(809,412)	(1,528,842)
Reversal of depreciation on disposal	-	3,033	187,895	12,302	4,737	-	207,967
	-	(148,369)	(67,288)	(287,570)	(8,235)	(809,412)	(1,320,875)
Closing net book value	3,310,812	3,185,293	1,246,066	795,400	38,027	2,986,639	11,562,236
At December 31, 2020							
Cost / Revalued amount	3,310,812	3,481,832	3,072,175	3,492,862	68,447	4,582,201	18,008,329
Accumulated depreciation	-	(296,539)	(1,826,109)	(2,697,462)	(30,420)	(1,595,562)	(6,446,093)
Net book value	3,310,812	3,185,293	1,246,066	795,400	38,027	2,986,639	11,562,236
Depreciation rate / years	-	2%	10%	15%-25%	20%	1-5 years	

13.2.1 Details of property and equipment disposed-off

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

13.3 Cost of fully depreciated properties and equipment that are still in the Bank's use, as at December 31, 2021, amounted to Rs. 3,100.984 million (2020: Rs. 2,718.778 million).

13.4 During the year ended December 31, 2021, the Bank's freehold land and buildings on leasehold land were revalued by M/s. Harvester Services (Private) Limited., Gandhara Consultants (Private) Limited, Akbani & Javed Associates and Sadruddin Associates (Private) Limited 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. 7,559.697 million. The total surplus arising against revaluation of fixed assets as of December 31, 2021 amounts to Rs. 3,095.747 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2021 would have been as follows:

	Rupees in '000
Land	3,044,311
Building	1,419,639
	<u>4,463,950</u>

14 INTANGIBLE ASSETS

	2021					Total
	Computer software	Core deposits	Membership and Subscription	Customer list	Goodwill (note 14.2)	
	----- Rupees in '000 -----					
At January 1, 2021						
Cost	645,980	40,600	-	7,799	2,944,297	3,638,676
Accumulated amortization and impairment	(509,111)	(13,268)	-	(7,799)	-	(530,178)
Net book value	<u>136,869</u>	<u>27,332</u>	<u>-</u>	<u>-</u>	<u>2,944,297</u>	<u>3,108,498</u>
Year ended December 2021						
Opening net book value	136,869	27,332	-	-	2,944,297	3,108,498
Additions:						
- directly purchased	111,126	-	23,500	-	-	134,626
Amortization charge	(63,456)	(2,252)	(1,236)	-	-	(66,944)
Closing net book value	<u>184,539</u>	<u>25,080</u>	<u>22,264</u>	<u>-</u>	<u>2,944,297</u>	<u>3,176,180</u>
At December 31, 2021						
Cost	757,106	40,600	23,500	7,799	2,944,297	3,773,302
Accumulated amortization and impairment	(572,567)	(15,520)	(1,236)	(7,799)	-	(597,122)
Net book value	<u>184,539</u>	<u>25,080</u>	<u>22,264</u>	<u>-</u>	<u>2,944,297</u>	<u>3,176,180</u>
Rate of amortization (percentage)	<u>20</u>	<u>5.5 - 20</u>	<u>10</u>	<u>10</u>	<u>-</u>	
Useful life (years)	<u>5</u>	<u>5 - 18</u>	<u>10</u>	<u>10</u>	<u>-</u>	
	2020					Total
	Computer software	Core deposits	Membership and Subscription	Customer list	Goodwill (Note 14.2)	
	----- Rupees in '000 -----					
At January 1, 2020						
Cost	574,181	40,600	-	7,799	2,944,297	3,566,877
Accumulated amortization and impairment	(446,294)	(10,990)	-	(7,799)	-	(465,083)
Net book value	<u>127,887</u>	<u>29,610</u>	<u>-</u>	<u>-</u>	<u>2,944,297</u>	<u>3,101,794</u>
Year ended December 2020						
Opening net book value	127,887	29,610	-	-	2,944,297	3,101,794
Additions:						
- directly purchased	71,799	-	-	-	-	71,799
Amortization charge	(62,817)	(2,278)	-	-	-	(65,095)
Closing net book value	<u>136,869</u>	<u>27,332</u>	<u>-</u>	<u>-</u>	<u>2,944,297</u>	<u>3,108,498</u>
At December 31, 2020						
Cost	645,980	40,600	-	7,799	2,944,297	3,638,676
Accumulated amortization and impairment	(509,111)	(13,268)	-	(7,799)	-	(530,178)
Net book value	<u>136,869</u>	<u>27,332</u>	<u>-</u>	<u>-</u>	<u>2,944,297</u>	<u>3,108,498</u>
Rate of amortization (percentage)	<u>20</u>	<u>5.5 - 20</u>	<u>-</u>	<u>10</u>	<u>-</u>	
Useful life (years)	<u>5</u>	<u>5 - 18</u>	<u>-</u>	<u>10</u>	<u>-</u>	

- 14.1** The cost of fully amortized intangible assets that are still in the Bank's use, as at December 31, 2021 amounted to Rs. 440.188 million (2020: Rs. 382.537 million).
- 14.2** This represents goodwill recognized upon acquisition of defunct KASB Bank Limited Undertakings based on fair values of assets and liabilities. The Bank carried out Goodwill impairment testing as at December 31, 2021.

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 projections approved by the management 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	17.51
Terminal growth rate	5.00

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

a) Profit margins

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

b) Discount rates

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

c) Key business assumptions

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

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

d) Sensitivity to changes in assumption

The estimated recoverable amount of Goodwill exceeds its carrying amount by approximately Rs. 6,739.956 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

Changes required individually for the carrying amount to equal recoverable amount

	%
Discount rate	4.31
Terminal growth rate	(7.22)

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

15 DEFERRED TAX ASSETS

		2021			
Note	At January 01, 2021	Recognized in Unconsolidated P&L	Recognized in Unconsolidated OCI	At December 31, 2021	
----- Rupees in 000-----					
Deductible Temporary Differences on:					
	Accumulated tax losses	2,748,819	(157,580)	-	2,591,239
	Tax credit against minimum tax	-	32,238	-	32,238
	Provision for diminution in the value of investments	326,246	(126,477)	-	199,769
	Provision against non-performing Islamic financing and related assets and advances	3,797,882	(453,174)	-	3,344,708
	Ijarah financing and related assets	207,080	27,911	-	234,991
	Accelerated tax depreciation	61,891	66,510	-	128,401
	Others	263,243	(276,295)	-	(13,052)
		7,405,161	(886,867)	-	6,518,294
Taxable Temporary Differences on:					
	Fair value adjustments relating to net assets acquired upon amalgamation	(191,218)	(153,048)	-	(344,266)
25	Surplus on revaluation of available for sale securities	(752,775)	-	4,671	(748,104)
25	Surplus on revaluation of fixed assets	(621,899)	-	(429,514)	(1,051,413)
25	Surplus on revaluation of non-banking assets	(14,383)	-	(51,987)	(66,370)
	Net investment in finance lease	-	-	-	-
		(1,580,275)	(153,048)	(476,830)	(2,210,153)
		5,824,886	(1,039,915)	(476,830)	4,308,141
----- Rupees in 000-----					
2020					
Note	At January 01, 2020	Recognized in Unconsolidated P&L	Recognized in Unconsolidated OCI	At December 31, 2020	
Deductible Temporary Differences on:					
	Accumulated tax losses	3,299,042	(550,223)	-	2,748,819
	Tax credit against minimum tax	269,938	(269,938)	-	-
	Provision for diminution in the value of investments	326,246	-	-	326,246
	Provision against non-performing Islamic financing and related assets and advances	3,785,670	12,212	-	3,797,882
	Provision for gratuity	21,253	(21,253)	-	-
	Ijarah financing and related assets	218,663	(11,583)	-	207,080
	Accelerated tax depreciation	16,377	45,514	-	61,891
	Others	240,830	22,413	-	263,243
		8,178,019	(772,858)	-	7,405,161
Taxable Temporary Differences on:					
	Fair value adjustments relating to net assets acquired upon amalgamation	(229,846)	38,628	-	(191,218)
	Surplus on revaluation of available for sale securities	(1,609,318)	-	856,543	(752,775)
	Surplus on revaluation of fixed assets	(623,385)	2,367	(881)	(621,899)
	Surplus on revaluation of non-banking assets	(12,172)	1,003	(3,214)	(14,383)
	Net investment in finance lease	(81,603)	81,603	-	-
		(2,556,324)	123,601	852,448	(1,580,275)
		5,621,695	(649,257)	852,448	5,824,886

- 15.1 The Bank has aggregate tax losses of Rs. 7,403.539 million as at December 31, 2021 (2020: Rs. 7,853.768 million) which includes tax losses of amalgamated entity. The management has carried out an assessment for estimating the benefit of these losses. The Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognized deferred tax debit balance amounting to Rs. 2,591.239 million (2020: Rs. 2,748.819 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the management. 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 financing and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

16 OTHER ASSETS - NET	Note	2021	2020
-----Rupees in '000-----			
Profit / return accrued in local currency		9,110,889	8,121,504
Profit / return accrued in foreign currency		194	7,772
Advances, deposits, advance rent and other prepayments		1,105,402	951,923
Non-banking assets acquired in satisfaction of claims		2,116,519	2,149,758
Branch Adjustment Account		440,114	-
Takaful / insurance claim receivable		69,511	30,985
Receivable against First WAPDA Sukuk	16.2	50,000	50,000
Acceptances		5,462,889	2,392,561
Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts		28,980	60,489
Amount held with financial institution		-	814,546
Others		771,437	419,274
		<u>19,155,935</u>	<u>14,998,812</u>
Less: Provision held against other assets	16.3	(1,261,370)	(1,588,151)
Other Assets (net of provision)		<u>17,894,565</u>	<u>13,410,661</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		189,628	226,308
Other assets - total		<u>18,084,193</u>	<u>13,636,969</u>
16.1 Market value of non-banking assets acquired in satisfaction of claims		<u>1,506,468</u>	<u>1,671,387</u>

The properties of the Bank have been revalued by independent professional valuers as at December 31, 2021. The revaluation was carried out by Gandhara Consultants (Private) Limited, Akbani & Javed Associates and Sadruddin Associates on the basis of professional assessment of present market values which resulted in an decrease in surplus by Rs. 5.937 million.

Impairment against non-banking assets acquired in satisfaction of claims amounting to Rs. 799.679 million (2020: Rs. 704.679 million) is included in provision held against other assets.

16.1.1 Non-banking assets acquired in satisfaction of claims

	2021	2020
-----Rupees in '000-----		
Opening Balance	1,671,387	1,572,365
Additions	-	79,750
Revaluation	(5,937)	27,988
Disposals	(55,440)	-
Depreciation	(6,416)	(8,716)
Impairment	(95,000)	-
Incremental Depreciation	(2,126)	-
Closing Balance	<u>1,506,468</u>	<u>1,671,387</u>

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

16.3 Provision held against other assets	Note	2021	2020
-----Rupees in '000-----			
Advances, deposits, advance rent & other prepayments		26,692	26,692
Non banking assets acquired in satisfaction of claims		799,679	704,679
Amount held with financial institution		-	719,218
Others		434,999	137,562
	16.3.1	<u>1,261,370</u>	<u>1,588,151</u>

16.3.1 Movement in provision held against other assets

Opening balance	1,588,151	1,253,182
Charge for the year	399,738	369,238
Reversals during the year	(25,069)	(34,269)
Adjustment during the year	(701,450)	-
Closing balance	<u>1,261,370</u>	<u>1,588,151</u>

17 NON-CURRENT ASSETS HELD FOR SALE

On April 25, 2019, the Board of Directors announced their decision on Pakistan Stock Exchange to explore and evaluate the strategic options including divestment of shares held by the Bank in one or more associated and subsidiary companies. Subsequently, after following a detail process, the Bank signed Share Purchase Agreement with respect to sale of its investment in BankIslami Modaraba Investments Limited and BIPL Securities Limited (subsidiary companies) with respective buyers. These sale transactions have been concluded and investment in these subsidiary companies has been disposed off during the year.

	Note	2021	2020
-----Rupees in '000-----			
Islamic Investment			
BankIslami Modaraba Investments Limited		-	78,808
Conventional Investment			
BIPL Securities Limited		-	522,801
		-	601,609

18 BILLS PAYABLE

In Pakistan	3,484,210	3,324,085
Outside Pakistan	-	-
	3,484,210	3,324,085

19 DUE TO FINANCIAL INSTITUTIONS

Secured

Due to State Bank of Pakistan			
Acceptances under Islamic Export Refinance Scheme	19.1	5,143,000	3,622,550
Acceptances for financial assistance	19.2	3,691,010	3,375,410
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)	19.3	4,349,261	3,038
Islamic refinance scheme for payment of wages and salaries	19.3	1,805,305	2,805,692
Islamic refinance scheme for combating COVID (IRFCC)	19.3	23,921	31,895
Islamic refinance scheme for Facility of Storage of Agricultural Produce (IFFSAP)	19.3	18,289	-
		15,030,786	9,838,585
Refinance facility for Islamic Mortgage	19.4	3,762,546	1,989,031
Total secured		18,793,332	11,827,616
Unsecured			
Wakalah Acceptance		-	4,300,000
Musharakah Acceptance	19.5	2,400,000	-
Total unsecured		2,400,000	4,300,000
		21,193,332	16,127,616

19.1 The acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 5,300 million (2020: Rs. 5,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2021.

19.2 This represents amortized cost of a 10 year financing facility of Rs. 5,000 million extended by SBP. The facility is secured against Federal Government securities. The 10 year facility was provided on the basis of Mudarabah to be remunerated at profit sharing ratio declared by the Bank on its remunerative current accounts on monthly basis. Accordingly, the profit amortization rate applied by the Bank in this respect is 0.04% per annum.

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

19.4 The agreements are on a profit and loss sharing basis and are secured against housing finance portfolio. The profit rate on these agreements is ranging from 9.68% to 10.87% (2020: 5.33% to 7.79%) per annum.

19.5 The expected profit rate on this agreement is 10.10% (2020: Nil) per annum and has maturity in 7 Days (2020: Nil).

19.6 Particulars of due to financial institutions with respect to currencies

	2021	2020
-----Rupees in '000-----		
In local currency	21,193,332	16,127,616
In foreign currencies	-	-
	21,193,332	16,127,616

20 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits	124,240,504	3,998,743	128,239,247	89,268,714	3,068,383	92,337,097
Savings deposits	84,434,345	3,609,545	88,043,890	74,101,851	3,615,238	77,717,089
Term deposits	103,796,987	3,357,730	107,154,717	91,499,914	1,630,147	93,130,061
Others	1,979,022	85,336	2,064,358	2,701,340	56,786	2,758,126
	314,450,858	11,051,354	325,502,212	257,571,819	8,370,554	265,942,373
Financial Institutions						
Current deposits	258,791	12,098	270,889	286,076	3,880	289,956
Savings deposits	18,187,489	-	18,187,489	7,665,522	-	7,665,522
Term deposits	827,366	-	827,366	9,743,500	-	9,743,500
Others	19,273,646	12,098	19,285,744	17,695,098	3,880	17,698,978
	333,724,504	11,063,452	344,787,956	275,266,917	8,374,434	283,641,351

	2021	2020
	----- Rupees in '000 -----	
20.1 Composition of deposits		
Individuals	88,329,695	75,460,132
Government (Federal and Provincial)	10,749,169	5,816,484
Public Sector Entities	11,830,860	9,775,722
Banking Companies	60,828	86,498
Non-Banking Financial Institutions	19,224,916	17,623,980
Private Sector	214,592,488	174,878,535
	344,787,956	283,641,351

20.2 Total deposits includes eligible deposits under deposit protection mechanism amounting to Rs. 170,338.464 million (2020: Rs. 133,539.972 million).

21 SUBORDINATED SUKUK

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

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

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

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

22 OTHER LIABILITIES

	Note	2021	2020
-----Rupees in '000-----			
Profit / return payable in local currency		2,065,774	1,733,220
Profit / return payable in foreign currencies		15,883	14,583
Accrued expenses		1,212,470	877,787
Deferred Murabahah Income Financing and IERS		224,673	104,322
Payable to defined benefit plan		4,677	4,677
Payable to defined contribution plan		26,008	2,876
Defined Benefit Plan liabilities		173,630	131,738
Security deposits against Ijarah		802,252	1,122,450
Lease liability against right-of-use assets	22.1	3,213,456	3,443,873
Provision against off-balance sheet obligations	22.2	85,975	85,975
Acceptances		5,462,889	2,392,561
Receipt appropriation account	7.13	-	6,638
Current taxation (provisions less payments)		52,825	199,281
Provision against other tax liabilities		104,864	146,409
Sundry creditors		362,068	190,839
Payable to brokers against purchase of shares - net		270	-
Charity payable	22.3	2,360	14,712
Retention money payable		13,402	10,167
Provision for Workers' Welfare Fund	22.4	193,857	123,164
Branch adjustment account		-	30,867
Rental received in advance		99,555	348,243
Advance against disposal of Non-current asset held for sale		-	188,303
Others		296,586	136,388
		<u>14,413,474</u>	<u>11,309,073</u>

22.1 The carrying amounts of lease liability against right-of-use assets and the movement during the year are as follows:

	2021	2020
-----Rupees in '000-----		
As at January 01	3,443,873	3,781,937
Additions	425,516	251,019
Amortisation of lease liability against right-of-use assets	416,247	389,614
Payments	(1,072,180)	(978,697)
As at December 31	<u>3,213,456</u>	<u>3,443,873</u>

22.2 Provision against off-balance sheet obligations

Opening balance	85,975	85,975
Charge / (Reversals)	-	-
Closing balance	<u>85,975</u>	<u>85,975</u>

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

22.3 Charity payable

	Note	2021	2020
-----Rupees in '000-----			
Opening balance		14,712	21,605
Additions during the year			
- Received from customers on account of delayed payment		35,144	38,904
- Shariah non-compliant income		3,632	7,495
- Profit on charity saving account		312	371
		39,088	46,770
Distribution of charity			
- Education		(20,550)	(1,500)
- Health		(21,050)	(38,163)
- Islamic microfinance program		-	(1,000)
- Community development		(9,840)	(13,000)
	22.3.1	(51,440)	(53,663)
Closing balance		<u>2,360</u>	<u>14,712</u>

22.3.1 Charity was paid to the following:	Note	2021	2020
		-----Rupees in '000-----	
IBA Center For Excellence In Islamic Finance		9,000	1,000
Saylani Welfare International Trust		6,300	8,000
The Citizens Foundation		5,600	500
Indus Hospital & Health Network		3,100	20,500
Bait us Salam Welfare Trust		3,000	9,500
Aitmaad Trust		2,500	-
The Patients Behbud Society for AKUH		2,300	-
Afzaal Memorial Thalassemia Foundation		2,200	250
Bait ul Sukoon Trust Cancer Hospital		2,000	-
Habib University Foundation		1,500	-
Lahore University of Management Sciences		1,200	-
Alamgir Welfare Trust International		1,000	1,000
Family Educational Services Foundation		1,000	-
Dawood Global Foundation		990	-
Society for Advancement of Health, Education & Environment		600	500
Al Shifa Trust		500	-
Caravan of Life Pakistan Trust		500	-
Childlife Foundation		500	-
Ismail Welfare Hospital		500	-
Koohi Goth Hospital		500	-
Mercy Pak		500	-
Murshid Hospital		500	-
Pakistan Kidney and Liver and Research Center		500	-
Pakistan Sweet Home		500	-
Pink Ribbon Pakistan		500	-
Roshni Homes Trust		500	-
Sir Syed College of Medical Science Trust		500	-
Tameer i Nau Trust		500	-
Future Trust		300	-
Hisaar Foundation		300	-
Muhammadi Haematology		300	-
Women Islamic Lawyers Forum		300	500
Zindagi Trust		300	-
Cancer Care Hospital		250	-
IDA RIEU Welfare Association		250	-
Million Smile Foundation		250	-
Sahil Welfare Association		200	-
Shahid Khan Afridi Foundation		200	-
Aga Khan Hospital & Medical College Foundation		-	700
Akhuwat Corona Imdad Fund		-	4,000
Akhuwat Foundation		-	1,000
Autism Care & Rehabilitation Organization		-	500
Center for Development of Social Services		-	500
Field Isolation Centre Karachi		-	1,000
Institute of Public Health		-	500
Pakistan Red Crescent Sindh		-	500
Ration bags to deserving persons affected by COVID		-	963
Shaukat Khanum Memorial Trust		-	750
The Society for the Rehabilitation of Special Children		-	500
Transparent Hands		-	1,000
		51,440	53,663

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

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

23 SHARE CAPITAL - NET

	2021 ----- Number of Shares -----	2020	Note	2021 -----Rupees in '000-----	2020
23.1 Authorized capital					
	<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>
23.2 Issued, subscribed and paid up capital					
			Ordinary shares of Rs 10 each		
	<u>1,108,703,299</u>	<u>1,108,703,299</u>	Fully paid in cash	<u>11,087,033</u>	<u>11,087,033</u>
	-	-	Issued during the year right issue	-	-
	-	-	Less: Discount on issue of shares	<u>(79,042)</u>	<u>(79,042)</u>
	<u>1,108,703,299</u>	<u>1,108,703,299</u>		<u>11,007,991</u>	<u>11,007,991</u>

24 RESERVES

Statutory Reserves	24.1	<u>1,703,164</u>	<u>1,276,894</u>
Reserve for bad debts and contingencies	24.2	<u>-</u>	<u>250,000</u>
		<u>1,703,164</u>	<u>1,526,894</u>

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

24.2 The Board of Directors in its meeting held on October 27, 2021 has transferred an amount of Rs. 250 million out of 'Reserve for Bad Debts and Contingencies' to 'Unappropriated Profit'.

25 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	Note	2021 -----Rupees in '000-----	2020
Surplus on revaluation of:			
Available for sale securities	11.1	<u>2,137,440</u>	<u>2,150,785</u>
Fixed assets		<u>3,003,156</u>	<u>2,042,473</u>
Non-banking assets acquired in satisfaction of claims		<u>189,628</u>	<u>226,308</u>
		<u>5,330,224</u>	<u>4,419,566</u>
Deferred tax liability on surplus on revaluation of:	15		
Available for sale securities		<u>(748,104)</u>	<u>(752,775)</u>
Fixed assets		<u>(1,051,413)</u>	<u>(621,899)</u>
Non-banking assets acquired in satisfaction of claims		<u>(66,370)</u>	<u>(14,383)</u>
		<u>(1,865,887)</u>	<u>(1,389,057)</u>
		<u>3,464,337</u>	<u>3,030,509</u>

	2021	2020
	-----Rupees in '000-----	
25.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets at January 01	2,042,473	2,072,001
Recognized during the year	1,060,140	59,258
Realised on disposal during the year - net of deferred tax	(6,866)	(83,658)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(57,781)	(2,760)
Related deferred tax liability in respect of incremental depreciation charged during the year	(31,113)	(1,486)
Related deferred tax liability on surplus realized on disposal	(3,697)	(882)
Surplus on revaluation of fixed assets as at December 31	3,003,156	2,042,473
Less: related deferred tax liability on:		
- related deferred tax liability on surplus as at January 01	(621,899)	(623,385)
- revaluation recognised during the year	(464,324)	(882)
- surplus realised on disposal during the year	3,697	882
- incremental depreciation charged during the year	31,113	1,486
	(1,051,413)	(621,899)
	<u>1,951,743</u>	<u>1,420,574</u>
25.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation of Non Banking Assets at January 01	226,308	201,186
Recognised during the year	(5,937)	27,988
Realised on disposal during the year - net of deferred tax	(18,602)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(1,381)	(1,863)
Related deferred tax liability on incremental depreciation charged during the year	(744)	(1,003)
Related deferred tax liability on surplus realised on disposal	(10,016)	-
Surplus on revaluation as at December 31	189,628	226,308
Less: related deferred tax liability on:		
- revaluation as at January 1	(14,383)	(12,172)
- revaluation recognised during the year	(62,747)	(3,214)
- surplus realised on disposal during the year	10,016	-
- incremental depreciation charged during the year	744	1,003
	(66,370)	(14,383)
	<u>123,258</u>	<u>211,925</u>

26 CONTINGENCIES AND COMMITMENTS

	Note	2021	2020
-----Rupees in '000-----			
- Guarantees	26.1	8,224,035	10,342,243
- Commitments	26.2	40,351,640	10,298,481
- Other contingent liabilities	26.3	229,652	1,360,580
		<u>48,805,327</u>	<u>22,001,304</u>
26.1 Guarantees:			
Financial guarantees		-	84,182
Performance guarantees		3,920,100	5,888,773
Other guarantees		4,303,935	4,369,288
		<u>8,224,035</u>	<u>10,342,243</u>
26.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		27,081,324	12,003,211
- Shariah compliant alternative of forward foreign exchange contracts	26.2.1	3,963,854	(9,435,135)
Commitments for acquisition of:			
- fixed assets		198,978	232,703
- intangible assets		107,052	15,559
Other commitments		9,000,432	7,482,143
		<u>40,351,640</u>	<u>10,298,481</u>
26.2.1 Commitments in respect of Shariah compliant alternative of forward foreign exchange transactions			
Purchase		15,970,727	11,389,226
Sale		(12,006,873)	(20,824,361)
		3,963,854	(9,435,135)
26.2.2 Other commitments			
Bills for collection		9,000,432	7,482,143
26.2.2.1 The Bank makes commitments to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
	Note	2021	2020
-----Rupees in '000-----			
26.3 Other contingent liabilities			
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	26.3.1	4,200	11,200
Tax Contingencies	26.3.2	225,452	1,349,380
		<u>229,652</u>	<u>1,360,580</u>
26.3.1 Suit filed by customers / borrowers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt			
26.3.1.1 These are court cases, which represent counter claims filed by the borrowers, for restricting the Bank for disposal of the financed assets, (such as mortgaged / leased / pledged assets, kept as security), as well as, the cases where the Bank is pleaded as proforma defendant for defending its interest.			
26.3.1.2 Consequent to the amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited as at May 07, 2015 certain cases have been filed by individuals pertaining to amalgamation, at Honorable Sindh High Court, Honorable Lahore High Court and Islamabad High Court, in which the Bank has been made a party. The double bench of Honorable Sindh High Court has disposed-off the prayers in three Constitutional Petitions, without any negative inference to the Bank, and issued certain directions to SBP which were then complied with. Subsequently, an appeal was filed against the decision of the Honorable Sindh High Court which has also been dismissed by the Honorable Supreme Court. Thereafter, Civil Review Petitions were filed in Honorable Supreme Court against dismissal order of the appeal, which have also been dismissed by the Honorable Supreme Court of Pakistan. The cases at Honorable Lahore High Court are also disposed off in the light of Honorable Supreme Court and Honorable Sindh High Court order. The cases at Honorable Islamabad High Court are pending. The management based on the opinion of its legal counsel is confident that these cases will also be dismissed by the Honorable Court.			

26.3.1.3 There are two cases filed against the Bank by KASB Corporation Limited One case is filed at Honorable Sindh High Court and the other is filed at Honorable Islamabad High Court. KASB Corporation Limited 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 unconsolidated 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, KASB Corporation Limited has filed a Writ Petition at Honorable Islamabad High Court, which is yet pending for hearing. The management based on the opinion of its legal counsel is confident that the main suit will be dismissed by the Honorable Courts.

26.3.2 Tax Contingencies

26.3.2.1 The income tax returns of the Bank have been filed up to tax year 2021 whereas the tax assessments have been made by the tax authorities up to tax year 2017. The returns filed for the tax year 2014 to tax year 2021 are treated to be deemed assessed under section 120 of the Income Tax Ordinance, 2001.

26.3.2.2 During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the Commissioner Inland Revenue Authority (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 Appellate Tribunal Inland Revenue (ATIR) for tax year 2005 which are pending finalization.

26.3.2.3 For tax years 2003 (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 had preferred an appeal before the ATIR against the above referred orders of the CIRA. No development has taken place during the current year.

26.3.2.4 In respect of tax year 2015, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by Rs. 32.893 million and levied super tax. As a result, a tax demand of Rs. 124.134 million was created. The Bank had filed an appeal before the ATIR against the above order which is pending adjudication.

26.3.2.5 For the tax years 2017 and 2018, the Azad Jammu Kashmir (AJK) tax authorities issued notices under section 122(5A) of the Income Tax Ordinance, 2001 and amended the return submitted by the Bank by adding / disallowing various expenses and worked out an additional tax liability of Rs. 46.165 million and Rs. 55.152 million for the tax years 2017 and 2018 respectively. The Bank had filed an appeal against the said decision before CIRA. During the year the CIRA passed an order in favour of the Bank. However, the tax authorities have filed an appeal before the ATIR which is pending adjudication.

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

26.3.2.7 In respect of tax years 2006 and 2008 (relating to defunct KASB Bank Limited), the tax department passed order under section 161/205 of the Income Tax Ordinance, 2001, raising demand of Rs. 121.71 million and Rs. 308.01 million, respectively. CIRA had decided the appeal in favor of the tax department. The Bank has preferred an Appeals against the decision of CIRA before the ATIR which are pending adjudication.

26.3.2.8 In respect of tax periods from July 2011 to June 2015 (related to defunct KASB Bank Limited), Sindh Revenue Board (SRB) passed orders and raised a demand of Rs. 42.595 million in relation to levy of Sindh sales tax on certain services. The Bank has filed an appeal before Commissioner Appeals, SRB which is pending adjudication.

27	PROFIT / RETURN EARNED	Note	2021	2020
			-----Rupees in '000-----	
	Profit earned on:			
	Financing		11,996,524	14,280,750
	Investments		8,789,784	6,495,119
	Placements		2,314,004	4,848,066
	Others		135,059	119,748
			<u>23,235,371</u>	<u>25,743,683</u>
28	PROFIT / RETURN EXPENSED			
	Deposits and other accounts		10,850,066	11,779,955
	Due to financial institutions		804,455	821,929
	Cost of foreign currency swaps against foreign currency deposits		26,027	23,577
	Amortisation of lease liability against right of use assets		416,247	389,614
	Subordinated Sukuk		206,436	239,706
			<u>12,303,231</u>	<u>13,254,781</u>
29	FEE AND COMMISSION INCOME			
	Branch banking customer fees		57,008	56,743
	Commission on bancatakaful		122,186	100,898
	Card related fees		371,260	275,891
	Commission on arrangement with financial institutions		107,732	68,006
	Consumer finance related fees		72,640	32,061
	Guarantees related fee		88,077	49,180
	Investment banking fees		123,677	126,114
	Commission on cash management		7,903	4,823
	Commission on remittances including home remittances		30,427	32,531
	Commission on trade		235,685	140,762
	Others		10,299	13,118
			<u>1,226,894</u>	<u>900,127</u>
30	GAIN ON SECURITIES			
	Realized gain	30.1	<u>291,630</u>	<u>242,433</u>
30.1	Realized gain on:			
	Federal Government Shariah Compliant Securities		24,829	1,771
	Shares		87,267	45
	Non-Government Shariah compliant Securities		27,933	240,617
	Non-Current Assets held for sale		151,601	-
			<u>291,630</u>	<u>242,433</u>
31	OTHER INCOME - NET			
	Rent on property		1,302	12,238
	Gain on termination of financing		85,975	84,931
	(Loss) / gain on sale of property and equipment		(3,521)	3,613
	Recoveries against previously expensed items		867	4,249
	Others		9,794	5,748
			<u>94,417</u>	<u>110,779</u>

32 OPERATING EXPENSES	Note	2021	2020
		-----Rupees in '000-----	
Total compensation expense		4,398,458	3,619,430
Property expense			
Rent & taxes		11,339	84,606
Takaful cost		2,076	2,931
Utilities cost		462,697	353,128
Security (including guards)		393,632	367,958
Repair & maintenance (including janitorial charges)		217,807	172,754
Depreciation	13.2	345,026	343,977
Depreciation on right-of-use assets	13.2	769,483	809,412
Others		10	30
		2,202,070	2,134,796
Information technology expenses			
Software maintenance		302,743	245,222
Hardware maintenance		113,475	120,245
Depreciation	13.2	243,642	198,402
Amortization	14	63,456	62,817
Network charges		205,839	178,810
		929,155	805,496
Other operating expenses			
Directors' fees and allowances		14,320	9,860
Fees and allowances to Shariah Board		18,707	15,646
Legal & professional charges		181,148	139,504
Travelling & conveyance		47,574	39,109
NIFT clearing charges		29,501	29,115
Depreciation	13.2	193,395	177,052
Depreciation on non-banking assets	16.1.1	6,416	8,715
Entertainment expense		67,907	57,432
Training & development		4,742	8,379
Postage & courier charges		49,335	68,509
Communication		48,025	66,775
Stationery & printing		161,571	193,099
Marketing, advertisement & publicity		124,319	130,510
Repairs and maintenance		123,943	100,032
Takaful, tracker and other charges on car Ijarah		171,210	182,426
Takaful / Insurance		277,915	316,510
Fee and subscription		143,468	186,561
Vehicle running and maintenance		173,821	129,512
Donations	32.2	1,500	5,841
Auditors' remuneration	32.3	16,773	17,507
Amortization	14	3,488	2,278
CDC and share registrar services		8,007	9,424
Brokerage and commission		30,489	30,152
Stamp duty, registration & verification charges		84,854	15,915
Others		37,503	78,457
		2,019,931	2,018,320
		9,549,614	8,578,042

	Note	2021	2020
-----Rupees in '000-----			
32.1 Total compensation expense			
Managerial remuneration			
(i) Fixed		1,876,093	1,608,146
(ii) Variable - Cash bonus / awards		21,359	10,889
Provision for bonus to employees		300,000	125,000
Charge for defined benefit plan	40.8.1	139,925	126,159
Contribution to defined contribution plan	41	134,214	119,903
Rent & house maintenance allowance		755,713	655,272
Utilities allowance		167,952	145,612
Medical allowance		173,233	138,040
Car maintenance allowance		217,092	194,466
Conveyance allowance		243	2,262
Fuel allowance		5,124	11,240
Sports & welfare		2,499	2,272
Staff takaful		68,408	67,702
Overtime allowance		453	974
Phone banking allowance		1,518	2,046
Relocation allowance		285	200
Sales commission		333,705	204,842
Contract staff cost		200,109	202,760
Others		533	1,645
Total		4,398,458	3,619,430

32.2 Details of donations

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

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

	2021	2020
-----Rupees in '000-----		
32.3 Auditors' remuneration		
Audit fee	7,500	7,532
Fee for the review of half yearly financial statements	2,100	2,225
Fee for other statutory certifications	2,489	2,414
Special certifications and sundry advisory services	3,637	2,968
Tax services	-	1,622
Out-of-pocket expenses	1,047	746
	16,773	17,507

33 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	2,525	130,504
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34 PROVISIONS AND WRITE OFFS - NET	Note	2021	2020
		-----Rupees in '000-----	
Reversal of provision against Due from financial institutions		(3,240)	(3,240)
Reversal of provision for diminution in value of Investments		(14,022)	(12,350)
Provision against Islamic financing and related assets and advances - net	12.17.2	335,610	2,230,225
Other provisions / write offs - net		(286,460)	386,388
		31,888	2,601,023
		31,888	2,601,023

35 TAXATION

Current	382,337	430,687
Prior years	(156,696)	(23,632)
Deferred	1,039,915	649,257
	1,265,556	1,056,312

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

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the return of income for the tax years 2006 to 2021 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

36 BASIC AND DILUTED EARNINGS PER SHARE	Note	2021	2020
		-----Rupees in '000-----	
Profit for the year		2,131,350	1,703,135
		----- Number of shares -----	
Weighted average number of ordinary shares		1,108,703,299	1,108,703,299
		----- Rupees -----	
Basic and diluted EPS	36.1	1.9224	1.5362

36.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2021 and December 31, 2020.

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

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2021:

- (i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- (ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
- (iii) Special Mudarabah Deposits Pool
- (iv) Treasury Pools
- (v) Other specific musharakah pool

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

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

Key features and risk & reward characteristics of all pools

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

The 'IERS Pool' caters to the 'Islamic Export Refinance Scheme' requirements based on the guidelines issued by the SBP. In this Scheme, SBP enters into a Musharakah arrangement with the Bank for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabahah, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the Bank's IERS Musharakah pool. IERS pool consists of blue chip companies to whom the Bank has provided financing facilities on Shariah compliant modes including IERS facility. Profit is shared according to an agreed weightage and loss is shared according to the investment ratio.

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

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

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

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

- 1 Asset Risk: The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Bank has prepared detailed product manuals in order to identify and properly mitigate such risk. The Bank also analyses transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professionals having considerable experience in the field of Islamic banking and finance. Nevertheless since Islamic banking is a nascent industry, we believe that the process of further improvement will continue as the business grows.
- 2 Credit Risk: Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 48.2 to the unconsolidated 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, Tijarah 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.

2021

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	7.86%	50.00%	50.00%	2,482,159	3.37%	16.88%	418,882
Daily Product	Monthly	7.87%	50.00%	50.00%	12,184	5.38%	36.65%	4,465
USD Pool	Monthly	0.38%	50.00%	50.00%	6,637	0.26%	40.79%	2,707
GBP Pool	Monthly	0.42%	50.00%	50.00%	555	0.29%	39.16%	217
EURO Pool	Monthly	0.11%	50.00%	50.00%	80	0.06%	20.64%	16

Specific Musharakah Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Client Share %	Bank Share %	Bank Share	Profit rate return distributed	Percentage of Hiba to Client	Amount of Hiba to Client
					(Rupees in '000)			(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	5.39%	49.18%	50.82%	3,587,978	1.95%	-	-
Other Specific Musharakah Pool	Monthly	10.47%	99.00%	1.00%	2,723	10.21%	-	-

Specific Mudarabah Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Depositor Share %	Mudarib Share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba to special remunerative deposits
					(Rupees in '000)			(Rupees in '000)
(i) Special Pool PKR	Monthly	8.40%	76.16%	23.84%	1,286,072	7.10%	39.39%	506,618
(ii) 1-3 Years Term Deposits	Monthly	8.05%	85.00%	15.00%	371,900	7.22%	28.72%	106,828
(iii) Special Pool USD	Monthly	1.36%	80.00%	20.00%	5,939	1.14%	26.72%	1,587
(iv) Special Pool Euro	Monthly	0.36%	65.74%	34.26%	371	0.27%	18.67%	69

(v) In addition to the above, 128 short term Treasury Pools were created to meet liquidity requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

38	CASH AND CASH EQUIVALENTS	Note	2021 -----Rupees in '000-----	2020
	Cash and balances with treasury banks	8	24,552,347	22,034,025
	Balances with other banks	9	3,691,953	12,308,269
			28,244,300	34,342,294

39	STAFF STRENGTH	Number of employees	
	Permanent	2,898	2,599
	Contractual basis	1,148	838
	Total staff strength	4,046	3,437

40 DEFINED BENEFIT PLAN

40.1 General description

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

40.2 Number of Employees under the scheme

The number of eligible employees covered under the defined scheme are 951 (2020: 1,051).

40.3 Principal actuarial assumptions

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

	2021	2020
- Valuation Discount rate	12.25%	10.25%
- Salary Increase Rate	12.25%	10.25%
- Expected Return on Plan Assets	12.25%	10.25%

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

	Note	2021 ----- Rupees in '000 -----	2020
40.4 Reconciliation of (receivable from) / payable to defined benefit plans			
The amount recognized in the unconsolidated statement of financial position (in respect of the gratuity scheme) is determined as follows:			
Present value of defined benefit obligations		551,882	456,052
Fair value of plan assets		(378,252)	(324,314)
		<u>173,630</u>	<u>131,738</u>
40.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		456,052	366,882
Current service cost		136,554	119,750
Return expense		41,493	39,271
Benefits paid by the Bank		(54,783)	(53,159)
Re-measurement gain		(27,434)	(16,692)
Obligations at the end of the year		<u>551,882</u>	<u>456,052</u>
40.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		324,314	256,256
Return earned on plan assets		38,122	32,862
Contribution by the Bank		150,000	100,000
Benefits paid by the Bank		(54,783)	(53,159)
Re-measurement loss	40.8.2	(79,401)	(11,645)
Fair value at the end of the year		<u>378,252</u>	<u>324,314</u>
40.7 Movement in payable under defined benefit schemes			
Opening balance		131,738	110,626
Charge for the year		139,925	126,159
Contribution by the Bank		(150,000)	(100,000)
Re-measurement gain recognized in OCI during the year	40.8.2	51,967	(5,047)
Closing balance		<u>173,630</u>	<u>131,738</u>
40.8 Charge for defined benefit plans			
40.8.1 Cost recognized in profit and loss			
Current service cost		136,554	119,750
Net return charges		3,371	6,409
		<u>139,925</u>	<u>126,159</u>
40.8.2 Re-measurements recognized in OCI during the year			
Gain on obligation			
- Demographic assumptions		-	-
- Financial assumptions		(5,842)	(3,012)
- Experience adjustment		(21,592)	(13,680)
Return on plan assets		79,401	11,645
Total re-measurements		51,967	(5,047)
Deferred tax impact		(18,188)	1,766
Total re-measurements recognized in OCI		<u>33,779</u>	<u>(3,280)</u>
40.9 Components of plan assets			
Bank Balance		265,104	213,406
Units of Mutual Funds		113,148	110,908
		<u>378,252</u>	<u>324,314</u>

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

40.10 Sensitivity analysis

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

	2021	2020
	----- Rupees in '000 -----	
1% increase in discount rate	462,329	395,753
1% decrease in discount rate	579,085	501,844
1 Year increase in Life expectancy / Withdrawal rate	515,960	444,272
1 Year decrease in Life expectancy / Withdrawal rate	515,961	444,273

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

	Rupees in '000
40.11 Expected contributions to be paid to the funds in the next financial year	<u>162,761</u>
40.12 Expected charge for the next financial year	<u>152,792</u>
40.13 Maturity profile	

The weighted average duration of the defined benefit obligation is 11.31 years (2020: 11.94 years)

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

At December 31, 2021	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
Gratuity	25,730	33,644	82,264	3,150,534	3,292,172

40.14 Funding Policy

Funding levels are monitored on an annual basis and are based on actuarial recommendations. Expected Gratuity Expense for the next year works out to Rs. 152.792 million as per the actuarial valuation report of the Bank as of December 31, 2021.

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

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

41 DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund for all permanent employees. The employer and employee both contribute 10% of basic salary to the fund every month. Equal monthly contributions made by employer and employees during the year amounted to Rs. 134.214 million (2020: Rs. 119.903 million) each.

42 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

Items	Note	2021						
		Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
		Chairman	Executives (other than CEO)	Non- Executives				
----- Rupees '000 -----								
Fees and Allowances etc.		1,520	-	12,800	2,582	-	-	-
Managerial Remuneration								
Fixed		-	-	-	8,618	33,664	75,708	53,509
Cash Bonus / Awards	42.1.3	-	-	-	-	25,000	9,132	7,073
Rent & house maintenance		-	-	-	-	-	34,069	24,079
Utilities		-	-	-	-	-	7,571	5,351
Medical		-	-	-	-	-	7,571	5,351
Conveyance		-	-	-	1,905	-	17,520	11,190
Shariah Board allowance		-	-	-	5,602	-	-	-
Others		-	-	-	-	21,881	2,721	5,794
Total		1,520	-	12,800	18,707	80,545	154,292	112,347
Number of Persons		1	-	7	4	1	16	15

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

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

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

42.1.3 This represents cash bonus paid during the year 2021, out of the 'Provision for bonus expense' made during the year 2020 for Bank's employees.

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

		2021							
Sr. No.	Name of Director	Meeting Fees and Allowances Paid for the Year 2021							
		For Board Meetings	For Board Committees					Board Remuneration Committee	Total Amount Paid
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board IT Committee			
----- Rupees '000 -----									
1	Mr. Ali Hussain	1,680	-	-	-	-	200	1,880	
2	Dr. Amjad Waheed	1,400	-	100	200	-	200	1,900	
3	Mr. Siraj Ahmed Dadabhojy *	-	-	-	-	-	-	-	
4	Mr. Haider Ali Hilaly	1,400	400	-	-	200	-	2,000	
5	Dr. Lalarukh Ejaz	1,400	400	-	200	200	200	2,400	
6	Mr. Tasnim ul Haq Farooqui **	400	-	-	100	-	100	600	
7	Mr. Sulaiman Sadruddin Mehdi	1,400	400	100	200	-	200	2,300	
8	Mr. Syed Ali Hasham	1,400	400	100	200	-	200	2,300	
	Total Amount Paid	9,080	1,600	300	900	400	1,100	13,380	

* Mr. Dadabhojy resigned from the Board of Directors effective from August 25, 2021. During the year, he attended four (4) Board meetings.

** Mr. Farooqui was co-opted effective from August 25, 2021 for remaining term in replacement of Mr. Dadabhojy.

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

42.3 Remuneration paid to Shariah Board Members

Items	2021			2020		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
----- Rupees in '000 -----						
a. Meeting Fees and Allowances	-	-	2,582	-	-	1,500
b. Managerial remuneration & allowances	11,820	4,305	-	10,534	3,622	-
Total Amount	11,820	4,305	2,582	10,534	3,622	1,500
Total Number of Persons	1	1	2	1	1	1

43 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity or investments in associates and subsidiary, 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 subsidiary, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

43.1 Fair value of financial assets

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

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

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

	2021			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	360,522	-	-	360,522
GoP Ijara Sukuk	-	73,330,941	-	73,330,941
Non-Government Shariah compliant securities	32,414,124	7,221,277	-	39,635,401
Non-Financial Assets - measured at fair value				
Fixed assets - Land and building	-	-	7,559,697	7,559,697
Non-banking assets acquired in satisfaction of claims	-	-	1,506,468	1,506,468
Off-balance sheet financial instruments - measured at fair value				
Shariah compliant alternative of forward purchase of foreign exchange	-	15,970,727	-	15,970,727
Shariah compliant alternative of forward sale of foreign exchange	-	12,006,873	-	12,006,873
----- Rupees in '000 -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	335,097	-	-	335,097
GOP Ijara Sukuk	-	44,497,832	-	44,497,832
Non-Government Shariah compliant Securities	31,440,745	7,454,508	-	38,895,253
Non-current assets held for sale	-	-	601,609	601,609
Non-Financial Assets - measured at fair value				
Fixed assets - Land and building	-	-	6,491,725	6,491,725
Non-banking assets acquired in satisfaction of claims	-	-	1,671,387	1,671,387
Off-balance sheet financial instruments - measured at fair value				
Shariah compliant alternative of forward purchase of foreign exchange	-	11,246,372	-	11,246,372
Shariah compliant alternative of forward sale of foreign exchange	-	20,631,765	-	20,631,765

Valuation techniques used in determination of fair values within level 2

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

Valuation techniques used in determination of fair values within level 3

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 acquired in satisfaction of claims	Non-banking assets acquired in satisfaction of claims are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Banks' Association. The valuation is based on their assessment of market value of the properties.

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

There were no transfers between levels 1 and 2 from last year.

44 SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

	2021				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
Profit & Loss					
Net profit / return	9,254,532	(6,881,098)	8,630,903	(72,197)	10,932,140
Inter segment revenue - net	(8,533,499)	16,870,195	(8,090,142)	(246,554)	-
Total other income	754,306	726,729	478,408	160,043	2,119,486
Total income	1,475,339	10,715,826	1,019,169	(158,708)	13,051,626
Segment direct expenses	78,216	6,027,911	363,787	3,152,918	9,622,832
Inter segment expense allocation	209,805	1,892,661	1,008,800	(3,111,266)	-
Total expenses	288,021	7,920,572	1,372,587	41,652	9,622,832
Provisions / (reversals)	(17,262)	213,680	455,401	(619,931)	31,888
Profit / loss before tax	1,204,580	2,581,574	(808,819)	419,571	3,396,906
----- Rupees in '000 -----					
Balance Sheet					
Assets					
Cash & Bank balances	15,595,833	12,648,467	-	-	28,244,300
Investments	124,838,317	-	-	-	124,838,317
Net inter segment placements	-	279,625,950	-	4,560,417	284,186,367
Due from financial institutions	34,945,365	-	-	-	34,945,365
Islamic financing and related assets					
- performing	-	37,941,681	137,318,830	3,367,681	178,628,192
- non-performing	-	1,189,828	1,242,013	116,206	2,548,047
Others	6,700,295	7,658,757	543,878	24,283,023	39,185,953
Total Assets	182,079,810	339,064,683	139,104,721	32,327,327	692,576,541
Liabilities					
Due to financial institutions	6,091,010	3,727,127	11,375,195	-	21,193,332
Subordinated sukuk	-	-	-	2,000,000	2,000,000
Deposits & other accounts	17,048,953	327,739,003	-	-	344,787,956
Net inter segment acceptances	158,909,968	-	125,276,399	-	284,186,367
Others	29,880	7,598,553	2,453,126	7,816,125	17,897,684
Total liabilities	182,079,811	339,064,683	139,104,720	9,816,125	670,065,339
Equity	-	-	-	22,511,202	22,511,202
Total Equity & Liabilities	182,079,811	339,064,683	139,104,720	32,327,327	692,576,541
Contingencies & Commitments	3,963,854	-	44,305,791	535,682	48,805,327

	2020				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- Rupees in '000 -----				
Profit & Loss					
Net profit / return	8,972,401	(7,333,737)	10,970,557	(120,319)	12,488,902
Inter segment revenue - net	(7,550,229)	18,398,941	(10,558,297)	(290,415)	-
Total other income	692,536	587,810	329,244	25,845	1,635,435
Total Income	2,114,708	11,653,014	741,504	(384,889)	14,124,337
Segment direct expenses	71,344	4,573,564	258,759	3,860,200	8,763,867
Inter segment expense allocation	172,453	2,623,860	961,888	(3,758,201)	-
Total expenses	243,797	7,197,424	1,220,647	101,999	8,763,867
Provisions / (reversals)	(15,590)	147,487	2,089,139	379,988	2,601,023
Profit / loss before tax	1,886,501	4,308,103	(2,568,282)	(866,876)	2,759,447
	----- Rupees in '000 -----				
Assets					
Cash & Bank balances	23,781,391	10,560,903	-	-	34,342,294
Investments	95,239,635	-	-	-	95,239,635
Net inter segment placements	-	232,280,589	-	2,801,703	235,082,292
Due from financial institutions	41,640,012	-	-	-	41,640,012
Islamic financing and related assets					
- performing	-	24,718,161	99,668,978	2,887,371	127,274,510
- non-performing	-	1,265,885	1,505,851	115,643	2,887,379
Others	1,144,752	5,271,853	5,430,218	23,066,645	34,913,468
Total Assets	161,805,790	274,097,391	106,605,047	28,871,362	571,379,590
Liabilities					
Due to financial institutions	7,675,410	1,989,031	6,463,175	-	16,127,616
Subordinated sukuk	-	-	-	2,000,000	2,000,000
Deposits & other accounts	16,691,764	266,949,587	-	-	283,641,351
Net inter segment acceptances	137,226,369	-	97,855,923	-	235,082,292
Others	133,484	6,784,172	2,437,698	5,277,804	14,633,158
Total Liabilities	161,727,027	275,722,790	106,756,796	7,277,804	551,484,417
Equity	-	-	-	19,895,173	19,895,173
Total Equity & Liabilities	161,727,027	275,722,790	106,756,796	27,172,977	571,379,590
Contingencies & Commitments	(9,435,135)	-	22,345,454	9,090,985	22,001,304

45 TRUST ACTIVITIES

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

Category	Type	No. of IPS account		Face Value	
		2021	2020	2021	2020
		-----Rupees in '000-----			
Insurance Companies	Sukuks	8	8	286,000	286,000
Asset Management Companies	Sukuks	40	41	2,711,430	2,806,030
Employee Funds / NGO's	Sukuks	8	8	229,600	135,000
Individuals	Sukuks	2	2	144,470	144,470
Others	Sukuks	19	19	2,561,500	2,561,500
		77	78	5,933,000	5,933,000
		-----Rupees in '000-----			
Category	Type	No. of IPS account		Face Value	
		2021	2020	2021	2020
		-----Rupees in '000-----			
Insurance Companies	Sukuks / Islamic Commercial Paper	1	2	35,000	60,000
Asset Management Companies	Sukuks / Islamic Commercial Paper	12	60	614,900	12,584,900
Employee Funds / NGO's	Sukuks / Islamic Commercial Paper	1	7	50,800	350,800
Individuals	Sukuks / Islamic Commercial Paper	4	4	49,300	49,300
Others	Sukuks / Islamic Commercial Paper	2	2	550,000	550,000
		20	75	1,300,000	13,595,000

46 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its subsidiaries, associates, employee benefit plans, its directors and key management personnel.

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

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

	2021					2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	104,771	1,660,111	-	-	-	104,771	1,660,111	-
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed-off during the year	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	104,771	1,660,111	-	-	-	104,771	1,660,111	-
Provision for diminution in value of investments	-	-	(104,771)	(1,032,169)	-	-	-	(104,771)	(1,032,169)	-
Islamic financing and related assets										
Opening balance	19,239	305,603	192,779	489,677	496,392	22,538	194,707	154,779	525,179	1,193,862
Addition during the year	-	137,090	679,000	386,691	4,264,589	-	180,438	780,000	92,048	3,216,340
Repaid during the year	(3,857)	(57,239)	(619,956)	(395,828)	(4,290,511)	(3,299)	(66,942)	(742,000)	(127,550)	(3,404,528)
Transfer in / (out) - net	-	(104,971)	(251,823)	-	229,531	-	(2,600)	-	-	(509,282)
Closing balance	15,382	280,483	-	480,540	700,001	19,239	305,603	192,779	489,677	496,392
Other assets										
Profit receivable on financings	230	127	-	2,576	5,618	812	167	-	1,626	3,153
Non - current assets held for sale	-	-	-	-	-	-	-	601,609	-	-

	2021					2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Subordinated sukuk										
Opening balance	-	1,015	-	-	-	-	10,000	-	-	-
Issued / purchased during the year	-	-	-	-	-	-	15	-	-	-
Redemption / sold during the year	-	-	-	-	-	-	(9,000)	-	-	-
Closing balance	-	1,015	-	-	-	-	1,015	-	-	-
Deposits and other accounts										
Opening balance	18,887	25,210	704,601	85,142	1,171,529	3,534	6,260	269,777	82,086	1,062,262
Received during the year	63,980	474,247	19,340,732	2,350,516	10,058,067	96,690	694,472	23,549,788	1,641,620	8,820,606
Withdrawn during the year	(76,802)	(456,200)	(19,334,212)	(2,394,418)	(9,840,769)	(81,169)	(675,522)	(23,114,034)	(1,638,684)	(8,711,343)
Transfer in / (out) - net	(2)	(845)	(711,117)	(13,902)	(82,428)	(168)	-	(930)	120	4
Closing balance	6,063	42,412	4	27,338	1,306,399	18,887	25,210	704,601	85,142	1,171,529
Other Liabilities										
Profit / return payable	1	201	1	2	7,305	2	160	3,972	689	7,141
Meeting fee / remuneration payable	-	-	-	-	-	2,260	-	-	-	-
Contingencies and Commitments										
Other contingencies	-	-	-	23,385	697,037	-	-	-	-	279,802
Income										
Profit / return earned	1,468	8,515	-	30,131	57,853	2,413	8,171	21,419	30,499	55,236
Dividend income	-	-	-	-	-	-	-	-	-	-
Advisory Fee	-	-	-	-	-	-	-	-	-	-
Other income	-	8,631	579	-	-	-	3,649	755	-	-
Expense										
Profit / return expensed	73	476	28,051	627	90,503	22	373	33,916	1,338	107,125
Other administrative expenses	1,696	3,620	251	-	17,848	86	2,209	572	-	6,710
Meeting fee / remuneration	14,320	248,499	-	-	-	9,860	186,976	-	-	-
Contribution to employees provident fund	-	-	-	-	134,214	-	-	-	-	119,903
Charge for employees gratuity fund	-	-	-	-	139,925	-	-	-	-	126,159

47 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2021 2020
----- Rupees in '000 -----

Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,007,991	11,007,991
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,551,736	13,347,239
Eligible Additional Tier 1 (ADT 1) Capital	2,000,000	2,000,000
Total Eligible Tier 1 Capital	15,551,736	15,347,239
Eligible Tier 2 Capital	4,749,756	4,779,847
Total Eligible Capital (Tier 1 + Tier 2)	20,301,492	20,127,086
Risk Weighted Assets (RWAs):		
Credit Risk	118,364,672	103,520,752
Market Risk	1,120,150	956,425
Operational Risk	24,003,263	20,563,275
Total	143,488,085	125,040,452
Common Equity Tier 1 Capital Adequacy ratio	9.44%	10.67%
Tier 1 Capital Adequacy Ratio	10.84%	12.27%
Total Capital Adequacy Ratio	14.15%	16.10%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Capital Conservation Buffer (CCB) (Consisting of CET 1 only)	1.50%	1.50%
Total Capital plus CCB	11.50%	11.50%

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

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

2021 2020
----- Rupees in '000 -----

Leverage Ratio (LR):		
Eligible Tier-1 Capital	17,050,328	15,347,239
Total Exposures	432,073,943	367,824,737
Leverage Ratio	3.95%	4.17%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	117,677,463	66,806,359
Total Net Cash Outflow	48,190,151	33,817,378
Liquidity Coverage Ratio	249.73%	210.41%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	347,348,801	282,534,177
Total Required Stable Funding	145,818,809	112,435,298
Net Stable Funding Ratio	238.21%	251.29%

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

48 RISK MANAGEMENT

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

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

RISK MANAGEMENT FRAMEWORK

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

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

Strategic Level

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

Macro Level

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

Micro Level

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

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

Risk appetite of the Bank

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

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

Risk organization

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

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

Business line accountability

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

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

48.1 COVID - 19

48.1.1 Risk management in the current economic scenario

The Covid-19 pandemic has created uncertainty for the society and business community at a global level, whereby maintaining social distancing and being jabbed with vaccinations has now become the 'new normal'. BankIslami, being a responsible institute, to manage the crisis has been taking numerous measures to maintain business continuity based on the guidelines issued by WHO, SBP and Government of Pakistan to ensure provision of safe and resilient working environment for its human capital and customers. These measures comprised of; formation of a management committee to monitor overall Covid-19 situation which can impact the Bank, expansion and readiness of BCP site to manage any unforeseen crises, implementation of strong information security protocols so that the Bank can allow affected staff to work from home without any hassle, promotion of digital services, disinfection of office and branch premises on frequent basis and provision of company sponsored vaccination services, Covid-19 testing and medical advisory for Bank's staff and their family members. Moreover, the Bank, to safeguard its credit profile, has further strengthened its credit review procedures in the light of Covid-19. The Bank conducted various stress tests on the credit portfolio and is confident that the current CAR level is sufficient to adhere all regulatory and business needs.

48.2 Credit Risk

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

(i) Price risk

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

(ii) Counter party risk

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

(iii) Settlement risk

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

(iv) Country risk

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

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

48.2.1 Due from financial institutions

Credit risk by public / private sector

	Gross Due from Financial Institutions		Non-performing Due from Financial Institutions		Provision held	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Public/ Government	-	-	-	-	-	-
Private	34,969,665	41,667,552	24,300	27,540	24,300	27,540
	34,969,665	41,667,552	24,300	27,540	24,300	27,540

48.2.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Chemical and Pharmaceuticals	242,006	499,423	242,006	499,423	242,006	499,423
Electronics and electrical appliances	55,000	55,000	55,000	55,000	-	-
Construction	32,800	32,800	32,800	32,800	32,800	32,800
Power (electricity), Gas, Water, Sanitary	35,944,912	36,070,467	-	-	-	-
Financial	391,072	391,071	21,072	21,071	21,072	21,071
Services	1,062,441	67,897	62,441	67,898	62,439	67,897
Others	83,918,650	55,134,141	221,249	221,250	-	-
	121,646,881	92,250,799	634,568	897,442	358,317	621,191

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Public/ Government	120,213,921	90,413,927	-	-	-	-
Private	1,432,960	1,836,872	634,568	897,442	358,317	621,191
	121,646,881	92,250,799	634,568	897,442	358,317	621,191

48.2.3 Islamic financing, related assets and advances - net

Credit risk by industry sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Provision held	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Agriculture, Forestry, Hunting and Fishing	2,167,878	961,614	35,480	5,185	1,408	-
Textile	23,631,608	13,186,883	3,038,934	3,542,040	2,965,214	3,468,320
Chemical and Pharmaceuticals	1,718,677	900,317	756,386	817,373	755,979	786,979
Cement	2,784,141	2,011,013	250,000	657,045	250,000	453,523
Sugar	4,617,646	4,017,496	846,503	847,195	664,503	665,195
Footwear and Leather garments	291,061	184,402	172,402	2,459	172,402	2,459
Automobile and transportation equipment	962,816	943,228	114,343	112,470	100,827	100,359
Education	2,495,278	1,353,400	-	-	-	-
Electronics and electrical appliances	2,516,561	2,128,658	1,047,568	1,397,568	966,434	1,397,568
Construction	935,747	1,543,358	403,401	758,378	378,779	757,256
Power (electricity), Gas, Water, Sanitary	12,930,759	11,890,178	649	3,029	51	2,431
Wholesale and Retail Trade	5,999,056	5,724,940	1,469,809	2,082,827	1,186,578	1,763,381
Exports / Imports	208,109	260,756	20,586	32,586	20,586	32,585
Transport, Storage and Communication	3,027,074	369,722	79,398	165,353	21,914	115,419
Financial	1,244,792	559,312	240,400	240,400	240,189	240,189
Services	22,595,036	18,090,881	163,306	168,074	103,918	99,659
Individuals	46,087,578	32,180,544	3,181,569	3,189,014	1,827,531	1,759,444
Food and beverages	38,793,733	34,158,657	1,685,715	2,010,011	1,479,235	1,544,531
Packing and Paper products	499,656	601,145	13,000	13,000	13,000	13,000
Others	22,870,867	14,271,543	3,557,229	1,484,748	3,380,082	1,289,310
	196,378,073	145,338,047	17,076,678	17,528,755	14,528,630	14,491,608

Credit risk by public / private sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Provision held	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Public/ Government	60,723,819	52,494,757	-	-	-	-
Private	135,654,254	92,843,290	17,076,678	17,528,755	14,528,630	14,491,608
	196,378,073	145,338,047	17,076,678	17,528,755	14,528,630	14,491,608

48.2.4 Contingencies and Commitments	2021	2020
	----- Rupees in '000 -----	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	207,533	65,722
Mining and Quarrying	783,359	-
Textile	6,852,440	4,480,411
Chemical and Pharmaceuticals	1,011,299	89,032
Cement	1,758,859	2,041,238
Sugar	203,652	48,865
Footwear and Leather garments	-	120,900
Automobile and transportation equipment	1,604,400	2,117,699
Education	42,119	4,957
Electronics and electrical appliances	130,539	503,963
Production and transmission of energy	2,001,884	1,206,909
Construction	485,252	2,971,077
Power (electricity), Gas, Water, Sanitary	23,222	216,089
Wholesale and Retail Trade	2,212,729	2,020,837
Exports / Imports	34,639	221,253
Transport, Storage and Communication	342,233	663,428
Financial	4,211	81,155
Services	2,236,819	781,934
Individuals	20,656	142,961
Food and beverages	627,910	1,307,503
Manufacturing	2,826,759	1,792,582
Packing and Paper products	75,983	103,622
Others	25,318,830	1,019,167
	<u>48,805,327</u>	<u>22,001,304</u>
Credit risk by public / private sector		
Public/ Government	-	1,457,024
Private	48,805,327	20,544,280
	<u>48,805,327</u>	<u>22,001,304</u>

48.2.5 Concentration of Financing

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 82,331.050 million (2020: Rs. 67,428.914 million) are as following:

	2021	2020
	----- Rupees in '000 -----	
Funded	73,499,823	62,136,283
Non Funded	8,871,424	5,292,631
Total Exposure	<u>82,371,247</u>	<u>67,428,914</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 86,734 million (2020: Rs. 76,840 million)

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

48.2.6 Total funded classified therein

	2021		2020	
	Amount	Provision held	Amount	Provision held
	----- Rupees in '000 -----			
OAEM	164,571	-	149,428	-
Substandard	554,426	92,057	485,371	34,915
Doubtful	1,113,707	334,116	1,947,553	536,216
Loss	15,243,974	14,102,457	14,946,403	13,920,477
Total	<u>17,076,678</u>	<u>14,528,630</u>	<u>17,528,755</u>	<u>14,491,608</u>

48.2.7 Financing - Province/Region-wise Disbursement & Utilization

Province / Region	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
	----- Rupees in '000 -----						
Punjab	71,064,629	-	-	-	-	-	-
Sindh	94,310,824	94,310,824	-	-	-	-	-
KPK including FATA	753,877	-	753,877	-	-	-	-
Baluchistan	575,256	-	-	575,256	-	-	-
Islamabad	35,527,208	-	-	-	35,527,208	-	-
AJK including Gilgit-Baltistan	86,230	-	-	-	-	-	86,230
Total	202,318,024	71,064,629	94,310,824	753,877	575,256	35,527,208	86,230

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

48.3 Market Risk

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

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

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

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

48.3.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- Rupees in '000 -----					
Cash and balances with treasury banks	24,552,347	-	24,552,347	22,034,025	-	22,034,025
Balances with other banks	3,691,953	-	3,691,953	12,308,269	-	12,308,269
Due from financial institutions	34,945,365	-	34,945,365	41,640,012	-	41,640,012
Investments	124,838,317	-	124,838,317	95,239,635	-	95,239,635
Islamic financings, related assets & advances	181,176,239	-	181,176,239	130,161,889	-	130,161,889
Fixed assets	13,617,439	-	13,617,439	11,741,506	-	11,741,506
Intangible assets	3,176,180	-	3,176,180	3,108,498	-	3,108,498
Deferred tax assets	4,308,141	-	4,308,141	5,824,886	-	5,824,886
Other assets	18,084,193	-	18,084,193	13,636,969	-	13,636,969
Non-current assets held for sale	-	-	-	601,609	-	601,609
Total	408,390,174	-	408,390,174	336,297,298	-	336,297,298

48.3.2 Foreign Exchange Risk

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

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

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

	2021				2020			
	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 -----				----- Rupees in '000 -----			
Pakistan Rupee	401,276,917	374,768,088	(4,022,087)	22,486,742	318,339,017	307,999,799	9,404,748	19,743,966
United States Dollar	5,700,773	9,617,635	3,800,529	(116,333)	16,654,118	7,046,498	(9,435,134)	172,486
Great Britain Pound	617,478	683,515	71,062	5,025	591,273	584,261	-	7,012
Japanese Yen	9,344	48	-	9,296	17,725	48	-	17,677
Euro	625,256	753,131	150,496	22,621	581,385	750,038	30,386	(138,267)
UAE Dirham	103,263	35,754	-	67,509	26,856	8,782	-	18,074
Asian Currency Unit	34,996	-	-	34,996	67,413	-	-	67,413
Swiss Franc	-	-	-	-	2,680	-	-	2,680
Chinese Yuan	2,937	-	-	2,937	1,913	-	-	1,913
Australian Dollar	3,260	2,072	-	1,188	6,868	1,994	-	4,874
Saudi Riyal	14,317	12,294	-	2,023	7,727	6,076	-	1,651
Canadian Dollar	1,570	6,435	-	(4,865)	223	4,629	-	(4,406)
Turkish Lira	63	-	-	63	100	-	-	100
	408,390,174	385,878,972	-	22,511,202	336,297,298	316,402,125	-	19,895,173

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	245	-	1,512	-
- Other comprehensive income	-	-	-	-

48.3.3 Equity Position Risk

Equity position includes the following:

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

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

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

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	18,026	-	16,755	-

48.3.4 Yield / Profit Rate Risk

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

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

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in profit rates on				
- Profit and loss account	109,321	-	124,889	-
- Other comprehensive income	-	-	-	-

48.3.5 Mismatch of Yield / Profit Rate Sensitive Assets and Liabilities

	Effective Yield / Profit rate	Total	2021										Non-profit bearing financial instruments
			Exposed to Yield / Profit risk										
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
----- Rupees in '000 -----													
On-balance sheet financial instruments													
<i>Assets</i>													
Cash and balances with treasury banks	0.00%	24,552,347	-	-	-	-	-	-	-	-	-	-	24,552,347
Balances with other banks	8.55%	3,691,953	189,879	-	-	-	-	-	-	-	-	-	3,502,074
Due from financial institutions	7.74%	34,945,365	26,444,586	-	4,492,042	4,008,737	-	-	-	-	-	-	-
Investments	7.85%	124,838,317	33,439,354	40,074,994	49,481,579	-	-	-	-	-	-	-	1,842,390
Islamic financing related assets and advances		181,176,239	39,531,634	22,902,216	66,018,635	23,643,370	3,299,905	8,719,276	7,462,008	5,122,494	2,572,136	-	1,904,565
Other assets		16,180,881	-	-	-	-	-	-	-	-	-	-	16,180,881
		385,385,102	99,605,453	62,977,210	77,133,686	70,510,677	3,299,905	8,719,276	7,462,008	5,122,494	2,572,136	-	47,982,257
<i>Liabilities</i>													
Bills payable		3,484,210	-	-	-	-	-	-	-	-	-	-	3,484,210
Due to financial institutions	5.94%	21,193,332	7,291,471	3,111,600	1,531,400	1,805,305	745,868	2,800,000	3,691,010	-	-	216,678	-
Deposits and other accounts	3.65%	344,787,956	216,277,820	-	-	-	-	-	-	-	-	-	128,510,136
Subordinated sukuk	10.32%	2,000,000	-	2,000,000	-	-	-	-	-	-	-	-	-
Other liabilities		14,413,474	-	-	-	-	-	-	-	-	-	-	14,413,474
		385,878,972	223,569,291	5,111,600	1,531,400	1,805,305	745,868	2,800,000	3,691,010	-	-	216,678	146,407,820
On-balance sheet gap		(493,870)	(123,963,838)	57,865,610	75,602,286	68,705,372	2,554,037	5,919,276	3,770,998	5,122,494	2,355,458	-	(98,425,563)
Off-balance sheet financial instruments													
Documentary credits and short-term trade-related transactions		35,305,359	35,305,359	-	-	-	-	-	-	-	-	-	-
Commitments in respect of:													
- forward foreign exchange contracts		3,963,854	1,761,385	1,891,487	310,982	-	-	-	-	-	-	-	-
- other commitments		9,306,462	9,306,462	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		48,575,675	46,373,206	1,891,487	310,982	-	-	-	-	-	-	-	-
Total Yield/Profit Rate Risk Sensitivity Gap		(77,590,632)	59,757,097	75,913,268	68,705,372	2,554,037	5,919,276	3,770,998	5,122,494	2,355,458	-	-	(98,425,563)
Cumulative Yield/Profit Rate Risk Sensitivity Gap		(77,590,632)	(17,833,535)	58,079,733	126,785,105	129,339,142	135,258,418	139,029,416	144,151,910	146,507,368	48,081,805	-	-

		2020										Non-profit bearing financial instruments
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		
----- Rupees in '000 -----												
On-balance sheet financial instruments												
Assets												
	Cash and balances with Treasury Banks	-	-	-	-	-	-	-	-	-	-	22,034,025
1.77%	Balances with other Banks	3,313,151	-	-	-	-	-	-	-	-	-	8,995,118
11.09%	Due from financial institutions	28,508,452	11,634,430	1,497,130	-	-	-	-	-	-	-	-
11.19%	Investments	33,131,063	30,199,688	19,608,653	-	10,305,836	-	-	-	-	-	1,994,395
10.57%	Islamic financing, related assets and advances	28,334,517	7,931,116	24,771,832	46,006,108	2,523,311	5,359,580	11,324,771	20,707	310,562	-	3,579,385
	Other assets	12,624,557	-	-	-	-	-	-	-	-	-	12,624,557
		314,008,387	49,765,234	45,877,615	46,006,108	12,829,147	5,359,580	11,324,771	20,707	310,562	-	49,227,480
Liabilities												
	Bills payable	-	-	-	-	-	-	-	-	-	-	3,324,085
6.60%	Due to financial institutions	-	7,642,536	1,499,750	34,933	2,805,692	769,295	3,375,410	-	-	-	-
4.79%	Deposits and other accounts	191,004,296	-	-	-	-	-	-	-	-	-	92,637,055
12.91%	Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	-	-	-
	Other liabilities	11,309,073	-	-	-	-	-	-	-	-	-	11,309,073
		316,402,125	193,004,296	1,499,750	34,933	2,805,692	769,295	3,375,410	-	-	-	107,270,213
	On-balance sheet gap	(2,393,738)	(99,217,113)	(42,122,698)	(44,377,865)	(45,971,175)	(10,023,455)	(4,590,285)	(20,707)	310,562	-	(58,042,733)
Off-balance sheet financial instruments												
	Documentary credits and short-term trade-related transactions	22,345,454	-	-	-	-	-	-	-	-	-	-
	Commitments in respect of:											
	- forward foreign exchange contracts	(9,404,748)	(28,904)	71,760	-	-	-	-	-	-	-	-
	- other commitments	7,730,405	-	-	-	-	-	-	-	-	-	-
	Off-balance sheet gap	20,671,111	(28,904)	71,760	-	-	-	-	-	-	-	-
	Total Yield/Profit Rate Risk Sensitivity Gap	(79,088,858)	42,093,794	44,449,625	45,971,175	10,023,455	4,590,285	7,949,361	20,707	310,562	-	(58,042,733)
	Cumulative Yield/Profit Rate Risk Sensitivity Gap	(79,088,858)	(36,995,064)	7,454,561	53,425,736	63,449,191	68,039,476	75,988,837	76,009,544	76,320,106	-	18,277,373

48.4 Operational Risk

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

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

48.4.1 Operational Risk-Disclosures Basel II Specific

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

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

48.5 Liquidity Risk

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

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 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, 2021, Bank's LCR stood at 249.73% against the SBP's minimum requirement of 100%.

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

Governance of Liquidity risk management

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

Funding Strategy

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

Liquidity Risk Mitigation techniques

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

Liquidity Stress Testing

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

Contingency Funding Plan

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

Main drivers of LCR Results

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

Composition of High Quality Liquid Assets - HQLA

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

Concentration of Funding Sources

Being a commercial bank, it relies on funds provided by depositors. However the Bank has been continuously improving upon its ratio of core deposits. Current and Saving accounts consist of 68.68% of total deposits, term deposits are 31.32% and acceptance from SBP and financial institutions is 6.15% of total deposits. Moreover the Bank does not rely on top few depositors to meet its funding requirements. This clearly shows that the funding sources for the Bank are well diversified.

Currency Mismatch in the LCR

Currency mismatch is minimal as FCY deposits are 3.21% of Bank's total deposits.

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

2021

	Rupees in '000									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	24,552,347	24,552,347	-	-	-	-	-	-	-	-
Balances with other banks	3,691,953	3,691,953	-	-	-	-	-	-	-	-
Due from financial institutions	34,945,365	26,444,586	-	4,008,737	4,492,042	-	-	-	-	-
Investments	124,838,317	1,214,447	10,305,836	-	-	-	689,794	78,474,104	33,526,194	627,942
Islamic financing and related assets and advances	181,176,239	37,368,170	14,849,585	16,412,742	38,490,928	6,626,477	10,694,976	15,409,630	21,551,810	19,771,921
Fixed assets	13,617,439	12,709	25,649	39,672	820,903	368,395	530,090	1,892,755	2,270,062	7,657,204
Intangible assets	3,176,180	-	2,329	44,166	13,259	24,153	20,899	127,077	-	2,944,297
Deferred tax assets	4,308,141	-	-	-	240,279	862,053	320,262	867,922	2,017,625	-
Other assets	18,084,193	3,798,475	5,704,236	6,292,451	385,720	-	-	50,000	1,853,311	-
	408,390,174	97,082,687	30,887,635	26,797,768	44,443,131	7,881,078	12,256,021	96,821,488	61,219,002	31,001,364
Liabilities										
Bills payable	3,484,210	3,484,210	-	-	-	-	-	-	-	-
Due to financial institutions	21,193,332	7,291,471	3,111,600	1,531,400	1,805,305	745,868	2,800,000	3,691,010	-	216,678
Deposits and other accounts	344,787,956	273,529,593	27,660,567	16,954,991	19,290,762	5,979,641	628,323	637,057	106,512	510
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	-	2,000,000
Other liabilities	14,413,474	3,423,976	484,763	5,623,011	447,486	3,213,456	418,530	802,252	-	-
	385,878,972	287,729,250	31,256,930	24,109,402	21,543,553	9,938,965	3,846,853	5,130,319	106,512	2,217,188
Net assets	22,511,202	(190,646,563)	(369,295)	2,688,366	22,899,578	(2,057,887)	8,409,168	91,691,169	61,112,490	28,784,176
Share capital - net	11,007,991									
Reserves	1,703,164									
Surplus on revaluation of assets	3,464,337									
Unappropriated profit	6,335,710									
	22,511,202									

2020

Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
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Rupees in '000

Assets

Cash and balances with treasury banks	22,034,025	-	-	-	-	-	-	-	-
Balances with other banks	12,308,269	-	-	-	-	-	-	-	-
Due from financial institutions	41,640,012	11,634,430	1,497,130	-	-	-	-	-	-
Investments	95,239,635	-	-	23,168	10,305,836	-	45,168,817	37,897,419	627,942
Islamic financing and related assets and advances	130,161,889	28,842,777	24,777,628	4,632,523	3,618,422	6,883,782	15,885,732	22,366,896	11,709,075
Fixed assets	11,741,505	2,822	9,069	851,363	241,466	374,756	1,738,456	1,860,291	6,657,683
Intangible assets	3,108,497	-	31,275	9,389	17,103	14,799	89,985	-	2,944,297
Deferred tax assets	5,824,888	-	-	331,225	1,188,337	441,480	3,863,846	-	-
Other assets	13,636,969	2,577,527	2,942,019	1,024,402	-	-	50,000	-	2,376,066
Non-current assets held for sale	601,609	-	-	601,609	-	-	-	-	-
	336,297,298	95,490,325	29,257,121	7,473,679	15,371,164	7,714,817	66,796,836	62,124,606	24,315,063

Liabilities

Bills payable	3,324,085	-	-	-	-	-	-	-	-
Due to financial institutions	16,127,616	6,422,800	1,499,750	34,933	2,805,692	769,295	3,375,410	-	1,219,736
Deposits and other accounts	283,641,351	43,406,005	22,450,387	28,525,411	14,407,168	16,442,545	26,607,400	51,986,402	45,629,384
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	2,000,000
Other liabilities	11,309,073	2,836,963	2,478,285	551,051	3,443,873	227,486	993,053	-	-
	316,402,125	49,567,053	26,428,422	29,111,395	20,656,733	17,439,326	30,975,863	51,986,402	48,849,120
Net assets	19,895,173	45,923,272	2,828,699	(21,637,716)	(5,285,569)	(9,724,509)	35,820,973	10,138,204	(24,534,057)

Share capital - net	11,007,991
Reserves	1,526,894
Surplus on revaluation of assets	3,030,509
Unappropriated profit	4,329,779
	19,895,173

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

2021

	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	24,552,347	24,552,347	-	-	-	-	-	-	-	-
Balances with other banks	3,691,953	3,691,953	-	-	-	-	-	-	-	-
Due from financial institutions	34,945,365	26,444,586	-	4,008,737	4,492,042	-	-	-	-	-
Investments	124,838,317	1,214,447	10,305,836	-	-	627,942	689,794	78,474,104	33,526,194	-
Islamic financing and related assets and advances	181,176,239	37,368,170	14,849,585	16,412,742	38,490,928	6,626,477	10,694,976	15,409,630	21,551,810	19,771,921
Fixed assets	13,617,439	12,709	25,649	39,672	820,903	368,395	530,090	1,892,755	2,270,062	7,657,204
Intangible assets	3,176,180	-	2,329	44,166	13,259	24,153	20,899	127,077	-	2,944,297
Deferred tax assets	4,308,141	-	-	-	240,279	862,053	320,262	867,922	2,017,625	-
Other assets	18,084,193	3,798,475	5,704,236	6,292,451	385,720	-	-	50,000	1,853,311	-
	408,390,174	97,082,687	30,887,635	26,797,768	44,443,131	8,509,020	12,256,021	96,821,488	61,219,002	30,373,422
Liabilities										
Bills payable	3,484,210	3,484,210	-	-	-	-	-	-	-	-
Due to financial institutions	21,193,332	7,291,471	3,111,600	1,531,400	1,805,305	745,868	2,800,000	3,691,010	-	216,678
Deposits and other accounts	344,787,956	49,232,910	38,371,112	25,756,931	26,747,147	20,905,261	23,010,325	37,944,681	74,708,916	48,110,673
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	-	2,000,000
Other liabilities	14,413,474	3,423,976	484,763	5,623,011	447,486	3,213,456	418,530	802,252	-	-
	385,878,972	63,432,567	41,967,475	32,911,342	28,999,938	24,864,585	26,228,855	42,437,943	74,708,916	50,327,351
Net assets	22,511,202	33,650,120	(11,079,840)	(6,113,574)	15,443,193	(16,355,565)	(13,972,834)	54,383,545	(13,489,914)	(19,953,929)
Share capital - net	11,007,991									
Reserves	1,703,164									
Surplus on revaluation of assets	3,464,337									
Unappropriated profit	6,335,710									
	22,511,202									

2020

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks	22,034,025	-	-	-	-	-	-	-	-	-
Balances with other banks	12,308,269	-	-	-	-	-	-	-	-	-
Due from financial institutions	41,640,012	28,508,452	11,634,430	1,497,130	-	-	-	-	-	-
Investments	95,239,635	1,216,453	-	-	23,168	10,933,778	-	45,168,817	37,897,419	-
Islamic financing and related assets and advances	130,161,889	28,842,777	11,445,054	24,777,628	4,632,523	3,618,422	6,883,782	15,885,732	22,366,896	11,709,075
Fixed assets	11,741,505	2,822	5,599	9,069	851,363	241,466	374,756	1,738,456	1,860,291	6,657,683
Intangible assets	3,108,497	-	1,649	31,275	9,389	17,103	14,799	89,985	-	2,944,297
Deferred tax assets	5,824,888	-	-	-	331,225	1,188,337	441,480	3,863,846	-	-
Other assets	13,636,969	2,577,527	4,666,955	2,942,019	1,024,402	-	-	50,000	-	2,376,066
Non-current assets held for sale	601,609	-	-	78,808	522,801	-	-	-	-	-
	336,297,298	95,490,325	27,753,687	29,335,929	7,394,871	15,999,106	7,774,817	66,796,836	62,124,606	23,687,121
Liabilities										
Bills payable	3,324,085	3,324,085	-	-	-	-	-	-	-	-
Due to financial institutions	16,127,616	-	6,422,800	1,499,750	34,933	2,805,692	769,295	3,375,410	-	1,219,736
Deposits and other accounts	283,641,351	43,396,005	34,196,649	22,450,387	28,525,411	14,407,168	16,442,545	26,607,400	51,986,402	45,629,384
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	-	2,000,000
Other liabilities	11,309,073	2,836,963	778,362	2,478,285	551,051	3,443,873	227,486	993,053	-	-
	316,402,125	49,557,053	41,397,811	26,428,422	29,111,395	20,656,733	17,439,326	30,975,863	51,986,402	48,849,120
Net assets	19,895,173	45,933,272	(13,644,124)	2,907,507	(21,716,524)	(4,657,627)	(9,724,509)	35,820,973	10,138,204	(25,161,999)
Share capital- net	11,007,991									
Reserves	1,526,894									
Surplus on revaluation of assets	3,030,509									
Unappropriated profit	4,329,779									
	19,895,173									

48.6 Strategic Risk

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

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

48.7 Systemic Risk

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

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

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

48.8 Shariah Non-compliance Risk

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

48.9 Shariah compliant forward and future contracts

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

49 GENERAL

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

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

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

49.4 Corresponding figures

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

Transfer from	Transfer to	As at December 31, 2020
Statement of Financial Position:		
Bills Payable	Deposits	<u><u>1,625,401</u></u>
Profit and Loss Account:		
Placements	Investments	<u><u>1,364,540</u></u>

50 DATE OF AUTHORISATION FOR ISSUE

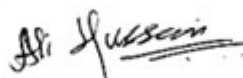
These unconsolidated financial statements were authorized for issue on March 01, 2022 by the Board of Directors of the Bank.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Annexure - I

STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2021

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year			Rupees in '000-			Principal written-off	Profit written-off / waived	Other financial	Total (9+10+11)
				Principal	Profit	Others	5	6	7				
1	M/s Bismillah Distributors First Floor, Telenor Franchise 1, Opposite Qasim Park Sialkot	Muhammad Asif Ayaz Rana 45504-1793524-7	Muhammad Ayaz Rana	3,739	1,365	-	5,104	-	-	1,365	-	-	1,365
2	House No. 8/II, Street No. A, DHA Phase V, Karachi	Arif Ali Shah Bukhari 42301-9080626-1	Khadim Ali Shah Bukhari	248,477	248,904	-	497,381	-	-	248,904	-	-	248,904
3	M/s Bin Bashir Textile 2-KM, Jaanwala Road, Khurrianwala, Faisalabad	1) Bashir Ahmed 33100-0805678-1 2) Naseer Ahmad 33100-7872898-7 3) Nasir Naseer 33100-0132073-1 4) Sumaira Bashir 33100-0747109-8	1) Muhammad Rafique 2) Muhammad Rafique 3) Naseer Ahmad 4) Bashir Ahmad	14,999	11,781	-	26,780	-	-	11,781	-	-	11,781
4	M/s Kohinoor Flour Mills Plot No. 429, 441, 442, Main Korangi Creek Road, Karachi	Junaid Asad Khan 42301-6477107-5	Asad Abbas Khan	39,997	7,655	-	47,652	-	-	7,655	-	-	7,655
5	Muhammad Sarmad Nadeem House No. 326, Street No. 4, GG Phase IV, DHA, Lahore	Muhammad Sarmad Nadeem 42301-4248326-9	Ch. Muhammad Sarwar	3,158	841	-	3,999	-	-	841	-	-	841
6	M/s Modesty Sports P.O. Box 385, Modesty Road, Malley Kalan, Sialkot.	1) Malik Muhammad Sarwar 34603-6710572-5 2) Muhammad Jamil 34603-9726161-1 3) Muhammad Botta 34603-9812611-1 4) Malik Muhammad Saleem 34603-9822111-1 5) Malik Mehmood-ur-Hassan 34603-0612760-9 6) Azmat Ullah 34603-7176944-1 7) Muhammad Ajmal 34603-4897803-5 8) Abdul Majeed 34603-7936865-3	1) Muhammad Din 2) Malik Muhammad Sarwar 3) Malik Allah Rakha 4) Malik Allah Rakha 5) Muhammad Sarwar 6) Saeed Ahmed 7) Saeed Ahmed 8) Saeed Ahmed	18,874	11,963	-	30,837	-	-	10,318	-	-	10,318
7	M/s Azgard Nine Limited Ismail Aiw-an-e-Roomi, Lahore - 54600	1) Ahmed H. Shaikh 35201-8953938-7 2) Abdul Hamid Ahmed Degia 42101-1573230-1 3) Abid Hussain 42201-6556219-9 4) Zahid Mahmood 42501-1542129-5 5) Usman Rasheed 45101-0633360-7 6) Nasir Ali Khan Bhatti 35200-1532448-1 7) Maliha Sarda Azam 35202-1349008-2 8) Muhammad Wasim Butt 35202-2811322-7	1) Humayun Naseer Shaikh 2) Ahmed Degia 3) Ghulam Hussain Ultranwala 4) Abdul Hameed 5) Rasheed Ahmed 6) Muhammad Yousef Bhatti 7) Khan Muhammad Azam 8) Muhammad Shafi Butt	465,107	278,442	257,419	1,000,967	309,936	278,442	257,419	257,419	-	845,797
8	M/s Moon CNG Station Moon Street, Mohallah Prem Nagar, City Sialkot, Tehsil & District Sialkot	Naseem Akhtar 34603-3947125-9	Sheikh Abdul Majeed	2,380	2,888	-	5,268	-	-	2,867	-	-	2,867
9	Mirza Majid House # 127, Block-R, DHA, Lahore.	Mirza Majid 35201-1542943-5	Munir Ahmad	20,696	26,128	-	46,824	-	-	26,128	-	-	26,128
10	Sheharyar Ali Shah Mouza Bahawalpur, Ghaiwan Post Office, Hataji Tehsil, Ahmed Pur East, Dist. Bahawalpur.	Sheharyar Ali Shah 70258-6286186-1	Sajjad Ali Shah	2,796	4,760	-	7,556	-	-	4,760	-	-	4,760
11	Samina Ashfaq Khevat No.7, Block-6, Khatooni No.13, Mauza Dualaabad, Gulshane-E-Khalq Housing Scheme, Multan.	Samina Ashfaq 36302-0745169-2	W/o Ashfaq Khan Khakwani	1,772	1,628	-	3,400	-	-	1,628	-	-	1,628
12	Abdul Jamil Khan House # 10/II, Lane # 7, Phase-II, DHA, Islamabad.	Abdul Jamil Khan 15402-1431365-3	Naik Anam Khan	665	1,583	-	2,248	-	-	1,583	-	-	1,583

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year					Principal written-off	Profit written-off / waived	Other financial	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)	8				
1	2	3	4	5	6	7	8	9	10	11	12	
13	Javed Butt Butt Kashmir Motor, Shop No.2, Shah Allah Ditta Road, Rawalpindi.	Javed Butt 61101-1993078-7	Mahad Butt	281	1,095	-	1,376	-	1,095	-	1,095	
14	Abdur Rehman (Late) House No.774, Street No.5, Sector 1/9-1, Islamabad.	Abdur Rehman 61101-8104811-5	Ajab Khan	384	1,012	-	1,396	-	1,012	-	1,012	
15	Muhammad Ajmal Ashfaq Mini Housing Society, Shaukat Town, Ghazi Road, Lahore.	Muhammad Ajmal Ashfaq 35201-0912751-3	Noor Ul Haq	441	784	-	1,225	-	784	-	784	
16	Kashif Alam 502 Upper Portion, Block D, Faisal Town, Lahore.	Kashif Alam 35202-7540455-5	Muhammad Khurshed Alam Khan	248	738	-	986	-	738	-	738	
17	Ifrikhar Ahmed Bajwa Ghoona Road, Bajwa House, Muhalla Millat House, Faisalabad.	Ifrikhar Ahmed 33100-5831177-3	Noor Ahmed Bajwa	298	622	-	920	-	622	-	622	
18	Shafiq Ahmed & Muhammad Shabbir Plot # 106/100, Khatoomi # 256, Qila 1, Salam Khata # 07/10, Mouza Aman Garh, Rahim Yar Khan.	Shafiq Ahmed & Muhammad Shabbir 31303-2463626-7	Manzoor Ahmed	9,846	2,524	362	12,732	-	194	372	566	
19	Muhammad Zeeshan & /or Mah Rukh Zeeshan House # 257, Shaheen Block, The Greater Lahore Co Operative Housing Society Ltd, Lahore.	Muhammad Zeeshan & /or Mah Rukh Zeeshan 34101-6088228-3	Shahid Pervaiz	4,917	505	279	5,701	-	505	279	785	
20	Kanwal Zehra bokharey Apartment No. 12, 4th Floor, Block-C, Clara Apartment, Diplomatic Enclave, Sector G-5, Islamabad.	Kanwal Zehra Bokharey 35202-2453818-4	Syed Nurzhat Bokharey	12,668	1,579	289	14,525	-	1,579	289	1,868	
21	Muhammad Mansoor Flat No. A-49, 4th Floor, Latif Plaza, Sub Plot No. F-4, Block-6, Scheme No. 24, Gulshan-e-Iqbal Town Karachi.	Muhammad Mansoor 42401-8142311-1	Jamal Uddin	3,467	651	65	4,183	-	551	65	616	
22	Adil Khan House # IH-114, Air Force Officers Co-Operative Housing Society, Falcon Complex, New Malir, Opp. Check Post V, Malir Cantt, Karachi.	Adil Khan 32102-1196565-9	Ata Muhammad Khan	41,368	2,622	651	44,640	-	169	651	820	
23	Syed Shujat Husain House No. 136/II, 33rd Street, Phase VI, DHIA, Karachi	Syed Shujat Husain 42000-0465976-1	Syed Warasat Husain	58,390	10,549	1,695	70,633	-	-	1,460	1,460	
24	Tehmena Khalid Flat # GF-1, Ground Floor, Building # Measuring 2100 Sq Feet, 18-A, Sea View Township, Phase V, Extension, DHIA, Karachi.	Tehmena Khalid 42301-3730199-4	Khalid Anam	19,397	3,228	167	22,791	-	3,228	167	3,395	

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year					Principal written-off	Profit written-off / waived	Other financial	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)	9				
1	2	3	4	5	6	7	8	9	10	11	12	
25	Aftab / Sadia House No. 716, Block F, M.A Jhar Town, Lahore	Aftab / Sadia 36104-3679784-5	Muhammad Shafi	21,933	3,865	679	26,477	-	1,373	679	2,052	
26	Gohar Ali Riaz Plot # 127, Block A-2, Valencia Town, Lahore.	Gohar Ali Riaz 35202-4654570-3	Sheikh Muhammad Riaz	8,261	2,613	444	11,318	-	736	444	1,180	
27	Aurora AG Autos Shop # 2.3 Mir Market Near Allied Bank Bilal Ganj Lahore	Amyjad Hussain 35202-3405738-7	Gulzar Hussain	1,795	1,327	116	3,239	-	1,177	116	1,294	
28	Mehwish Khan & /or Ghazanfar Qadri Plot # 306-D, Khayaban-e-Shujaat, Phase- VIII-B, PDHA, Karachi	Mehwish Khan & /or Ghazanfar Qadri 42201-0639652-6	Ghazanfar Qadri	6,664	816	335	7,816	-	590	335	926	
29	Hassan Nawaz AM Plot No.194, Block D, Phase I, State Life Insurance Employees Housing Society, Lahore	Hassan Nawaz 42301-1217226-1	Muhammad Nawaz	11,078	1,904	261	13,243	-	1,451	261	1,712	
30	Ahmer Yunus & /or Sadia Naz Plot No. 68/1, Zulfikar Street-I-B, Phase VIII-A, DHA, Karachi	Ahmer Yunus & /or Sadia Naz 42301-1885286-7	Idris Yunus	44,174	515	539	45,228	-	515	539	1,054	
31	Khadija Hussain Kohli No. 55-S-38-C, Bearing Khewat No. 208, Khatoni No. 600 and Khasra No. 5730/1979, Situated At Chmen Bagh, Mauza Raigarh, Lahore	Khadija Hussain 35404-9947297-5	Noor Muhammad	925	454	112	1,490	-	378	112	490	
32	Adnan Haider / Sadia Plot # 143/II, Survey # 26 Kh-e-Ghazi, Phase-VI, DHA, Karachi	Adnan Haider / Sadia 27642-2100240-1	Syed M Haider Naqvi	22,599	4,169	82	26,850	-	3,523	82	3,605	
33	Nasir Hussain & /or Shakdia Bibi House # 3, Street # 6, Khewat # 253, Khatooni # 1857, Khasra # 52, 53, Baba Fareed Colony, Lahore.	Nasir Hussain & /or Shakdia Bibi 35201-1466202-1	Nazir Ahmad	4,126	1,418	248	5,792	-	1,395	248	1,643	
34	Raana Shah Flat No. 9, Blue Tower, Sub Plot No. B-1/C, Part of Commercial No. I, Qasimabad, Hyderabad	Raana Shah 41201-4188432-0	Noor Ahmed	2,884	547	27	3,458	-	547	27	574	
35	Saeed ud Din & Mrs. Uzma Plot # 30/1, Main Khayaban-e-Shaheen, Phase V, Measuring 1000 Sq. Yds. DHA, Karachi.	Saeed ud Din & Mrs. Uzma 42201-4802010-7	Syed Nasruddin	40,000	13,926	2,527	56,452	-	12,426	174	12,600	
36	Athar Aslam & Asima Athar Plot # 11, Measuring 6 Marla, Vide Khewat # 874 Khatooni # 1010, Khasra # 1781/310/11, Situated at Samaan Zar Scheme, Hadbst Mouza Ajodhia Pur, Lahore.	Athar Aslam & Asima Athar 35202-0980844-9	Muhammad Aslam	3,048	956	48	4,052	-	956	48	1,004	
TOTAL:				1,141,841	656,355	266,345	2,064,540	309,936	631,817	263,767	1,205,520	

* Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.

Annexure - II

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

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
Furniture and Fixture	1,086	1,086	-	61	61	Tender	Adam Traders
Computer Hardware	1,071	1,071	-	60	60	Tender	Adam Traders
Computer Hardware	5,809	3,865	1,943	165	(1,778)	Tender	Adam Traders
Furniture and Fixture	608	329	279	351	72	Tender	Adam Traders
Computer Hardware	1,892	1,853	39	54	14	Tender	Adam Traders
Building	9,051	453	8,598	7,682	(916)	Tender	Saud Rasheed
Building	17,010	1,327	15,683	19,000	3,317	Tender	Shujauddin & Brothers
Building	8,775	371	8,404	6,302	(2,102)	Tender	Saud Rasheed
Total	45,302	10,355	34,946	33,675	(1,272)		



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Chartered Accountants
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Karachi 75530 Pakistan
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INDEPENDENT AUDITOR'S REPORT

To the members of BankIslami Pakistan Limited

Opinion

We have audited the annexed consolidated financial statements of **BankIslami Pakistan Limited** (the Bank) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and 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 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matter

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



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Following are the Key Audit Matters:

S.No.	Key Audit Matters	How the matter was addressed in our audit
1.	<p>Provision against Islamic financing, related assets and advances (Refer Note 12.17)</p> <p>The Group’s Islamic financing portfolio includes fund-based and non-funded financing facilities.</p> <p>As per the Group’s accounting policy (refer note 7.4.14 to the consolidated financial statements), the Group determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision against corporate and consumer financing in respect of potential credit losses in the portfolio.</p> <p>The Prudential Regulations require specific provisioning against loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Group’s credit portfolio. The determination of loan loss provision against financing, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers</p>	<p>Our audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> • Reviewed the design and tested the operating effectiveness of key controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing loans. <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> • automated (IT system based) controls over correct classification of non-performing financing on time based criteria; • controls over monitoring of financing with higher risk of default and correct classification of non-performing financing on subjective criteria; • controls over accurate computation and recording of provisions; and • controls over the governance and approval process related to provisions, including continuous reassessment by the management. • In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total Islamic financing portfolio and





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S.No.	Key Audit Matters	How the matter was addressed in our audit
	<p>repayment behaviors and realizability of collateral held by the Group.</p> <p>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 provision as a significant area of audit judgment and a key audit matter.</p>	<p>performed the following substantive procedures for sample loan accounts:</p> <ul style="list-style-type: none"> - verified repayments of loan / profit installments and checked that non-performing financing have been correctly classified and categorized based on the number of days overdue; and - examined watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate. <ul style="list-style-type: none"> • Checked the accuracy of specific provision made against non-performing financing and of general provision made against consumer finance by recomputing the provision amount after considering the benefit of forced sales value, if any, in accordance with the criteria prescribed under the PRs. • Where the management has not identified indicators displaying impairment, reviewed the credit history, account movement, financial ratios, report on security maintained and challenged the management's assessment based on our view of the credit from the review of credit file.



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S.No.	Key Audit Matters	How the matter was addressed in our audit
2.	<p>Valuation of investments</p> <p>(Refer note 11 to the consolidated financial statements)</p>	
	<p>The carrying value of investments held by the Group amounted to Rs. 125.229 million, which constitutes 30.64% of the Group's total assets as at 31 December 2021.</p> <p>The significant portion of the investments comprise of federal government securities and Non-Government shariah compliant securities.</p> <p>Investments are carried at amortised cost or fair value in accordance with the Group's accounting policy relating to their recognition. Provision against investments is made based on impairment policy of the Group which includes both objective and subjective factors.</p> <p>We identified assessing the carrying value of the investment as a key audit matter because of its significance to the consolidated financial statements and also because assessing the key impairment assumptions involves management judgment.</p>	<p>Our audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessed the design and tested operating effectiveness of the relevant controls in place relating to valuation of investments; • Checked the valuation of investments in the portfolio, as recorded in the general ledger, to supporting documents, externally quoted market prices and break-up values including the significant or prolonged decline in fair value of equity investments for impairment; • Obtained independent confirmations for verifying the existence of the investment portfolio as at 31 December 2021 and reconciled it with the books and records of the Group. Where such confirmations were not available, alternate procedures were performed; • Evaluated the Group's assessment of available for sale financial assets for any additional impairment in accordance with the relevant accounting standards as applicable in Pakistan and performed an independent assessment of the assumptions and conclusions; and



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S.No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • Considered the Group's disclosures of investments, such as the fair value hierarchy, to the requirements of applicable financial reporting framework.
3.	Recoverability of deferred tax assets	
	<p>As disclosed in note 15 to the consolidated financial statements, the Group has recorded Rs. 4,183.055 million with respect to deferred tax assets, of which Rs. 2,591.239 million represents carryforward accumulated tax losses.</p> <p>The carry-forward of unused tax losses requires a deferred tax asset to be recognized to the extent that it is probable that future tax profits are available against which the unused tax losses can be set off.</p> <p>We deemed this subject to be a key audit matter because management is required to exercise judgement when deciding whether to recognize a deferred tax asset for tax loss carryforwards as well as when assessing the recoverability of recognized deferred tax assets.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the process and controls on this area relevant to our audit; • Evaluated the appropriateness of the components on which the Group has recognized deferred tax asset in light of the requirements of the Income Tax Ordinance, 2001, considering factors including age and expiry of the deferred tax asset and tax rates enacted. • Evaluated the Group's assumptions and estimates in relation to the likelihood of generating future taxable income, principally by performing sensitivity analysis and testing the key assumptions used by the management. • Assessed the adequacy of the Group's disclosures in accordance with applicable financial reporting framework.



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S.No.	Key Audit Matters	How the matter was addressed in our audit
4.	Impairment testing of goodwill	
	<p>As at 31 December 2021, intangible assets include goodwill amounting to Rs. 2,991.308 million acquired as a result of scheme of amalgamation as disclosed in note 14.2 to the consolidated financial statements.</p> <p>Goodwill is required to be annually assessed for impairment under IAS-36 "Impairment of Assets". Accordingly, Management has performed an impairment test of the goodwill which is subjective in nature due to assumptions made about future performance.</p> <p>As disclosed in note 14.2, the Group uses a discounted cash flow model to determine value in use, on the basis of the certain key assumptions.</p> <p>Due to the significance and impact of the assumptions and judgements involved, the impairment tests of goodwill is considered to be a key audit matter.</p>	<p>Our audit procedures, amongst others, included the following:</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; • Involved our internal valuation specialists to review and evaluate management's key assumptions used in impairment calculations; • Performed sensitivity analyses around the key assumptions used in the models. • Assessed the adequacy of the related disclosures in the consolidated financial statements in accordance with the applicable financial reporting framework.





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Information other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other Information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports 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 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.



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Auditors' 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

**KPMG Taseer Hadi & Co.**

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.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 4th March 2021.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

Date: 03 March 2022**Karachi****UDIN: AR202110106gTysNnhJE**


KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2021

	Note	2021	2020
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks	8	24,552,347	22,034,025
Balances with other banks	9	3,694,155	12,310,472
Due from financial institutions - net	10	34,945,365	41,640,012
Investments - net	11	125,228,590	95,622,282
Islamic financing, related assets and advances - net	12	181,176,239	129,971,889
Fixed assets	13	13,618,491	11,721,873
Intangible assets	14	3,223,191	3,155,509
Deferred tax assets	15	4,183,055	5,699,800
Other assets - net	16	18,084,464	13,637,939
Non-current assets held for sale	17	-	2,146,789
Total Assets		408,705,897	337,940,590
LIABILITIES			
Bills payable	18	3,484,210	3,324,085
Due to financial institutions	19	21,193,332	16,127,616
Deposits and other accounts	20	344,787,951	282,936,750
Subordinated sukuk	21	2,000,000	2,000,000
Deferred tax liabilities		-	-
Other liabilities	22	14,433,237	11,343,041
Liabilities directly associated with non-current assets held for sale	17	-	1,696,016
		385,898,730	317,427,508
NET ASSETS		22,807,167	20,513,082
REPRESENTED BY			
Share capital - net	23	11,007,991	11,007,991
Reserves	24	1,703,144	1,526,894
Surplus on revaluation of assets - net of tax	25	3,455,272	3,026,358
Unappropriated profit		6,640,760	4,734,999
		22,807,167	20,296,242
Non-controlling interest		-	216,840
		22,807,167	20,513,082
CONTINGENCIES AND COMMITMENTS			
	26		

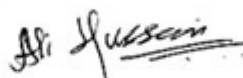
The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Consolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020
----- Rupees in '000 -----			
Profit / return earned	27	23,226,839	25,721,150
Profit / return expensed	28	12,275,199	13,229,599
Net Profit / return		10,951,640	12,491,551
OTHER INCOME			
Fee and commission income	29	1,226,894	900,127
Dividend income		24,643	17,391
Foreign exchange income		481,902	364,705
Gain on securities	30	101,976	242,433
Other income - net	31	93,838	110,024
Total other income		1,929,253	1,634,680
Total Income		12,880,893	14,126,231
OTHER EXPENSES			
Operating expenses	32	9,549,614	8,578,042
Workers Welfare fund		70,693	55,321
Other charges	33	2,525	130,504
Total other expenses		9,622,832	8,763,867
Profit before provisions		3,258,061	5,362,364
Provisions and write offs - net	34	31,888	2,601,023
Extra ordinary / unusual items		-	-
Share of profit / (loss) from associate - net of tax		7,626	(229,789)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		3,233,799	2,531,552
Taxation	35	1,265,556	1,056,312
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		1,968,243	1,475,240
DISCONTINUED OPERATIONS			
Profit after taxation from Discontinued Operations		92,609	92,322
PROFIT AFTER TAXATION		2,060,852	1,567,562
ATTRIBUTABLE TO:			
Equity shareholders of the Bank		2,031,160	1,546,367
Non-controlling interest		29,692	21,195
		2,060,852	1,567,562
----- Rupees -----			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank			
Basic and diluted	36	1.7753	1.3306
Earnings per share for profit attributable to the ordinary equity holders of the Bank			
Basic and diluted	36	1.8320	1.3948

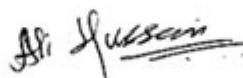
The annexed notes 1 to 50 form an integral part of these condensed interim consolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	----- Rupees in '000 -----	
Profit after taxation for the year attributable to:		
Equity shareholders of the Bank	2,031,160	1,546,367
Non-controlling interest	29,692	21,195
	<u>2,060,852</u>	<u>1,567,562</u>
Other Comprehensive Income / (Loss)		
Items that may be reclassified to consolidated profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments - net of tax attributable to:		
Equity shareholders of the Bank	(13,588)	(1,595,284)
Non-controlling interest	4,048	858
	<u>(9,540)</u>	<u>(1,594,426)</u>
Items that may not be reclassified to consolidated profit and loss account in subsequent periods:		
Re-measurement (loss) / gain on defined benefit obligations - net of tax	(33,779)	3,280
Movement in surplus on revaluation of fixed assets - net of tax	595,816	58,376
Movement in surplus on revaluation of non-banking assets - net of tax	(68,684)	24,774
	<u>493,353</u>	<u>86,430</u>
Total comprehensive income	<u><u>2,544,665</u></u>	<u><u>59,566</u></u>
Total comprehensive income attributable to:		
Equity shareholders of the Bank	2,510,925	37,513
Non-controlling interest	33,740	22,053
	<u>2,544,665</u>	<u>59,566</u>
Total comprehensive income attributable to equity shareholders of the Holding Company:		
Continuing operations	2,475,352	34,620
Discontinued operations	35,573	2,893
	<u>2,510,925</u>	<u>37,513</u>

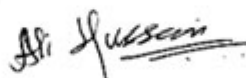
The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2021

Note	Share capital	Discount on Issue of shares	Statutory reserve	Revenue reserve for bad debts & contingency	Surplus on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
					Investments	Fixed/ Non Banking Assets				
Rupees in '000										
Balance as at December 31, 2019	11,087,033	(79,042)	937,624	250,000	2,989,143	1,637,630	3,436,341	20,258,729	194,787	20,453,516
Profit after taxation for the year	-	-	-	-	-	-	1,546,367	1,546,367	21,195	1,567,562
Other comprehensive (loss) / income - net of tax	-	-	-	-	(1,595,284)	83,150	3,280	(1,508,854)	858	(1,507,996)
	-	-	-	-	(1,595,284)	83,150	1,549,647	37,513	22,053	59,566
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(2,760)	2,760	-	-	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	(1,863)	1,863	-	-	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(83,658)	83,658	-	-	-
Transfer to statutory reserve	-	-	339,270	-	-	-	(339,270)	-	-	-
Balance as at December 31, 2020	11,087,033	(79,042)	1,276,894	250,000	1,393,859	1,632,499	4,734,999	20,296,242	216,840	20,513,082
Profit after taxation for the year	-	-	-	-	-	-	2,031,160	2,031,160	29,692	2,060,852
Other comprehensive income / (loss) - net of tax	-	-	-	-	(13,588)	527,132	(33,779)	479,765	4,048	483,813
	-	-	-	-	(13,588)	527,132	1,997,381	2,510,925	33,740	2,544,665
Elimination of non-controlling interest at disposal of subsidiaries	-	-	-	-	-	-	-	-	(250,580)	(250,580)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(57,781)	57,781	-	-	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	(1,381)	1,381	-	-	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(6,866)	6,866	-	-	-
Transfer from surplus on revaluation of non-banking assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(18,602)	18,602	-	-	-
Transfer to statutory reserve	-	-	426,250	-	-	-	(426,250)	-	-	-
Transfer from revenue reserve for bad debts & contingency to unappropriated profit	24.2	-	-	(250,000)	-	-	250,000	-	-	-
Balance as at December 31, 2021	11,087,033	(79,042)	1,703,144	-	1,380,271	2,075,001	6,640,760	22,807,167	-	22,807,167

*This represents reserve created under section 21(1) of the Banking Companies Ordinance, 1962.

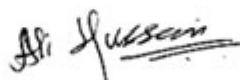
The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Condensed Interim Consolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation from continuing operations		3,233,799	2,531,552
Profit before taxation from discontinued operations		141,722	136,335
Less: Dividend income		(24,643)	(17,391)
Less: Share of (profit) / loss from associate - net of tax		(7,626)	229,789
		<u>3,343,252</u>	<u>2,880,285</u>
Adjustments for non-cash charges and other items:			
Depreciation on fixed assets	13.2	782,063	719,431
Depreciation on non-banking assets	16.1.1	6,416	8,715
Depreciation on right-of-use assets	13.2	769,483	809,412
Amortization	14	66,944	65,095
Depreciation on operating Ijarah assets	12.1.4	1,112,358	1,112,358
Finance cost on Ijarah (lease) liabilities	28	416,247	389,614
Provisions and write offs - net	34	35,128	2,601,023
Charge for defined benefit plan	32.1	139,925	126,159
Gain on sale of non-current assets held for sale		38,053	-
Gain / (loss) on sale of fixed assets	31	3,521	(3,613)
		<u>3,370,138</u>	<u>5,828,194</u>
		<u>6,713,390</u>	<u>8,708,479</u>
(Increase) / decrease in operating assets			
Due from financial institutions		6,694,647	1,271,608
Held-for-trading securities		-	-
Islamic financing and related assets and advances - net		(52,652,318)	(1,694,747)
Others assets		(3,645,089)	(28,610)
		<u>(49,602,760)</u>	<u>(451,749)</u>
Increase / (decrease) in operating liabilities			
Bills payable		160,125	1,304,162
Due to financial institutions		5,065,716	1,024,009
Deposits and other accounts		61,851,201	52,754,452
Other liabilities (excluding current taxation)		3,455,366	(2,410,942)
		<u>70,532,408</u>	<u>52,671,681</u>
		<u>27,643,038</u>	<u>60,928,411</u>
Contributions to defined benefit plan	40.7	(150,000)	(100,000)
Income tax paid		(534,454)	(514,336)
Net cash generated from continuing operations		<u>26,958,584</u>	<u>60,314,075</u>
Net cash used in discontinued operations		<u>(591,071)</u>	<u>74,595</u>
Net cash generated from operating activities		<u>26,367,513</u>	<u>60,388,670</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(29,594,201)	(41,624,000)
Dividends received		24,643	17,391
Payment of ijarah (lease) liability against right-of-use assets		(1,084,181)	(966,696)
Investments in fixed assets		(2,463,606)	(475,369)
Investments in intangible assets		(134,626)	(71,799)
Proceeds from disposal of non-current assets held for sale		753,210	-
Proceeds from disposal of fixed assets		33,253	255,546
Net cash used in investing activities		<u>(32,465,508)</u>	<u>(42,864,928)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated sukuk		-	300,000
Net cash generated from financing activities		<u>-</u>	<u>300,000</u>
(Decrease) / Increase in cash and cash equivalents		<u>(6,097,995)</u>	<u>17,823,742</u>
Cash and cash equivalents at the beginning of the year		34,344,497	16,520,755
Cash and cash equivalents at the end of the year	38	<u>28,246,502</u>	<u>34,344,497</u>

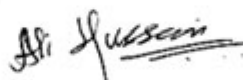
The annexed notes 1 to 50 and Annexure-I & II form an integral part of these consolidated financial statements.



PRESIDENT /
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CHAIRMAN



DIRECTOR



DIRECTOR

Notes to and Forming Part of the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

1 STATUS AND NATURE OF BUSINESS

The Group comprises of:

1.1 BankIslami Pakistan Limited (Holding Company or the Bank)

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

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

The Holding Company is operating through 340 branches including 80 sub-branches as at December 31, 2021 (2020: 343 branches including 81 sub-branches). The registered office of the Holding Company is situated at 11th Floor, Dolmen City Executive Tower, Marine Drive, Block-4, Clifton, Karachi. The shares of the Holding Company are quoted on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has maintained the Holding Company's long-term rating as 'A+' and the short-term rating as 'A1' with a positive outlook.

1.2 Subsidiary Companies

1.2.1 Subsidiary Companies Disposed During the Current Period

1.2.1.1 BankIslami Modaraba Investments Limited - 100 percent holding

The subsidiary company was incorporated in Pakistan on January 22, 1986 as a public limited company. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The principal activity of the subsidiary company is to float and operate Modaraba. The subsidiary company is managing its Modaraba with the name of Modaraba-Al-Mali. The principal place of business of the subsidiary company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

In the year 2019, the Holding Company decided to sell its investment in BankIslami Modaraba Investments Limited (refer note 17). During the current period, the members of the Holding Company, in an Extraordinary General Meeting (EOGM), passed a resolution to approve the sale of BankIslami Modaraba Investments Limited. Subsequently, the sale transaction of the subsidiary was concluded on May 18, 2021 after which the subject subsidiary company ceased to be the subsidiary of the Holding Company. Accordingly, the financial results of the subsidiary company have been consolidated based on the condensed interim financial information for the period ended May 18, 2021.

1.2.1.2 BIPL Securities Limited - 77.12 percent holding

BIPL Securities Limited was incorporated in Pakistan on October 24, 2000 and commenced its operations effective from January 01, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a scheme of arrangement approved by the High Court of Sindh. The shares of the Company are listed on the PSX. The registered office of the company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Company is a TREC holder of the PSX and Corporate member of Pakistan Mercantile Exchange Limited (PMEL) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in listed and unlisted equity and debt securities, economic research and advisory services.

During the year 2019, the Holding Company had decided to sell its investment in BIPL Securities Limited (refer note 17). During the current period, the members of the Holding Company, in an Extraordinary General Meeting (EOGM), passed a resolution to approve the sale of BIPL Securities Limited. Subsequently, the sale transaction of the subsidiary was concluded on June 28, 2021 after which the subject subsidiary company ceased to be the subsidiary of the Holding Company. Accordingly, the financial results of the subsidiary company have been consolidated based on the condensed interim financial information for the period ended June 28, 2021.

1.2.2 Other Subsidiary Companies

1.2.2.1 My Solutions Corporation Limited - 100 percent holding

My Solutions Corporation Limited (the Company) was incorporated as a private limited company on November 05, 1995 and was converted into a public limited company on March 24, 2003. The Company is currently dormant. Its registered office is situated at the 9th floor, Trade Centre, I.I Chundrigar Road, Karachi.

1.2.2.2 Structured Ventures (Private) Limited - 77.12 percent holding - (Indirect subsidiary)

Structured Venture (Private) Limited was incorporated in Pakistan on June 25, 2010. The registered office of the company is situated at 5th floor, Trade Centre, I.I. Chundrigar Road, Karachi. The company is a wholly owned subsidiary of BIPL Securities Limited. On account of disposal of investment in BIPL Securities Limited, effective from June 28, 2021, the subject sub-subsidiary has ceased to be the sub-subsidiary of the Holding Company.

2 BASIS OF PREPARATION

- 2.1 The Holding Company provides financing mainly through Murabaha, Istisna, Diminishing Musharakah, Import Murabaha, Salam, Musawamah, Running Musharakah (Shirkat-ul-Aqd), Ijarah and other Islamic modes as briefly explained in note 7.4 to these consolidated financial statements.

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

2.2 Basis of Consolidation

The consolidated financial statements incorporate the unconsolidated financial statements of the Holding Company and the financial statements of subsidiary companies from the date that control of the subsidiary by the Holding Company commences until the date that control ceases. The financial statements of the subsidiary companies, other than those classified as 'Held for Sale' (refer note 17), are incorporated on a line-by-line basis and the investment held by the Holding Company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.

The financial statements of all material subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of IFRS 9: Financial Instruments, IAS 40: Investment Property and IFRS 7: Financial Instruments: Disclosures, which are required to comply with local regulations enforced within the respective jurisdictions.

Material intra-group balances and transactions are eliminated.

Associates are those entities in which the Holding Company has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Holding Company has joint control established by contractual agreement. Associates and joint ventures are accounted for using the equity method.

- 2.3 Effective May 07, 2015, the defunct KASB Bank Limited (amalgamated entity) was amalgamated within and into the Holding Company. As the amalgamated entity operated as a conventional bank, any assets or liabilities which are not Shariah compliant are shown separately within the consolidated financial statement line items.

3 STATEMENT OF COMPLIANCE

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

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

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

3.2 The SBP, through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these consolidated financial statements. However, investments and non-banking assets have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

Further, 'SBP, vide its BPRD Circular Letter No. 24 of 2021 dated July 05, 2021, has deferred the applicability of IFRS 9 on banks in Pakistan to accounting period beginning on or after January 01, 2022. The impact of application of IFRS 9 on Holding Company's financial statements is presently being assessed and the same will conclude subsequent to issuance of final application guidelines by SBP.

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 consolidated financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in these consolidated financial statements.

4 CHANGES IN REPORTING STANDARDS AND INTERPRETATIONS

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

There are certain interpretations and amendments that are mandatory for the Holding Company's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Holding Company's operations and therefore not detailed in these consolidated financial statements.

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

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2022:

<u>Standard, Interpretation or Amendment</u>	<u>Effective date (annual periods beginning on or after)</u>
Annual improvement process IFRS 9 Financial Instruments - Fees in the '10 percent' test for de-recognition of financial liabilities	January 01, 2022 January 01, 2023
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS	January 01, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of International Financial Reporting Standards	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2023

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

- (a) Classification and valuation of investments in accordance with the Holding Company's policy (notes 7.3 and 11).
- (b) Provision for non-performing Islamic financing and related assets and advances (notes 7.4.14 and 12.16).
- (c) Determination of forced sales value of underlying securities of non-performing Islamic financing and related assets and advances (note 12.17.5).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 7.3.5 and 11).
- (e) Determination of lease term and incremental benchmark rate for lease contract of various properties used by Holding Company's branches (note 7.5.3, 13 & 22).
- (f) Staff retirement benefits (notes 7.11 and 40).
- (g) Revaluation and depreciation / amortization of fixed assets and intangible assets (notes 7.5, 13.2 and 14).
- (h) Valuation of non-banking assets acquired in satisfaction of claims (note 7.7 and 16.1).
- (i) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 7.6, 15 and 35).
- (j) Estimation of other provisions and contingent liabilities (note 26 and 34).

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

6 BASIS OF MEASUREMENT

6.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except that certain fixed assets, certain investments, foreign currency balances, commitments in respect of Shariah compliant alternative of forward foreign exchange contracts and non-banking assets acquired in satisfaction of claims have been marked to market and are carried at fair value. Further, staff retirement benefits as discussed in notes 7.11 and 40 to the consolidated financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

6.2 Functional and Presentation Currency

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

6.3 Rounding off

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

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7.1 Cash and cash equivalents

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

7.2 Due to / from financial and other institutions

7.2.1 Bai Muajjal

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

7.2.2 Musharakah

In Musharakah, the Holding Company invests / accepts in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio (PSR).

7.2.3 Musharakah from State Bank of Pakistan under Islamic Export Refinance Scheme (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 Shariah guidelines issued by the SBP. The profit of the pool is shared as per the agreed PSR between the partners.

7.2.4 Acceptances from State Bank of Pakistan for financial assistance

The Holding Company has recorded Acceptances from State Bank of Pakistan for financial assistance at its fair value which is amortized over its agreed term.

7.2.5 Commodity Murabaha

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

7.2.6 Wakalah

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

7.3 Investments

7.3.1 Classification

Investments of the Holding Company, including investments in associates and subsidiary 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 subsidiary and associates, which do not fall under the 'held for trading' or 'held to maturity' categories.

(d) Associates

Associate is an entity over which the Holding Company has significant influence but not control. Investment in associates are initially carried at cost.

(e) Subsidiary

Subsidiary is an entity over which the Holding Company has control. Investment in subsidiary is initially carried at cost.

7.3.2 Regular way contracts

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

7.3.3 Initial recognition and measurement

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

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

7.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the consolidated profit and loss account for the year.

(b) Held to maturity

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

(c) Available for sale

Quoted / Government securities are subsequently re-measured at fair value. Surplus / (deficit) arising on re-measurement is included in the statement of consolidated comprehensive income and recognized in the consolidated statement of financial position in equity. The surplus / (deficit) arising on these securities is taken to the consolidated profit and loss account when actually realized upon disposal.

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

(d) Associates

Associates are all entities over which the Holding Company has significant influence but not control. Investments in associate is accounted for using the equity method.

7.3.5 Impairment

Available for sale and held to maturity

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

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

7.4 Islamic financing and related assets

7.4.1 Islamic financing and related assets are financial products originated by the Holding Company and principally comprise of Murabaha, Istisna, Ijarah, Salam, Muswammah, Diminishing Musharakah, Running Musharakah (Shirkat-ul-Aqd) and other Islamic modes of financing and the related assets.

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

7.4.2 Ijarah Financing (Ijarah contracts where the Holding Company acts as Mujir (lessor))

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

- (a) Under finance method, the present value of minimum Ijarah payments have been recognized and shown under Islamic financing and related assets. The unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on a receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the mustajir (lessee).
- (b) Under IFAS-2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charge are taken to the unconsolidated profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir up to the date of maturity / termination of Ijarah agreement.

7.4.3 Murabaha

Murabaha 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 Murabaha from a third party and takes the possession thereof. However, the Holding Company can appoint the client as its agent to purchase and take possession of the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

7.4.4 Istisna

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

7.4.5 Diminishing Musharakah

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

7.4.6 Import Murabaha

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

7.4.7 Salam

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

7.4.8 Musawamah / Tijarah

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

7.4.9 Musharakah

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

7.4.10 Wakalah-tul-Istismar (Investment Agency Wakalah)

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

7.4.11 Running Musharakah

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

7.4.12 Ijarah

Ijarah is a contract where the owner of an asset transfers its usufruct (i.e. the usage right) to another person for an agreed period, at an agreed consideration. The rentals received / receivable on Ijarah are recorded as income / revenue. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir up to the date of maturity / termination of Ijarah agreement.

7.4.13 Advances

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. Subsequent to acquisition, the Holding Company converted portfolio of conventional advances into Shariah compliant financings. Advances represent unconverted portfolio, mostly consist of delinquent accounts, and are stated net of specific and general provisions.

7.4.14 Provisioning

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

Specific provision

The Holding Company maintains specific provision for doubtful debts / financing based on the requirements specified in the Prudential Regulations issued by the SBP.

General provision

Consumer Financing

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

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

7.5 Fixed assets

7.5.1 Property and equipment

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

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

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

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

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

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

7.5.2 Capital work in progress

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

7.5.3 Ijarah (Leased) assets {where the Holding Company is Mustajir (lessee)}

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

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

Right-of-use (RoU) assets

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

Ijarah (lease) Liability

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

7.5.4 Intangible assets

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

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

Software and other development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Holding Company.

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

7.5.5 Impairment

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

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

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

7.6 Taxation

7.6.1 Current

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

7.6.2 Deferred

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

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

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

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

7.7 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially recorded at cost and revalued at each year-end date of the consolidated 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 consolidated profit and loss account as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the consolidated 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 consolidated profit and loss account.

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

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

7.8 Non-current assets held for sale

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

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

7.9 Subordinated Sukuk

Subordinated sukuk is initially recorded at the amount of proceeds received. Profit expense on sub-ordinated sukuk is charged to consolidated profit and loss account over the period on an accrual basis and is recognised as part of other liabilities.

7.10 Acceptances

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

7.11 Staff retirement benefits

7.11.1 Defined benefit plan

The Holding Company operates an approved funded gratuity scheme for its permanent employees. The liability recognized in the consolidated statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the consolidated 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, 2021.

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

7.11.2 Defined contribution plan

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

7.12 Revenue recognition

7.12.1 Profit on Murabaha and Commodity Murabaha is recognized over the financing stage of Murabaha on an accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognized immediately on the culmination date.

7.12.2 Profit from Istisna, Salam and Muswammah (Karobar Finance) are recorded on an accrual basis commencing from the time of sale of goods till the realization of proceeds by the Holding Company. Profit from Diminishing Musharakah are recognized on a time proportionate basis in the form of rentals.

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

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

- 7.12.4 Provisional profit of Musharakah financing is recognized on an accrual basis. Actual profit / loss on Musharakah financing is adjusted after declaration of profit by Musharakah partner or on liquidation of Musharakah.
- 7.12.5 Profit on Wakalah-tul-Istismar financings is booked on an accrual basis and is adjusted upon declaration of profit by the Wakeel.
- 7.12.6 Profit on Running Musharakah financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- 7.12.7 Profit on classified financing is recognized on a receipt basis.
- 7.12.8 Dividend income is recognized when the right to receive the dividend is established.
- 7.12.9 Gains and losses on sale of investments are recognized in the consolidated profit and loss account.
- 7.12.10 Fee on issuance of letter of credit and acceptance is recognized on receipt basis as generally the transactions consummate within an accounting period. Commission on guarantees, if considered material, is recognized over the period of guarantee. The Holding Company earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Holding Company expects to be entitled in exchange for providing the services. The Holding Company recognises fees earned on transaction-based arrangements at a point in time when the Holding Company has fully provided the service to the customer. Where the contract requires services to be provided over time, the income is recognised on a systematic basis over the life of the related service.
- 7.12.11 Profit on Sukuks is recognized on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, the premiums / discounts are amortized through the consolidated profit and loss account over the remaining life of Sukuk, using the effective yield method.
- 7.12.12 Income earned from revenues that are not Shariah complaint are not recognized in the consolidated profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Board of the Holding Company.

7.13 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 consolidated profit and loss account 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. Effective from July 01, 2021, any income accruing on conventional products is being credited directly to the Charity Payable account after deducting any actual costs incurred on recovery of an amount as approved by the Shariah compliance.

7.14 Financial Instruments

7.14.1 Financial assets and financial liabilities

All financial assets and financial liabilities are recognized at the time when the Holding Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Holding Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any loss on de-recognition of the financial assets and financial liabilities is taken to consolidated profit and loss accounts directly. Financial assets carried on the consolidated 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, subordinated sukuk and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

7.14.2 Offsetting of financial instruments

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

7.14.3 Shariah compliant derivatives (Under Wa'ad Structure)

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

7.15 Foreign currencies

7.15.1 Functional and presentation currency

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

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

7.15.3 Translation gains and losses

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

7.15.4 Commitments

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

7.16 Fiduciary assets

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

7.17 Deposits

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

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

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

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

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

7.18 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 deposit pools, the Holding Company accepts funds on Mudarabah basis from depositors (Rab-ul-Maal) where the Holding Company acts as Manager (Mudarib) and invests the funds in the Shariah compliant modes of financings, investments and placements. When utilizing investing funds, the Holding Company prioritizes the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

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

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

7.18.1 General Pool

For General Pools, the Holding Company allocates PKR financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business. Investments in Sovereign Guarantee Sukuk, Bai Muajjal with State Bank of Pakistan and Bai Muajjal with Government of Pakistan and other financial institutions 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.

7.18.2 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.

7.18.3 Specific Musharakah Pool

7.18.3.1 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.

7.18.3.2 Other Specific Musharakah Pool

The Other Specific Musharakah Pool assets comprise of consumer housing finance portfolio, sukuk and the related liability of the pool comprises of musharakah acceptance from a financial institution. This pool is created to fund the housing finance portfolio.

7.18.3.3 Financial Institution (FI) Pools

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

7.19 Provisions and Contingent Assets and Liabilities

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

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

Provisions for guarantee claims and other off balance sheet obligations are recognized when intimated and reasonable certainty exist for the Holding Company to settle the obligation. Charge to the consolidated profit and loss account is stated net of expected recoveries.

7.20 Business Combinations

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, the difference is recognized directly in the consolidated profit and loss account as bargain purchase.

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

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

7.21 Segment reporting

A segment is a distinguishable component of the Holding Company that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Holding Company's primary format of reporting is based on business segments. The Holding Company has defined its segments in line with the requirements of IFRS 8 - "Operating Segments".

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

7.21.1 Business segments

Trading and sales

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

Retail banking

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

Commercial banking

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

Support Centre

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

7.21.2 Geographical segment

The Holding Company operates only in Pakistan.

7.22 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.

7.23 Remuneration framework

In order to align the remuneration practices in Pakistan with the international standards and best practices, the SBP issued Guidelines on Remuneration Practices through its BPRD circular no. 02 dated 03 March 2016, which were subsequently revised through BPRD Circular No. 01 dated 25 January 2017.

In accordance with these guidelines, the Holding Company has developed a comprehensive remuneration framework. The aim of this framework is to promote an effective risk management culture, and to ensure that the remuneration practice at the Holding Company is in line with the Holding Company's objectives taking into consideration all risks that the Holding Company may face. As a result, a fair, objective, transparent and sound remuneration policy, aligned with risks and responsibilities of Financial Intermediation has been put in place. The framework has been reviewed and recommended by the Board's Remuneration Committee (BRC) and approved by the Board of Directors (BoD) of the Holding Company.

Under the policy, all employees across the Holding Company who are materially responsible for risk taking - Material Risk Takers (MRTs), or risk controlling activities - Material Risk Controllers (MRCs) are identified. The remuneration of these MRTs and MRCs is dependent upon the achievement of performance measured through risk-adjusted balance scorecards, which include financial and non-financial / qualitative performance indicators including compliance with internal policies / procedures / controls, customer experience, as well as certain risk-adjusting factors (negative earners) such as regulatory compliance, frauds, complaints etc. All other individuals who do not fall within the criteria of MRTs and MRCs continue to be governed through the Holding Company's existing HR policy. The features of total compensation i.e. fixed remuneration as well as variable remuneration offered through performance bonuses have been disclosed in note 42 to these consolidated financial statements.

A certain portion of the variable compensation of the MRTs and MRCs is subjected to mandatory deferrals for a defined period, thus creating alignment between the employees' and stakeholders' interests and reinforcing that compensation is appropriately linked to longer-term sustainable performance. Deferred remuneration, especially with risk adjustments, improves risk-taking incentives because the amount ultimately received by employees can be made to depend on risk outcomes, and shall vest proportionately over the deferral period following the year of variable remuneration award, subject to any malus trigger adjustments. Under the Holding Company's framework, the deferred percentage decided for distribution in the year 2021 was 50 percent, while the deferral period is set at three years.

The payouts for variable compensation for the performance years 2019 and onwards, for MRTs and MRCs is based on the revised mechanism which takes into consideration factors (such as position within the organization, roles and responsibilities, risk alignment, and performance against KPIs) for differentiating the variable pays across employees or group of employees under the framework. Furthermore, the balanced scorecards used for performance assessment also take into consideration that MRCs are remunerated independently of the functions they oversee. As approved by the Board, and as allowed under the SBP's Guidelines on Remuneration Practices, the deferral amount retained for performance years is set aside and managed by the Holding Company internally, with a team of members from amongst the internal management responsible for oversight and subsequent payouts.

	Note	2021	2020
----- Rupees in '000 -----			
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
- Local currency		8,369,573	6,153,879
- Foreign currency		710,923	601,823
		<u>9,080,496</u>	<u>6,755,702</u>
With the State Bank of Pakistan in:			
- Local currency current account	8.1	10,641,385	11,281,084
Foreign currency deposit accounts:			
- Cash reserve account	8.2	565,020	431,873
- Special cash reserve account	8.2	682,577	522,019
- US dollar clearing account		11,674	21,184
		<u>1,259,271</u>	<u>975,076</u>
With National Bank of Pakistan in:			
- Local currency current account		3,563,460	2,955,558
National Prize Bonds			
	8.3	7,735	66,605
		<u>24,552,347</u>	<u>22,034,025</u>

8.1 This represents the amount held against Cash Reserve Requirement and Statutory Liquidity Requirement. Balance held under this account is non-remunerative.

8.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% and Special cash reserve of 6% are required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). These accounts are non-remunerative in nature.

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

	Note	2021	2020
----- Rupees in '000 -----			
9 BALANCES WITH OTHER BANKS			
In Pakistan:			
- In current accounts		967	2,356
- In deposit accounts	9.1	2,327	2,577
		<u>3,294</u>	<u>4,933</u>
Outside Pakistan:			
- In current accounts		3,501,107	8,992,757
- In deposit accounts	9.2	189,754	3,312,782
		<u>3,694,155</u>	<u>12,310,472</u>

9.1 These represent deposits with various Islamic banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements range between 2.22% to 5.90% (2020: 2.00% to 5.90%) per annum.

9.2 These represent deposit placement outside Pakistan with an Islamic banking division of a foreign bank under Wakala arrangement. The expected profit rate on these arrangements is 0.08% (2020: 0.08%) per annum.

10 DUE FROM FINANCIAL INSTITUTIONS - NET

Note	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----						
Secured						
Bai Muajjal Receivable						
-from Banks	10.1	4,951,909	-	4,951,909	-	-
-from Other Financial Institutions	10.1	4,008,737	-	4,008,737	16,888,683	16,888,683
Unsecured						
Wakalah Placement	10.2	-	518,416	518,416	-	3,073,290
Musharakah Placements	10.3	15,000,000	-	15,000,000	12,000,000	12,000,000
Bai Muajjal Receivable						
-from Banks	10.1	1,980,792	-	1,980,792	4,818,345	4,818,345
-from other financial Institutions	10.1	8,485,511	-	8,485,511	4,859,694	4,859,694
Other placements		24,300	-	24,300	27,540	27,540
		<u>34,451,249</u>	<u>518,416</u>	<u>34,969,665</u>	<u>38,594,262</u>	<u>3,073,290</u>
Provision against placements	10.4	(24,300)	-	(24,300)	(27,540)	(27,540)
		<u>34,426,949</u>	<u>518,416</u>	<u>34,945,365</u>	<u>38,566,722</u>	<u>3,073,290</u>

10.1 The average return on this product ranges between 7.35% to 11.52% (2020: 6.42% to 10.80%) per annum. The balances have maturities ranging between 21 days to 363 days (2020: 5 days to 46 days). The Secured Bai Muajjal are secured against Federal Government securities received as collateral and having market value of Rs. 8,900 million as at December 31, 2021 (2020: Rs. 17,309 million).

10.2 This represents foreign currency placements and the expected profit rates on these agreements range between 0.04% to 0.2% (2020: 0.10% to 1.25%) per annum. The agreements have remaining maturities of 6 days (2020: 6 to 180 days).

10.3 The expected profit rates on this agreements range between 10% to 11% (2020: 7.00% to 7.20%) per annum and the agreements have maturity ranging from 4 to 7 days (2020: 14 to 60 days).

10.4 Category of classification

	2021		2020	
	Classified Placements	Provision held	Classified Placements	Provision held
----- Rupees in '000 -----				
Loss	24,300	24,300	27,540	27,540

10.4.1 The Holding Company does not hold overseas classified placements.

11 INVESTMENTS - NET

	Note	2021	2020
		----- Rupees in '000 -----	
Investments - Islamic	11.1 & 11.3	124,650,915	95,044,607
Investments - Conventional (relating to amalgamated entity)	11.2 & 11.4	577,675	577,675
		<u>125,228,590</u>	<u>95,622,282</u>

11.1 Islamic Investments by type

Note	2021				2020			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
Available for sale securities								
Federal Government Shariah Compliant Securities	83,614,067	-	22,710	83,636,777	54,812,890	-	(9,222)	54,803,668
Shares / Modaraba certificates	277,373	(70,677)	153,826	360,522	332,869	(79,244)	81,472	335,097
Non-Government Shariah Compliant Securities	37,710,377	(35,880)	1,960,904	39,635,401	36,852,598	(35,880)	2,078,535	38,895,253
	121,601,817	(106,557)	2,137,440	123,632,700	91,998,357	(115,124)	2,150,785	94,034,018
Associate	1,018,215	-	-	1,018,215	1,010,589	-	-	1,010,589
Total Islamic investments	122,620,032	(106,557)	2,137,440	124,650,915	93,008,946	(115,124)	2,150,785	95,044,607

11.2 Conventional Investments by type*

Available for sale securities								
Shares	1,189,030	(611,355)	-	577,675	1,189,030	(611,355)	-	577,675
Non Government Debt Securities	230,292	(230,292)	-	-	263,710	(263,710)	-	-
	1,419,322	(841,647)	-	577,675	1,452,740	(875,065)	-	577,675
Held to maturity securities								
Non Government Debt Securities	92,145	(92,145)	-	-	321,601	(321,601)	-	-
Associates	1,032,746	(1,032,746)	-	-	1,032,746	(1,032,746)	-	-
Total conventional investments	2,544,213	(1,966,538)	-	577,675	2,807,087	(2,229,412)	-	577,675

11.3 Islamic Investments by segments

Federal Government Shariah Compliant Securities								
GoP Ijarah Sukuks	73,308,231	-	22,710	73,330,941	44,507,054	-	(9,222)	44,497,832
Bai Muajjal	10,305,836	-	-	10,305,836	10,305,836	-	-	10,305,836
	83,614,067	-	22,710	83,636,777	54,812,890	-	(9,222)	54,803,668
Shares								
Listed companies	270,553	(70,677)	153,826	353,702	332,869	(79,244)	81,472	335,097
Non-Government Shariah Compliant Securities								
Listed								
Pakistan Energy Sukuk-I	27,146,945	-	1,832,419	28,979,364	27,503,500	-	1,925,245	29,428,745
Pakistan Energy Sukuk-II	3,392,588	-	42,172	3,434,760	2,000,000	-	12,000	2,012,000
	30,539,533	-	1,874,591	32,414,124	29,503,500	-	1,937,245	31,440,745
Unlisted								
Sukuk certificates	7,170,844	(35,880)	86,313	7,221,277	7,349,098	(35,880)	141,290	7,454,508
Foreign securities								
Equity securities	6,820	-	-	6,820	-	-	-	-
Associate	1,018,215	-	-	1,018,215	1,010,589	-	-	1,010,589
Total Islamic investments	122,620,032	(106,557)	2,137,440	124,650,915	93,008,946	(115,124)	2,150,785	95,044,607

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

11.3.1 These represents Holding Company's investment in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments carrying profit rate at 6 months KIBOR + 80bps.

11.3.2 These represents Holding Company's investment in Pakistan Energy Sukuk-II issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments carrying profit rate at 6 months KIBOR - 10bps.

11.4 Conventional Investments by segments*

Note	2021				2020				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
----- Rupees in '000 -----									
Shares									
Unlisted Companies	11.7.3.2	33,680	(33,680)	-	-	33,680	(33,680)	-	-
Non Government Debt Securities									
Listed		82,785	(82,785)	-	-	85,888	(85,888)	-	-
Unlisted		239,652	(239,652)	-	-	499,423	(499,423)	-	-
		322,437	(322,437)	-	-	585,311	(585,311)	-	-
Foreign Securities									
Equity Securities	11.7.4	1,155,350	(577,675)	-	577,675	1,155,350	(577,675)	-	577,675
Associates									
KASB Capital Limited	11.10	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	11.10	432,302	(432,302)	-	-	432,302	(432,302)	-	-
New Horizon Exploration & Production	11.10	558,577	(558,577)	-	-	558,577	(558,577)	-	-
		1,032,746	(1,032,746)	-	-	1,032,746	(1,032,746)	-	-
		2,544,213	(1,966,538)	-	577,675	2,807,087	(2,229,412)	-	577,675

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

11.5 Investments given as collateral

Note	2021	2020
----- Rupees in '000 -----		
Federal Government Securities	5,889,000	5,000,000

11.6 Provision for diminution in value of investments

11.6.1 Opening balance		2,344,536	2,356,886
Charge / (reversals)			
Charge for the year		-	-
Reversals for the year		(14,022)	(12,350)
Provision for diminution in value of investments - net		(14,022)	(12,350)
Amounts written off		(257,419)	-
Closing Balance	11.6.1.1	2,073,095	2,344,536

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

Investments - Islamic	106,557	115,124
Investments - Conventional	1,966,538	2,229,412
	2,073,095	2,344,536

11.6.2 Particulars of provision against debt securities

Category of classification	2021		2020	
	Non-performing investments	Specific Provision	Non-performing investments	Specific Provision
----- Rupees in '000 -----				
Domestic				
Loss	634,568	358,317	897,442	621,191
Total	634,568	358,317	897,442	621,191

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

11.7 Quality of Available for Sale Securities

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

11.7.1 Federal Government Securities - Government guaranteed

	2021	2020
Cost ----- Rupees in '000 -----		
GoP Ijarah Sukuks	73,308,231	44,507,054
Bai Muajjal	10,305,836	10,305,836
	83,614,067	54,812,890

11.7.2 Non Government Debt Securities*

Listed				
Unrated		30,619,965	29,503,500	
Unlisted				
AAA		5,063,381	6,097,536	
AA+		442,000	442,000	
AA		-	100,000	
AA-		83,333	150,000	
A+		50,000	27,431	
A-		-	220,000	
Unrated		1,461,990	575,841	
		7,320,704	7,612,808	

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

11.7.3 Shares (Equity Securities)
11.7.3.1 Listed Companies

- Bank (Islamic Bank)	140,357	190,997
- Modarabas	91,675	91,675
- Chemical	38,521	50,197
	270,553	332,869

Note	As at	2021		2020		
		Cost	Breakup value	Cost	Breakup value	
----- Rupees in '000 -----						
11.7.3.2	Unlisted Companies					
	Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,680	0.50	5,680	0.50
	KASB Invest (Private) Limited	June 30, 2021	28,000	0.69	28,000	(0.07)
11.4			33,680	1.19	33,680	0.43

11.7.4	Foreign Securities	Note	2021	2020
			Cost	Cost
----- Rupees in '000 -----				
	Equity Securities			
	Unlisted			
	SWIFT (Society for World Wide Interbank Financial Telecommunication)	11.3	6,820	-
	Evolve Capital Limited - Incorporated in British Virgin Islands	11.4	1,155,350	1,155,350
			1,162,170	1,155,350

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

Non Government Debt Securities

Unlisted

Unrated		92,145	321,601
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11.8.1 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Nil (December 31, 2020: Nil).

11.9 Reconciliation of investments in associates

Particulars	2021				
	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited*	Shakarganj Food Products Limited	Total
----- Rupees in '000 -----					
As at January 1, 2021	41,867	432,302	558,577	1,010,589	2,043,335
Recognised in the profit and loss account	-	-	-	7,626	7,626
As at December 31, 2021	41,867	432,302	558,577	1,018,215	2,050,961
Provision for diminution in the value of investment	(41,867)	(432,302)	(558,577)	-	(1,032,746)
As at December 31, 2021	-	-	-	1,018,215	1,018,215
----- Rupees in '000 -----					
Particulars	2020				
	KASB Capital Limited*	KASB Funds Limited*	New Horizon Exploration and Production Limited*	Shakarganj Food Products Limited	Total
As at January 1, 2020	41,867	432,302	558,577	1,240,378	2,273,124
Recognised in the profit and loss account	-	-	-	(229,789)	(229,789)
As at December 31, 2020	41,867	432,302	558,577	1,010,589	2,043,335
Provision for diminution in the value of investment	(41,867)	(432,302)	(558,577)	-	(1,032,746)
As at December 31, 2020	-	-	-	1,010,589	1,010,589

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

11.10 Details of investment in associates	As at	Holding %	Country of incorporation	2021				
				Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
				----- Rupees in '000 -----				
Unlisted								
Islamic								
Shakarganj Food Products Limited	September 30, 2021	36.38	Pakistan	10,484,998	7,323,684	18,024,041	124,315	117,758
Conventional								
KASB Funds Limited	December 31, 2015	43.89	Pakistan	46,465	32,465	23,640	(66,241)	(65,679)
New Horizon Exploration and Production Limited	December 31, 2014	20.00	Pakistan	452,899	117,949	73,048	37,870	37,870
KASB Capital Limited*	December 31, 2016	21.78	Mauritius	\$ 652,864	\$ 135,428	\$ -	\$ (34,084)	\$ (34,084)

* This represents the full US\$ amount.

12 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES - NET

	Note	2021	2020
----- Rupees in '000 -----			
Islamic financing and related assets - net	12.1	180,992,699	129,706,587
Advances (relating to amalgamated entity) - net	12.2	183,540	265,302
		<u>181,176,239</u>	<u>129,971,889</u>

12.1 ISLAMIC FINANCING AND RELATED ASSETS	Note	Performing		Non Performing		Total	
		2021	2020	2021	2020	2021	2020
----- Rupees in '000 -----							
In Pakistan							
- Running Musharakah	12.9	62,285,085	39,189,963	1,424,510	1,668,510	63,709,595	40,858,473
- Diminishing Musharakah financing and related assets - Others	12.3	32,965,920	28,745,891	1,616,390	1,491,171	34,582,310	30,237,062
- Diminishing Musharakah financing and related assets - Auto		22,580,287	14,336,290	267,268	223,763	22,847,555	14,560,053
- Diminishing Musharakah - Housing		18,814,897	13,446,210	1,621,348	1,631,646	20,436,245	15,077,856
- Istisna financing and related assets	12.4 & 12.10	14,388,358	11,397,127	948,614	1,022,049	15,336,972	12,419,176
- Murabaha financing and related assets	12.5 & 12.11	14,608,663	3,496,899	581,036	440,795	15,189,699	3,937,694
- Muswamah financing and related assets / Tijarah	12.6	4,709,506	8,380,530	4,059,763	3,024,150	8,769,269	11,404,680
- Investment Agency Wakalah		5,208,333	6,250,000	-	-	5,208,333	6,250,000
- Financing against Bills		1,593,966	23,236	-	-	1,593,966	23,236
- Murabaha against Bills		970,192	72,092	-	892	970,192	72,984
- Ijarah financing under IFAS 2 and related assets	12.7	504,768	1,573,616	338,865	186,736	843,633	1,760,352
- Musharakah financing		280,000	280,000	-	-	280,000	280,000
- Net investment in Ijarah financing in Pakistan	12.13	131,545	143,162	-	-	131,545	143,162
- Qardh e Hasana		1,680	946	121,860	541,060	123,540	542,006
- Salam	12.8	104,898	109,900	-	-	104,898	109,900
- Past Due Acceptance		32,280	29,153	-	-	32,280	29,153
- Housing finance portfolio - others		31,241	33,897	-	-	31,241	33,897
Islamic financing and related assets - gross		179,211,619	127,508,912	10,979,654	10,230,772	190,191,273	137,739,684
Less: Provision against non-performing Islamic financing and related assets							
- Specific	12.17	-	-	(8,431,606)	(7,231,104)	(8,431,606)	(7,231,104)
- General	12.17	(766,968)	(801,993)	-	-	(766,968)	(801,993)
		<u>(766,968)</u>	<u>(801,993)</u>	<u>(8,431,606)</u>	<u>(7,231,104)</u>	<u>(9,198,574)</u>	<u>(8,033,097)</u>
Islamic financing and related assets - net of provision		178,444,651	126,706,919	2,548,048	2,999,668	180,992,699	129,706,587
12.2 ADVANCES							
- Loans, cash credits, running finances, etc. - In Pakistan*	12.13	89,776	110,380	4,830,544	6,009,473	4,920,320	6,119,853
- Net investment in finance lease - In Pakistan		-	-	582,185	582,185	582,185	582,185
- Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan		-	-	684,295	706,325	684,295	706,325
Advances - gross		89,776	110,380	6,097,024	7,297,983	6,186,800	7,408,363
Provision against advances							
- Specific	12.17	-	-	(6,097,024)	(7,260,504)	(6,097,024)	(7,260,504)
- General	12.17	(55)	(55)	-	-	(55)	(55)
		<u>(55)</u>	<u>(55)</u>	<u>(6,097,024)</u>	<u>(7,260,504)</u>	<u>(6,097,079)</u>	<u>(7,260,559)</u>
Advances - net of provision		89,721	110,325	-	37,479	89,721	147,804
Fair value adjustment	12.18	-	-	93,819	117,498	93,819	117,498
Advances - net of provision and fair value adjustment		89,721	110,325	93,819	154,977	183,540	265,302

* This includes non-interest bearing performing financing facilities amounting to Rs. 89,776 million (2020: Rs. 106,507 million).

	Note	2021	2020
		----- Rupees in '000 -----	
12.3 Diminishing Musharakah financing and related assets - Others			
Diminishing Musharakah financing		29,596,294	29,990,621
Advance against Diminishing Musharakah financing		4,986,016	246,441
		<u>34,582,310</u>	<u>30,237,062</u>
12.4 Istisna financing and related assets			
Istisna financing		6,984,506	4,131,021
Advance against Istisna financing		8,352,466	8,254,755
Istisna inventories		-	33,400
		<u>15,336,972</u>	<u>12,419,176</u>
12.5 Murabaha financing and related assets			
Murabaha financing		7,461,935	2,292,974
Deferred Murabaha income		288,114	71,613
Advances against Murabaha financing		1,927,813	252,008
Murabaha Inventories		5,511,837	1,321,099
		<u>15,189,699</u>	<u>3,937,694</u>
12.5.1 Murabaha receivable - gross	12.5.2	7,750,049	2,364,587
Less: Deferred murabaha income	12.5.4	(179,290)	(56,097)
Profit receivable		(108,824)	(15,516)
Murabaha financing		<u>7,461,935</u>	<u>2,292,974</u>
12.5.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		2,364,587	5,549,675
Sales during the year		28,912,989	13,004,482
Received during the year		(23,527,527)	(16,189,570)
Adjusted during the year		-	-
Closing balance		<u>7,750,049</u>	<u>2,364,587</u>
12.5.3 Murabaha sale price (for transactions during the year)		28,912,989	13,004,482
Murabaha Purchase price (for transactions during the year)		(28,095,715)	(12,572,837)
		<u>817,274</u>	<u>431,645</u>
12.5.4 Deferred Murabaha income			
Opening balance		56,097	88,968
Arising during the year		817,274	431,645
Recognized during the year		(694,081)	(464,516)
Closing balance		<u>179,290</u>	<u>56,097</u>
12.6 Muswamah financing and related assets / Tijarah			
Musawamah financing		6,246,037	8,036,816
Advance against Musawamah financing		266,839	205,000
Musawamah inventories		2,256,393	3,162,864
		<u>8,769,269</u>	<u>11,404,680</u>
12.7 Ijarah financing under IFAS 2 and related assets			
Net book value of assets under IFAS 2	12.14	843,022	1,759,670
Advance against Ijarah financing		611	682
		<u>843,633</u>	<u>1,760,352</u>
12.8 Salam			
Salam financing		54,999	-
Advance against Salam		49,899	109,900
		<u>104,898</u>	<u>109,900</u>
12.9			
Running Musharakah financing and related assets includes financing amounting to Rs. 2,554 million (2020: Rs. 1,492 million) under Islamic Export Refinance Scheme.			
12.10			
Istisna financing and related assets includes financing amounting to Rs. 1,586 million (2020: Rs. 154.188 million) and advance amounting to Rs. 678.800 million (2020: Rs. 1,580 million) under Islamic Export Refinance Scheme.			
12.11			
Murabaha financing and related assets includes financing amounting to Rs. 192.500 million (2020: Rs.139.750 million) and advance amounting to Nil (2020: Rs. 80 million) under Islamic Export Refinance Scheme.			
12.12			
Musawamah / Tijarah financing and related assets includes Advance amounting to Rs. 100 million (2020: Nil) under Islamic Export Refinance Scheme.			

12.13 Break up of net investment in Ijarah financing and Finance lease	2021		2020	
	----- Rupees in '000-----			
Islamic financing and related assets	131,545		143,162	
Advances	582,185		582,185	
	<u>713,730</u>		<u>725,347</u>	

12.13.1 Net investment in Ijarah financing in Pakistan and finance lease

	2021				2020			
	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	684,648	-	-	684,648	677,779	-	-	677,779
Residual value	73,328	-	-	73,328	91,814	-	-	91,814
Minimum Ijarah payments	757,976	-	-	757,976	769,593	-	-	769,593
Profit for future periods	(44,246)	-	-	(44,246)	(44,246)	-	-	(44,246)
Present value of minimum Ijarah payments	713,730	-	-	713,730	725,347	-	-	725,347

12.14 Ijarah Assets

	2021							
	Cost			Accumulated depreciation			Book value as at December 31, 2021	Rate of Depreciation %
	As at January 01, 2021	Addition/ (deletions)	As at December 31, 2021	As at January 01, 2021	Charge / (deletions)	As at December 31, 2021		
	----- Rupees in '000 -----							
Plant and Machinery	1,994,099	- (94,899)	1,899,200	1,290,620	366,789 (74,829)	1,582,580	316,620	20-33.33
Vehicles	2,934,790	- (1,244,200)	1,690,590	1,878,599	199,697 (914,108)	1,164,188	526,402	20-33.33
	4,928,889	- (1,339,099)	3,589,790	3,169,219	566,486 (988,937)	2,746,768	843,022	

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

12.14.1 Future Ijarah payments receivable

	2021				2020			
	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	103,305	40,092	-	143,397	1,474,156	168,432	-	1,642,588

12.15 Particulars of Islamic financing and related assets and advances - gross	2021		2020	
	----- Rupees in '000-----			
In local currency	195,464,197		143,965,752	
In foreign currency	913,876		1,182,295	
	<u>196,378,073</u>		<u>145,148,047</u>	

- 12.16 Islamic financing and related assets and advances include Rs. 17,076.678 million (2020: Rs. 17,528.755 million) which have been placed under non-performing status as detailed below:

Category of classification	2021		2020	
	Non-performing Islamic financing, related assets and advances	Specific Provision	Non-performing Islamic financing, related assets and advances	Specific Provision
----- Rupees in '000 -----				
Domestic				
Other assets especially mentioned	164,571	-	149,428	-
Substandard	554,426	92,057	485,371	34,915
Doubtful	1,113,707	334,116	1,947,553	536,216
Loss	15,243,974	14,102,457	14,946,403	13,920,477
Total	17,076,678	14,528,630	17,528,755	14,491,608

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

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

	2021			2020		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	14,491,608	802,048	15,293,656	12,726,980	337,812	13,064,792
Charge for the year	2,736,255	(35,025)	2,701,230	2,181,260	464,236	2,645,496
Reversals for the year	(2,389,299)	-	(2,389,299)	(416,632)	-	(416,632)
	346,956	(35,025)	311,931	1,764,628	464,236	2,228,864
Amount written off	(309,934)	-	(309,934)	-	-	-
Closing balance	14,528,630	767,023	15,295,653	14,491,608	802,048	15,293,656
12.17.1						
Islamic	8,431,606	766,968	9,198,574	7,231,104	801,993	8,033,097
Conventional	6,097,024	55	6,097,079	7,260,504	55	7,260,559
	14,528,630	767,023	15,295,653	14,491,608	802,048	15,293,656

12.17.2 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account	2021	2020
	----- Rupees in '000 -----	
Gross reversals for the year	2,389,299	416,632
Charge for the year	(2,701,230)	(2,645,496)
	(311,931)	(2,228,864)
Fair value adjusted - net	(23,679)	(1,361)
Net charge taken to the profit and loss account	(335,610)	(2,230,225)

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

	2021			2020		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	14,528,630	767,023	15,295,653	14,491,608	802,048	15,293,656
In foreign currency	-	-	-	-	-	-
	14,528,630	767,023	15,295,653	14,491,608	802,048	15,293,656

- 12.17.4 The Holding Company maintains general reserve (provision) amounting to Rs. 417.023 million (2020: 352.048 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing. In addition, the Holding Company carries general provision of Rs. 350 million (December 31, 2020: Rs. 450 million) as a matter of prudence based on management estimate.

- 12.17.5 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Holding Company has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2021 amounts to Rs. 1,043.691 million (2020: Rs. 890.288 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 636.651 million (2020: Rs. 543.076 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

12.18 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.

12.19 Particulars of write-offs	2021	2020
	----- (Rupees in '000) -----	
Against provisions	309,934	-
Directly charged to the profit and loss account	-	-
	<u>309,934</u>	<u>-</u>
Write-offs Rs. 500,000 and above		
- Domestic	309,934	-
- Overseas	-	-
Write-offs below Rs. 500,000	-	-
	<u>309,934</u>	<u>-</u>

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

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

12.20 Particulars of financing to directors, executives or officers of the Holding Company

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

	Note	2021	2020
		----- (Rupees in '000) -----	
Balance at the beginning of the year		3,095,075	2,888,625
Financing granted during the year		1,230,050	1,168,453
Payments received during the year		(806,608)	(962,003)
Balance at the end of the year	12.20.1	<u>3,518,517</u>	<u>3,095,075</u>

12.20.1 This includes Rs. 1.883 million (2020: Rs. 2.361 million) as Qardh-e-Hasana to employees under the Holding Company's Human Resource Policy.

12.21 SBP other refinance schemes	Note	2021	2020
		----- (Rupees in '000) -----	
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)		4,489,370	3,038
Islamic refinance scheme for payment of wages and salaries		1,824,118	2,805,692
Islamic refinance scheme for combating COVID (IRFCC)		328,351	31,895
Islamic refinance facility for Modernization of SMEs		115,470	-
Refinance for Islamic Financing Facility of Storage of Agricultural Produce (IFFSAP)		18,289	-
		<u>6,775,598</u>	<u>2,840,625</u>

13 FIXED ASSETS

Capital work-in-progress	13.1	1,264,988	179,270
Property and equipment	13.2	9,710,831	8,555,964
Right of use assets	13.2	2,642,672	2,986,639
		<u>13,618,491</u>	<u>11,721,873</u>

13.1 Capital work-in-progress

Advances to suppliers and contractors	74,265	138,670
Advance for acquiring properties:		
- Office premises	1,190,723	762,503
	1,264,988	901,173
Provision for impairment against advance for acquiring properties	-	(721,903)
	<u>1,264,988</u>	<u>179,270</u>

13.1.1 This includes advances against purchase of property amounting to Rs. 1,143.632 million (2020: Rs. 721.903 million). In view of settlement of dispute with a developer and withdrawal of related litigations, the provision against subject advance amounting to Rs. 721.903 million has been reversed during the year.

13.2 Property and Equipment

2021							
Freehold/ Leasehold land	Freehold/ Leasehold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	Total	
..... Rupees in '000							
At January 1, 2021							
Cost / Revalued amount	3,310,812	4,101,967	2,430,488	3,621,704	70,509	4,582,201	18,117,681
Accumulated depreciation	-	(521,428)	(1,599,578)	(2,826,187)	(32,321)	(1,595,562)	(6,575,076)
Net book value	3,310,812	3,580,539	830,910	795,517	38,188	2,986,639	11,542,605
Year ended December 2021							
Opening net book value	3,310,812	3,580,539	830,910	795,517	38,188	2,986,639	11,542,605
Additions	-	187,022	289,103	446,453	12,554	425,516	1,360,648
Movement in surplus on assets revalued during the year	254,088	806,052	-	-	-	-	1,060,140
Disposals	-	(34,836)	(3,681)	(58,751)	-	-	(97,268)
Write offs	-	-	(78,055)	-	-	-	(78,055)
	-	(34,836)	(81,736)	(58,751)	-	-	(175,323)
Movement in Accumulated Depreciation							
Depreciation charge	-	(150,886)	(264,042)	(353,598)	(13,537)	(769,483)	(1,551,546)
Reversal of depreciation on disposal	-	2,152	3,244	50,742	-	-	56,138
Reversal of depreciation on write off	-	-	40,158	-	-	-	40,158
	-	(148,734)	(220,640)	(302,856)	(13,537)	(769,483)	(1,455,250)
Other adjustments	-	(395,246)	416,207	(117)	(161)	-	20,683
Closing net book value	3,564,900	3,994,797	1,233,844	880,246	37,044	2,642,672	12,353,503
At December 31, 2021							
Cost / Revalued amount	3,564,900	4,440,070	3,280,594	3,880,564	81,001	5,007,717	20,254,846
Accumulated depreciation	-	(445,273)	(2,046,750)	(3,000,318)	(43,957)	(2,365,045)	(7,901,343)
Net book value	3,564,900	3,994,797	1,233,844	880,246	37,044	2,642,672	12,353,503
Depreciation rate / years	-	2%	10%	15%-25%	20%	1-5 years	
2020							
Freehold/ Leasehold land	Freehold/ Leasehold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	Total	
..... Rupees in '000							
At January 1, 2020							
Cost / Revalued amount	3,434,712	4,152,765	2,370,464	3,236,158	64,461	4,331,182	17,589,742
Accumulated depreciation	-	(373,059)	(1,532,290)	(2,538,618)	(24,086)	(786,150)	(5,254,203)
Net book value	3,434,712	3,779,706	838,174	697,540	40,375	3,545,032	12,335,539
Year ended December 2020							
Opening net book value	3,434,712	3,779,706	838,174	697,540	40,375	3,545,032	12,335,539
Additions	-	-	328,759	398,801	11,287	251,019	989,866
Movement in surplus on assets revalued during the year	57,620	2,520	-	-	-	-	60,140
Disposals	(181,520)	(53,318)	(213,108)	(13,255)	(5,239)	-	(466,440)
Write offs	-	-	(55,627)	-	-	-	(55,627)
	(181,520)	(53,318)	(268,735)	(13,255)	(5,239)	-	(522,067)
Movement in Accumulated Depreciation							
Depreciation charge	-	(151,402)	(255,183)	(299,872)	(12,972)	(809,412)	(1,528,841)
Reversal of depreciation on disposal	-	3,033	187,895	12,303	4,737	-	207,968
	-	(148,369)	(67,288)	(287,569)	(8,235)	(809,412)	(1,320,873)
Closing net book value	3,310,812	3,580,539	830,910	795,517	38,188	2,986,639	11,542,605
At December 31, 2020							
Cost / Revalued amount	3,310,812	4,101,967	2,430,488	3,621,704	70,509	4,582,201	18,117,681
Accumulated depreciation	-	(521,428)	(1,599,578)	(2,826,187)	(32,321)	(1,595,562)	(6,575,076)
Net book value	3,310,812	3,580,539	830,910	795,517	38,188	2,986,639	11,542,605
Depreciation rate / years	-	2%	10%	15%-25%	20%	1-5 years	

13.2.1 Details of property and equipment disposed-off

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

13.3 Cost of fully depreciated properties and equipment that are still in the Holding Company's use, as at December 31, 2021, amounted to Rs. 3,100.984 million (2020: Rs. 2,718.778 million).

13.4 During the year ended December 31, 2021, the Holding Company's freehold land and buildings on leasehold land were revalued by M/s. Harvester Services (Private) Limited., Gandhara Consultants (Private) Limited, Akbani & Javed Associates and Sadruddin Associates (Private) Limited 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. 7,559.697 million. The total surplus arising against revaluation of fixed assets as of December 31, 2021 amounts to Rs. 3,095.747 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2021 would have been as follows:

	Rupees in '000
Land	3,226,517
Building	1,512,230
	4,738,747

14 INTANGIBLE ASSETS

	2021					
	Computer software	Core deposits	Membership and Subscription	Customer list	Goodwill (note 14.2)	Total
	----- Rupees in '000 -----					
At January 1, 2021						
Cost	658,497	39,747	-	7,799	2,991,308	3,697,351
Accumulated amortization and impairment	(520,775)	(13,268)	-	(7,799)	-	(541,842)
Net book value	137,722	26,479	-	-	2,991,308	3,155,509
Year ended December 2021						
Opening net book value	137,722	26,479	-	-	2,991,308	3,155,509
Additions:						
- directly purchased	111,126	-	23,500	-	-	134,626
Amortization charge	(63,456)	(2,252)	(1,236)	-	-	(66,944)
Closing net book value	185,392	24,227	22,264	-	2,991,308	3,223,191
At December 31, 2021						
Cost	769,623	39,747	23,500	7,799	2,991,308	3,831,977
Accumulated amortization and impairment	(584,231)	(15,520)	(1,236)	(7,799)	-	(608,786)
Net book value	185,392	24,227	22,264	-	2,991,308	3,223,191
Rate of amortization (percentage)	20	5.5 - 20	10	10	-	
Useful life (years)	5	5 - 18	10	10	-	
	2020					
	Computer software	Core deposits	Membership and Subscription	Customer list	Goodwill (note 14.2)	Total
	----- Rupees in '000 -----					
At January 1, 2020						
Cost	586,698	39,747	-	7,799	2,991,308	3,625,552
Accumulated amortization and impairment	(457,958)	(10,990)	-	(7,799)	-	(476,747)
Net book value	128,740	28,757	-	-	2,991,308	3,148,805
Year ended December 2020						
Opening net book value	128,740	28,757	-	-	2,991,308	3,148,805
Additions:						
- directly purchased	71,799	-	-	-	-	71,799
Amortization charge	(62,817)	(2,278)	-	-	-	(65,095)
Closing net book value	137,722	26,479	-	-	2,991,308	3,155,509
At December 31, 2020						
Cost	658,497	39,747	-	7,799	2,991,308	3,697,351
Accumulated amortization and impairment	(520,775)	(13,268)	-	(7,799)	-	(541,842)
Net book value	137,722	26,479	-	-	2,991,308	3,155,509
Rate of amortization (percentage)	20	5.5 - 20	-	10	-	
Useful life (years)	5	5 - 18	-	10	-	

14.1 The cost of fully amortized intangible assets that are still in the Holding Company's use, as at December 31, 2021 amounted to Rs. 440.188 million (2020: Rs. 382.537 million).

14.2 This represents goodwill recognized upon acquisition of defunct KASB Bank Limited Undertakings based on fair values of assets and liabilities. The Holding Company carried out Goodwill impairment testing as at December 31, 2021.

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 projections approved by the management 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	%
Terminal growth rate	17.51
	5.00

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

a) Profit margins

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

b) Discount rates

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

c) Key business assumptions

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

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

d) Sensitivity to changes in assumption

The estimated recoverable amount of Goodwill exceeds its carrying amount by approximately Rs. 6,443.991 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

Changes required individually for the carrying amount to equal recoverable amount

Discount rate	%
Terminal growth rate	4.05
	(6.73)

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

15 DEFERRED TAX ASSETS

Deductible Temporary Differences on:

Accumulated tax losses	15.1	2,748,819	(157,580)	-	2,591,239
Tax credit against minimum tax		-	32,238	-	32,238
Provision for diminution in the value of investments		201,160	(126,477)	-	74,683
Provision against non-performing Islamic financing, related assets and advances		3,797,882	(453,174)	-	3,344,708
Ijarah financing and related assets		207,080	27,911	-	234,991
Accelerated tax depreciation		61,891	66,510	-	128,401
Others		263,243	(276,295)	-	(13,052)
		7,280,075	(886,867)	-	6,393,208

Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation		(191,218)	(153,048)	-	(344,266)
Surplus on revaluation of fixed assets	25	(621,899)	-	(429,514)	(1,051,413)
Surplus on revaluation of non-banking assets	25	(14,383)	-	(51,987)	(66,370)
Surplus on revaluation of available for sale securities	25	(752,775)	-	4,671	(748,104)
		(1,580,275)	(153,048)	(476,830)	(2,210,153)
		5,699,800	(1,039,915)	(476,830)	4,183,055

Note

2021			
At January 01, 2021	Recognized in Consolidated P&L	Recognized in Consolidated OCI	At December 31, 2021

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

2020			
At January 01, 2020	Recognized in Consolidated P&L	Recognized in Consolidated OCI	At December 31, 2020

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

Deductible Temporary Differences on:

Accumulated tax losses		3,299,042	(550,223)	-	2,748,819
Tax credit against minimum tax		269,938	(269,938)	-	-
Provision for diminution in the value of investments		201,160	-	-	201,160
Provision against non-performing Islamic financing, related assets and advances		3,785,670	12,212	-	3,797,882
Provision for gratuity		21,253	(21,253)	-	-
Ijarah financing and related assets		218,663	(11,583)	-	207,080
Accelerated tax depreciation		16,377	45,514	-	61,891
Others		310,989	(47,746)	-	263,243
		8,123,092	(843,017)	-	7,280,075

Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation		(229,846)	38,628	-	(191,218)
Surplus on revaluation of fixed assets		(623,385)	2,367	(881)	(621,899)
Surplus on revaluation of non-banking assets		(12,172)	1,003	(3,214)	(14,383)
Surplus on revaluation of available for sale securities		(1,609,318)	-	856,543	(752,775)
Net investment in finance lease		(81,603)	81,603	-	-
		(2,556,324)	123,601	852,448	(1,580,275)
		5,566,768	(719,416)	852,448	5,699,800

- 15.1 The Holding Company has aggregate tax losses of Rs. 7,403.539 million as at December 31, 2021 (2020: Rs. 7,853.768 million) which includes tax losses of amalgamated entity. The management has carried out an assessment for estimating the benefit of these losses. The Holding Company would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognized deferred tax debit balance amounting to Rs. 2,591.239 million (2020: Rs. 2,748.819 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the management. 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, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing financing and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

	Note	2021 ----- (Rupees in '000) -----	2020
16 OTHER ASSETS - NET			
Profit / return accrued in local currency		9,110,889	8,121,506
Profit / return accrued in foreign currency		194	7,772
Advances, deposits, advance rent and other prepayments		1,105,576	952,136
Advance taxation		-	-
Non-banking assets acquired in satisfaction of claims		2,116,519	2,149,758
Branch Adjustment Account		440,114	-
Takaful / insurance claim receivable		69,511	30,985
Receivable against First WAPDA Sukuk		50,000	50,000
Trade debts		532	532
Acceptances		5,462,889	2,392,561
Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts		28,980	60,489
Amount held with financial institution		-	814,546
Others		771,002	419,497
		<u>19,156,206</u>	<u>14,999,782</u>
Less: Provision held against other assets	16.3	(1,261,370)	(1,588,151)
Other Assets (net of provision)		<u>17,894,836</u>	<u>13,411,631</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	25	189,628	226,308
Other assets - total		<u>18,084,464</u>	<u>13,637,939</u>
16.1 Market value of non-banking assets acquired in satisfaction of claims		<u>1,506,468</u>	<u>1,671,387</u>

The properties of the Holding Company have been revalued by independent professional valuers as at December 31, 2021. The revaluation was carried out by Gandhara Consultants (Private) Limited, Akbani & Javed Associates and Sadruddin Associates on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 5.937 million.

Impairment against non-banking assets acquired in satisfaction of claims amounting to Rs. 799.679 million (2020: Rs. 704.679 million) is included in provision held against other assets.

	2021 -----Rupees in '000-----	2020
16.1.1 Non-banking assets acquired in satisfaction of claims		
Opening Balance	1,671,387	1,572,365
Additions	-	79,750
Revaluation	(5,937)	27,988
Disposals	(55,440)	-
Depreciation	(6,416)	(8,716)
Impairment	(95,000)	-
Incremental Depreciation	(2,126)	-
Closing Balance	<u>1,506,468</u>	<u>1,671,387</u>

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

	Note	2021 ----- (Rupees in '000) -----	2020
16.3 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		26,692	26,692
Non banking assets acquired in satisfaction of claims		799,679	704,679
Amount held with financial institution		-	719,218
Others		434,999	137,562
	16.3.1	<u>1,261,370</u>	<u>1,588,151</u>

16.3.1 Movement in provision held against other assets			
Opening balance		1,588,151	1,253,182
Charge for the year		399,738	369,238
Reversals for the year		(25,069)	(34,269)
Adjustment during the year		(701,450)	-
Closing balance		<u>1,261,370</u>	<u>1,588,151</u>

17 NON-CURRENT ASSETS HELD FOR SALE

On April 25, 2019, the Board of Directors announced their decision on Pakistan Stock Exchange to explore and evaluate the strategic options including divestment of shares held by the Holding Company in one or more associated and subsidiary companies. Subsequently, after following a detail process, the Holding Company signed Share Purchase Agreement with respect to sale of its investment in BankIslami Modaraba Investments Limited and BIPL Securities Limited (subsidiary companies) with respective buyers. These sale transactions have been concluded and investment in these subsidiary companies has been disposed off during the year.

Assets classified as held for sale	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
BankIslami Modaraba Investments Limited		-	4,701
BIPL Securities Limited		-	2,142,088
		-	2,146,789
Liabilities directly associated with assets held for sale			
BankIslami Modaraba Investments Limited		-	1,953
BIPL Securities Limited		-	1,694,063
		-	1,696,016
Net assets directly associated with disposal groups		-	450,773

18 BILLS PAYABLE

In Pakistan	3,484,210	3,324,085
Outside Pakistan	-	-
	3,484,210	3,324,085

19 DUE TO FINANCIAL INSTITUTIONS

Secured

Due to State Bank of Pakistan			
Acceptances under Islamic Export Refinance Scheme	19.1	5,143,000	3,622,550
Acceptances for financial assistance	19.2	3,691,010	3,375,410
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)	19.3	4,349,261	3,038
Islamic refinance scheme for payment of wages and salaries	19.3	1,805,305	2,805,692
Islamic refinance scheme for combating COVID (IRFCC)	19.3	23,921	31,895
Islamic refinance scheme for Facility of Storage of Agricultural Produce (IFFSAP)	19.3	18,289	-
		15,030,786	9,838,585
Refinance facility for Islamic Mortgage	19.4	3,762,546	1,989,031
Total secured		18,793,332	11,827,616
Unsecured			
Wakalah Acceptance		-	4,300,000
Musharakah Acceptance	19.5	2,400,000	-
Total unsecured		2,400,000	4,300,000
		21,193,332	16,127,616

19.1 The acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 5,300 million (2020: Rs. 5,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2021.

19.2 This represents amortized cost of a 10 year financing facility of Rs. 5,000 million extended by SBP. The facility is secured against Federal Government securities. The 10 year facility was provided on the basis of Mudarabah to be remunerated at profit sharing ratio declared by the Holding Company on its remunerative current accounts on monthly basis. Accordingly, the profit amortization rate applied by the Holding Company in this respect is 0.04% per annum.

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

19.4 The agreements are on a profit and loss sharing basis and are secured against housing finance portfolio. The profit rate on these agreements is ranging from 9.68% to 10.87% (2020: 5.33% to 7.79%) per annum.

19.5 The expected profit rate on this agreement is 10.10% (2020: Nil) per annum and has maturity in 7 Days (2020: Nil).

Particulars of due to financial institutions with respect to currencies	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
In local currency	21,193,332	16,127,616
In foreign currencies	-	-
	21,193,332	16,127,616

20 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000 -----						
Customers						
Current deposits	124,240,504	3,998,743	128,239,247	89,268,714	3,068,383	92,337,097
Savings deposits	84,434,345	3,609,545	88,043,890	74,101,851	3,615,238	77,717,089
Term deposits	103,796,987	3,357,730	107,154,717	91,499,914	1,630,147	93,130,061
Others	1,979,022	85,336	2,064,358	2,701,340	56,786	2,758,126
	314,450,858	11,051,354	325,502,212	257,571,819	8,370,554	265,942,373
Financial Institutions						
Current deposits	258,791	12,098	270,889	285,829	3,880	289,709
Savings deposits	18,187,484	-	18,187,484	6,961,168	-	6,961,168
Term deposits	827,366	-	827,366	9,743,500	-	9,743,500
	19,273,641	12,098	19,285,739	16,990,497	3,880	16,994,377
	333,724,499	11,063,452	344,787,951	274,562,316	8,374,434	282,936,750

20.1 Composition of deposits	2021	2020
	----- Rupees in '000 -----	
Individuals	88,329,695	75,460,132
Government (Federal and Provincial)	10,749,169	5,816,484
Public Sector Entities	11,830,860	9,775,722
Banking Companies	60,828	86,498
Non-Banking Financial Institutions	19,224,916	17,623,980
Private Sector	214,592,483	174,173,934
	344,787,951	282,936,750

20.2 Total deposits includes eligible deposits under deposit protection mechanism amounting to Rs. 170,338.464 million (2020: Rs. 133,539.972 million).

21 SUBORDINATED SUKUK

The Holding Company has issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of sukuk under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I (ADT-1) Capital as outlined by State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013.

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

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

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

22 OTHER LIABILITIES

	Note	2021	2020
		----- (Rupees in '000) -----	
Profit / return payable in local currency		2,066,342	1,733,615
Profit / return payable in foreign currencies		15,883	14,583
Accrued expenses		1,228,666	894,463
Deferred Murabahah Income Financing and IERS		224,673	104,322
Payable to defined benefit plan		4,677	4,677
Payable to defined contribution plan		26,008	2,877
Defined Benefit Plan liabilities		173,630	131,738
Security deposits against Ijarah		802,487	1,122,685
Lease liability against right-of-use assets		3,213,456	3,455,874
Provision against off-balance sheet obligations	22.2	85,975	85,975
Acceptances		5,462,889	2,392,561
Receipt appropriation account	7.13	-	6,638
Current taxation (provisions less payments)		42,341	188,797
Provision against other tax liabilities		104,864	148,305
Sundry creditors		362,068	190,839
Payable to brokers against purchase of shares - net		270	-
Charity payable	22.3	2,360	14,712
Retention money payable		13,402	10,167
Provision for Workers' Welfare Fund	22.4	193,857	123,164
Branch adjustment account		-	30,867
Rental received in advance		99,555	348,243
Advance against disposal of Non current asset held for sale		-	188,303
Others		309,834	149,636
		<u>14,433,237</u>	<u>11,343,041</u>

22.1 The carrying amounts of lease liability against right-of-use assets and the movement during the year are as follows:

	2021	2020
	-----Rupees in '000-----	
As at January 01	3,443,873	3,781,937
Additions	425,516	251,019
Amortisation of lease liability against right-of-use assets	416,247	389,614
Payments	(1,072,180)	(978,697)
As at December 31	<u>3,213,456</u>	<u>3,443,873</u>

22.2 Provision against off-balance sheet obligations

Opening balance	85,975	85,975
Charge / (Reversals)	-	-
Closing balance	<u>85,975</u>	<u>85,975</u>

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

	Note	2021	2020
		-----Rupees in '000-----	
22.3 Charity payable			
Opening balance		14,712	21,605
Additions during the year			
- Received from customers on account of delayed payment		35,144	38,904
- Shariah non-compliant income		3,632	7,495
- Profit on charity saving account		312	371
		39,088	46,770
Distribution of Charity			
- Education		(20,550)	(1,500)
- Health		(21,050)	(42,163)
- Islamic microfinance program		-	(1,000)
- Community development		(9,840)	(9,000)
	22.3.1	(51,440)	(53,663)
Closing balance		<u>2,360</u>	<u>14,712</u>

22.3.1 Charity was paid to the following:	2021	2020
	-----Rupees in '000-----	
IBA Center For Excellence In Islamic Finance	9,000	1,000
Saylani Welfare International Trust	6,300	8,000
The Citizens Foundation	5,600	500
Indus Hospital & Health Network	3,100	20,500
Bait us Salam Welfare Trust	3,000	9,500
Aitmaad Trust	2,500	-
The Patients Behbud Society for AKUH	2,300	-
Afzaal Memorial Thalassemia Foundation	2,200	250
Bait ul Sukoon Trust Cancer Hospital	2,000	-
Habib University Foundation	1,500	-
Lahore University of Management Sciences	1,200	-
Alamgir Welfare Trust International	1,000	1,000
Family Educational Services Foundation	1,000	-
Dawood Global Foundation	990	-
Society for Advancement of Health, Education & Environment	600	500
Al Shifa Trust	500	-
Caravan of Life Pakistan Trust	500	-
Childlife Foundation	500	-
Ismail Welfare Hospital	500	-
Koohi Goth Hospital	500	-
Mercy Pak	500	-
Murshid Hospital	500	-
Pakistan Kidney and Liver and Research Center	500	-
Pakistan Sweet Home	500	-
Pink Ribbon Pakistan	500	-
Roshni Homes Trust	500	-
Sir Syed College of Medical Science Trust	500	-
Tameer i Nau Trust	500	-
Women Islamic Lawyers Forum	300	500
Future Trust	300	-
Hisaar Foundation	300	-
Muhammadi Haematology	300	-
Zindagi Trust	300	-
Cancer Care Hospital	250	-
IDA RIEU Welfare Association	250	-
Million Smile Foundation	250	-
Sahil Welfare Association	200	-
Shahid Khan Afridi Foundation	200	-
Akhuwat Corona Imdad Fund	-	4,000
Akhuwat Foundation	-	1,000
Field Isolation Centre Karachi	-	1,000
Transparent Hands	-	1,000
Ration bags to deserving persons affected by COVID	-	963
Shaukat Khanum Memorial Trust	-	750
Aga Khan Hospital & Medical College Foundation	-	700
Autism Care & Rehabilitation Organization	-	500
Center for Development of Social Services	-	500
Institute of Public Health	-	500
Pakistan Red Crescent Sindh	-	500
The Society for the Rehabilitation of Special Children	-	500
	51,440	53,663

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

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

23 SHARE CAPITAL - NET

	2021 ----- Number of Shares -----	2020	Note	2021 ----- Rupees in '000 -----	2020
23.1 Authorised capital					
	1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000
23.2 Issued, subscribed and paid up capital					
			Ordinary shares of Rs 10 each		
	1,108,703,299	1,108,703,299	Fully paid in cash	11,087,033	11,087,033
	-	-	Issued during the year - right issue	-	-
	-	-	Less: Discount on issue of shares	(79,042)	(79,042)
	1,108,703,299	1,108,703,299		11,007,991	11,007,991

24 RESERVES

Statutory Reserves	24.1	1,703,144	1,276,894
Reserve for bad debts and contingencies	24.2	-	250,000
		1,703,144	1,526,894
24.1			
Under section 21 of the Banking Companies Ordinance, 1962, an amount of not less than 20% of the profit is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital. Thereafter, an amount of not less than 10% of the profit is required to be transferred to such reserve fund.			
24.2			
The Board of Directors of the Holding Company in its meeting held on October 27, 2021 has transferred an amount of Rs. 250 million out of 'Reserve for Bad Debts and Contingencies' to 'Unappropriated Profit'.			

25 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	Note	2021 ----- Rupees in '000 -----	2020
Surplus on revaluation of:			
Available for sale securities	11.1	2,137,440	2,150,785
Fixed Assets		3,003,156	2,042,473
Non-banking assets acquired in satisfaction of claims		189,628	226,308
		5,330,224	4,419,566
Deferred tax liability on surplus on revaluation of:	15		
Available for sale securities		(748,104)	(751,909)
Fixed Assets		(1,051,413)	(621,899)
Non-banking assets acquired in satisfaction of claims		(66,370)	(14,383)
		(1,865,887)	(1,388,191)
Total surplus on revaluation of assets- net of tax		3,464,337	3,031,375
Less: Share of non-controlling interest		(9,065)	(5,017)
Holding Company's share		3,455,272	3,026,358

	2021	2020
	----- Rupees in '000 -----	
25.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets at January 01	2,042,473	2,072,001
Recognized during the year	1,060,140	59,258
Realised on disposal during the year - net of deferred tax	(6,866)	(83,658)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(57,781)	(2,760)
Related deferred tax liability in respect of incremental depreciation charged during the year	(31,113)	(1,486)
Related deferred tax liability on surplus realized on disposal	(3,697)	(882)
Surplus on revaluation of fixed assets as at December 31	3,003,156	2,042,473
Less: related deferred tax liability on:		
- related deferred tax liability on surplus as at January 01	(621,899)	(623,385)
- revaluation recognised during the year	(464,324)	(882)
- surplus realised on disposal during the year	3,697	882
- incremental depreciation charged during the year	31,113	1,486
	(1,051,413)	(621,899)
	1,951,743	1,420,574
25.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation of Non Banking Assets at January 01	226,308	201,186
Recognised during the year	(5,937)	27,988
Realised on disposal during the year - net of deferred tax	(18,602)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(1,381)	(1,863)
Related deferred tax liability on incremental depreciation charged during the year	(744)	(1,003)
Related deferred tax liability on surplus realised on disposal	(10,016)	-
Surplus on revaluation as at December 31	189,628	226,308
Less: related deferred tax liability on:		
- revaluation as at January 1	(14,383)	(12,172)
- revaluation recognised during the year	(62,747)	(3,214)
- surplus realised on disposal during the year	10,016	-
- incremental depreciation charged during the year	744	1,003
	(66,370)	(14,383)
	123,258	211,925

26	CONTINGENCIES AND COMMITMENTS	Note	2021	2020
			----- Rupees in '000 -----	
	- Guarantees	26.1	8,224,035	10,342,243
	- Commitments	26.2	40,351,640	10,298,481
	- Other contingent liabilities	26.3	229,652	1,360,580
			<u>48,805,327</u>	<u>22,001,304</u>
26.1	Guarantees:			
	Financial guarantees		-	782,961
	Performance guarantees		3,920,100	5,888,773
	Other guarantees		4,303,935	3,670,509
			<u>8,224,035</u>	<u>10,342,243</u>
26.2	Commitments:			
	Documentary credits and short-term trade-related transactions			
	- Letters of credit		27,081,324	12,003,211
	- Shariah compliant alternative of forward foreign exchange transactions	26.2.1	3,963,854	(9,435,135)
	Commitments for acquisition of:			
	- operating fixed assets		198,978	232,703
	- intangible assets		107,052	15,559
	Other commitments	26.2.2	9,000,432	7,482,143
			<u>40,351,640</u>	<u>10,298,481</u>
26.2.1	Commitments in respect of Shariah compliant alternative of forward foreign exchange transactions			
	Purchase		15,970,727	11,389,226
	Sale		(12,006,873)	(20,824,361)
			<u>3,963,854</u>	<u>(9,435,135)</u>
26.2.2	Other commitments			
	Bills for collection		<u>9,000,432</u>	<u>7,482,143</u>
26.2.2.1	The Holding Company makes commitments to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
26.3	Other contingent liabilities	Note	2021	2020
			-----Rupees in '000-----	
	Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Holding Company has not acknowledged as debt	26.3.1	4,200	11,200
	Tax Contingencies	26.3.2	225,452	1,349,380
			<u>229,652</u>	<u>1,360,580</u>
26.3.1	Suit filed by customers / borrowers for recovery of alleged losses suffered, pending in the High Court, which the Holding Company has not acknowledged as debt			
26.3.1.1	These are court cases, which represent counter claims filed by the 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 Bank is pleaded as proforma defendant for defending its interest.			
26.3.1.2	Consequent to the amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited as at May 07, 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 Holding Company, and issued certain directions to SBP which were then complied with. Subsequently, an appeal was filed against the decision of the Honorable Sindh High Court which has also been dismissed by the Honorable Supreme Court. Thereafter, Civil Review Petitions were filed in Honorable Supreme Court against dismissal order of the appeal, which have also been dismissed by the Honorable Supreme Court of Pakistan. The cases at Honorable Lahore High Court are also disposed off in the light of Honorable Supreme Court and Honorable Sindh High Court order. The cases at Honorable Islamabad High Court are pending. The management based on the opinion of its legal counsel is confident that these cases will also be dismissed by the Honorable Court.			

26.3.1.3 There are two cases filed against the Bank by KASB Corporation Limited One case is filed at Honorable Sindh High Court and the other is filed at Honorable Islamabad High Court. KASB Corporation Limited 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 consolidated 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, KASB Corporation Limited has filed a Writ Petition at Honorable Islamabad High Court, which is yet pending for hearing. The management based on the opinion of its legal counsel is confident that the main suit will be dismissed by the Honorable Courts.

26.3.2 Tax Contingencies

26.3.2.1 The income tax returns of the Holding Company have been filed up to tax year 2021 whereas the tax assessments have been made by the tax authorities up to tax year 2017. The returns filed for the tax year 2014 to tax year 2021 are treated to be deemed assessed under section 120 of the Income Tax Ordinance, 2001.

26.3.2.2 During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the Commissioner Inland Revenue Authority (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 Appellate Tribunal Inland Revenue (ATIR) for tax year 2005 which are pending finalization.

26.3.2.3 For tax years 2003 (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 had preferred an appeal before the ATIR against the above referred orders of the CIRA. No development has taken place during the current year.

26.3.2.4 In respect of tax year 2015, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Holding Company by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Holding Company by Rs. 32.893 million and levied super tax. As a result, a tax demand of Rs. 124.134 million was created. The Holding Company had filed an appeal before the ATIR against the above order which is pending adjudication.

26.3.2.5 For the tax years 2017 and 2018, the Azad Jammu Kashmir (AJK) tax authorities issued notices under section 122(5A) of the Income Tax Ordinance, 2001 and amended the return submitted by the Holding Company by adding / disallowing various expenses and worked out an additional tax liability of Rs. 46.165 million and Rs. 55.152 million for the tax years 2017 and 2018 respectively. The Holding Company had filed an appeal against the said decision before CIRA. During the year the CIRA passed an order in favour of the Holding Company. However, the tax authorities have filed an appeal before the ATIR which is pending adjudication.

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

26.3.2.7 In respect of tax years 2006 and 2008 (relating to defunct KASB Bank Limited), the tax department passed order under section 161/205 of the Income Tax Ordinance, 2001, raising demand of Rs. 121.71 million and Rs. 308.01 million, respectively. CIRA had decided the appeal in favor of the tax department. The Holding Company has preferred an Appeals against the decision of CIRA before the ATIR which are pending adjudication.

26.3.2.8 In respect of tax periods from July 2011 to June 2015 (related to defunct KASB Bank Limited), Sindh Revenue Board (SRB) passed orders and raised a demand of Rs. 42.595 million in relation to levy of Sindh sales tax on certain services. The Holding Company has filed an appeal before Commissioner Appeals, SRB which is pending adjudication.

27	PROFIT / RETURN EARNED	Note	2021	2020
			----- Rupees in '000 -----	
	Profit earned on:			
	Financing		11,987,992	14,258,217
	Investments		8,789,784	6,495,119
	Placements		2,314,004	4,848,066
	Others		135,059	119,748
			<u>23,226,839</u>	<u>25,721,150</u>
28	PROFIT / RETURN EXPENSED			
	Deposits and other accounts		10,822,034	11,754,773
	Due to financial institutions		804,455	821,929
	Cost of foreign currency swaps against foreign currency deposits		26,027	23,577
	Amortisation of lease liability against right of use assets		416,247	389,614
	Subordinated Sukuk		206,436	239,706
			<u>12,275,199</u>	<u>13,229,599</u>
29	FEE AND COMMISSION INCOME			
	Branch banking customer fees		57,008	56,743
	Commission on bancatakaful		122,186	100,898
	Card related fees		371,260	275,891
	Commission on arrangement with financial institutions		107,732	68,006
	Consumer finance related fees		72,640	32,061
	Guarantees related fee		88,077	49,180
	Investment banking fees		123,677	126,114
	Commission on cash management		7,903	4,823
	Commission on remittances including home remittances		30,427	32,531
	Commission on trade		235,685	140,762
	Others		10,299	13,118
			<u>1,226,894</u>	<u>900,127</u>
30	GAIN ON SECURITIES			
	Realized gain	30.1	<u>101,976</u>	<u>242,433</u>
30.1	Realized gain / (loss) on:			
	Federal Government Shariah Compliant Securities		24,829	1,771
	Shares		87,267	45
	Non-Government Shariah compliant Securities		27,933	240,617
	Non-Current Assets held for sale	30.1.1 & 30.1.2	(38,053)	-
			<u>101,976</u>	<u>242,433</u>
			2021	
			- Rs. In '000 -	
30.1.1	Summary of gain on disposal of BankIslami Modaraba Investments Limited			
	Sale proceeds on disposal		90,000	
	Less: Net assets of a subsidiary at the date of derecognition		(48,112)	
			<u>41,888</u>	
30.1.2	Summary of loss on disposal of BIPL Securities Limited			
	Sale proceeds on disposal		663,211	
	Less: Net assets of a subsidiary at the date of derecognition		(993,732)	
	Add: Non-controlling interest		250,580	
			<u>(79,941)</u>	
31	OTHER INCOME - NET		2021	2020
			----- Rupees in '000 -----	
	Rent on property		723	11,483
	Gain on termination of financing		85,975	84,931
	(Loss) / gain on sale of property and equipment		(3,521)	3,613
	Recoveries against previously expensed items		867	4,249
	Others		9,794	5,748
			<u>93,838</u>	<u>110,024</u>

32 OPERATING EXPENSES	Note	2021 ----- Rupees in '000 -----	2020
Total compensation expense		4,398,458	3,619,430
Property expense			
Rent & taxes		11,339	84,606
Takaful		2,076	2,931
Utilities cost		462,697	353,128
Security (including guards)		393,632	367,958
Repair & maintenance (including janitorial charges)		217,807	172,754
Depreciation	13.2	345,026	343,977
Depreciation on right-of-use assets	13.2	769,483	809,412
Others		10	30
		2,202,070	2,134,796
Information technology expenses			
Software maintenance		302,743	245,222
Hardware maintenance		113,475	120,245
Depreciation	13.2	243,642	198,402
Amortisation	14	63,456	62,817
Network charges		205,839	178,810
		929,155	805,496
Other operating expenses			
Directors' fees and allowances		14,320	9,860
Fees and allowances to Shariah Board		18,707	15,646
Legal & professional charges		181,148	139,504
Travelling & conveyance		47,574	39,109
NIFT clearing charges		29,501	29,115
Depreciation	13.2	193,395	177,052
Depreciation on non-banking assets	16.1.1	6,416	8,715
Entertainment expense		67,907	57,432
Training & development		4,742	8,379
Postage & courier charges		49,335	68,509
Communication		48,025	66,775
Stationery & printing		161,571	182,426
Marketing, advertisement & publicity		124,319	193,099
Repairs and maintenance		123,943	130,510
Takaful, tracker and other charges on car Ijarah		171,210	100,032
Takaful / Insurance		277,915	316,510
Fee and subscription		143,468	186,561
Vehicle running and maintenance		173,821	129,512
Donations	32.2	1,500	5,841
Auditors' remuneration	32.3	16,773	17,507
Amortization	14	3,488	2,278
CDC and share registrar services		8,007	9,424
Brokerage and commission		30,489	30,152
Stamp duty, registration & verification charges		84,854	15,915
Others		37,503	78,457
		2,019,931	2,018,320
		9,549,614	8,578,042

32.1 Total compensation expense	Note	2021	2020
		----- Rupees in '000 -----	
Managerial remuneration			
(i) Fixed		1,876,093	1,608,146
(ii) Variable - Cash bonus / awards		21,359	10,889
Provision for bonus to employees		300,000	125,000
Charge for defined benefit plan	40.8.1	139,925	126,159
Contribution to defined contribution plan	41	134,214	119,903
Rent & house maintenance allowance		755,713	655,272
Utilities allowance		167,952	145,612
Medical allowance		173,233	138,040
Car maintenance allowance		217,092	194,466
Conveyance allowance		243	2,262
Fuel allowance		5,124	11,240
Sports & welfare		2,499	2,272
Staff life takaful		68,408	67,702
Overtime allowance		453	974
Phone banking allowance		1,518	2,046
Relocation allowance		285	200
Sales commission		333,705	204,842
Contract staff cost		200,109	202,760
Others		533	1,645
Total		4,398,458	3,619,430

32.2 Details of donations

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

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

32.3 Auditors' remuneration	Note	2021	2020
		----- Rupees in '000 -----	
Audit fee		7,500	7,532
Fee for the review of half yearly financial statements		2,100	2,225
Fee for other statutory certifications		2,489	2,414
Special certifications and sundry advisory services		3,637	2,968
Tax services		-	1,622
Out-of-pocket expenses		1,047	746
		16,773	17,507

33 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	2,525	130,504
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34 PROVISIONS AND WRITE OFFS - NET	Note	2021 ----- Rupees in '000 -----	2020
Reversal of provision against Due from financial institutions		(3,240)	(3,240)
Reversal of provision for diminution in value of Investments		(14,022)	(12,350)
Provision against Islamic financing and related assets and advances - net	12.17.2	335,610	2,230,225
Other provisions / write offs - net		(286,460)	386,388
		<u>31,888</u>	<u>2,601,023</u>

35 TAXATION

Current	382,337	430,687
Prior years	(156,696)	(23,632)
Deferred	1,039,915	649,257
	<u>1,265,556</u>	<u>1,056,312</u>

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

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Holding Company has filed the return of income for the tax years 2006 to 2021 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

36 BASIC AND DILUTED EARNINGS PER SHARE	Note	2021 ----- Rupees in '000 -----	2020
Profit for the year from continuing operations (Attributable to equity shareholders of the Holding Company)		1,968,243	1,475,240
Profit for the year from discontinued operations (Attributable to equity shareholders of the Holding Company)		62,917	71,127
Profit after taxation for the period (Attributable to equity shareholders of the Holding Company)		<u>2,031,160</u>	<u>1,546,367</u>

----- Number of shares -----

Weighted average number of ordinary shares	<u>1,108,703,299</u>	<u>1,108,703,299</u>
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----- Rupees -----

Basic and diluted EPS from continuing operations	1.7753	1.3306
Basic and diluted EPS from discontinued operations	0.0567	0.0642
Basic and diluted EPS	<u>1.8320</u>	<u>1.3948</u>

- 36.1** There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2021 and December 31, 2020.

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

The Holding Company maintained the following pools for profit declaration and distribution during the year ended December 31, 2021:

- (i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- (ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
- (iii) Special Mudarabah Deposits Pool
- (iv) Treasury Pools
- (v) Other specific Musharakah pool

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

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

Key features and risk & reward characteristics of all pools

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

The 'IERS Pool' caters to the 'Islamic Export Refinance Scheme' requirements based on the guidelines issued by the SBP. In this Scheme, SBP enters into a Musharakah arrangement with the Holding Company for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabaha, 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.

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

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

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

- 1 Asset Risk: The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Holding Company has prepared detailed product manuals in order to identify and properly mitigate such risk. The Holding Company also analyses transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professionals having considerable experience in the field of Islamic banking and finance. Nevertheless since Islamic banking is a nascent industry, we believe that the process of further improvement will continue as the business grows.
- 2 Credit Risk: Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 48.2 to the consolidated financial statements.

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

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

The allocation of income and expenses to different pools is based on pre-defined basis and accounting principles / standards. Direct expenses are charged to respective pool, while indirect expenses are borne by the Holding Company as Mudarib. The direct expenses charged to the pool are direct cost in financing / investment transactions (i.e. Murabaha, Ijarah, Diminishing Musharakah, Istisna, Tijarah, 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.

2021									
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	7.86%	50.00%	50.00%	2,482,159	3.37%	16.88%	418,882	
Daily Product	Monthly	7.87%	50.00%	50.00%	12,184	5.38%	36.65%	4,465	
USD Pool	Monthly	0.38%	50.00%	50.00%	6,637	0.26%	40.79%	2,707	
GBP Pool	Monthly	0.42%	50.00%	50.00%	555	0.29%	39.16%	217	
EURO Pool	Monthly	0.11%	50.00%	50.00%	80	0.06%	20.64%	16	

Specific Musharakah Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Client Share %	Holding Company Share %	Holding Company Share	Profit rate return distributed	Percentage of Hiba to Client	Amount of Hiba to Client	
					(Rupees in '000)				
Islamic Export Refinance (IERS) Pool	Monthly	5.39%	49.18%	50.82%	3,587,978	1.95%	-	-	
Other Specific Musharakah Pool	Monthly	10.47%	99.00%	1.00%	2,723	10.21%	-	-	

Specific Mudarabaha Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Depositor Share %	Mudarib Share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba to special remunerative deposits	
					(Rupees in '000)				
(i) Special Pool PKR	Monthly	8.40%	76.16%	23.84%	1,286,072	7.10%	39.39%	506,618	
(ii) 1-3 Years Term Deposits	Monthly	8.05%	85.00%	15.00%	371,900	7.22%	28.72%	106,828	
(iii) Special Pool USD	Monthly	1.36%	80.00%	20.00%	5,939	1.14%	26.72%	1,587	
(v) Special Pool Euro	Monthly	0.36%	65.74%	34.26%	371	0.27%	18.67%	69	

(vi) In addition to the above, 128 short term Treasury Pools were created to meet liquidity requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

38 CASH AND CASH EQUIVALENTS	Note	2021 ----- Rupees in '000 -----	2020
Cash and balances with treasury banks	8	24,552,347	22,034,025
Balances with other banks	9	3,694,155	12,310,472
		<u>28,246,502</u>	<u>34,344,497</u>

39 STAFF STRENGTH	Number of employees	
Permanent	2,898	2,767
Contractual basis	1,148	838
Total staff strength	<u>4,046</u>	<u>3,605</u>

40 DEFINED BENEFIT PLAN

40.1 General description

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

40.2 Number of Employees under the scheme

The number of employees covered under the defined scheme are 951 (2020: 1,051).

40.3 Principal actuarial assumptions

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

	2021	2020
- Valuation Discount rate	12.25%	10.25%
- Salary Increase Rate	12.25%	10.25%
- Expected Return on Plan Assets	12.25%	10.25%

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

		2021	2020
		----- Rupees in '000 -----	
40.4 Reconciliation of (receivable from) / payable to defined benefit plans	Note		
The amount recognized in the consolidated statement of financial position (in respect of the gratuity scheme) is determined as follows:			
Present value of defined benefit obligations		551,882	456,052
Fair value of plan assets		(378,252)	(324,314)
		<u>173,630</u>	<u>131,738</u>
40.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		456,052	368,209
Current service cost		136,554	119,750
Return expense		41,493	39,271
Benefits paid by the Group		(54,783)	(53,159)
Re-measurement gain		(27,434)	(16,692)
Other adjustment		-	(1,327)
Obligations at the end of the year		<u>551,882</u>	<u>456,052</u>
40.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		324,314	256,256
Return earned on plan assets		38,122	32,862
Contribution by the Group - net		150,000	100,000
Benefits paid by the Group		(54,783)	(53,159)
Re-measurement loss	40.8.2	(79,401)	(11,645)
Fair value at the end of the year		<u>378,252</u>	<u>324,314</u>
40.7 Movement in payable under defined benefit schemes			
Opening balance		131,738	111,953
Charge for the year		139,925	126,159
Contribution by the Group		(150,000)	(100,000)
Re-measurement gain recognized in OCI during the year	40.8.2	51,967	(5,047)
Other adjustment		-	(1,327)
Closing balance		<u>173,630</u>	<u>131,738</u>
40.8 Charge for defined benefit plans			
40.8.1 Cost recognized in profit and loss			
Current service cost		136,554	119,750
Net return charges		3,371	6,409
		<u>139,925</u>	<u>126,159</u>
40.8.2 Re-measurements recognized in OCI during the year			
Gain on obligation			
- Demographic assumptions		-	-
- Financial assumptions		(5,842)	(3,012)
- Experience adjustment		(21,592)	(13,680)
Loss / (gain) on plan assets		79,401	11,645
Total re-measurements		51,967	(5,047)
Deferred tax impact		(18,188)	1,766
Total re-measurements recognized in OCI		<u>33,779</u>	<u>(3,280)</u>
40.9 Components of plan assets			
Bank Balance		265,104	213,406
Units of Mutual Funds		113,148	110,908
		<u>378,252</u>	<u>324,314</u>
40.9.1	The plan assets and defined benefit obligations are based in Pakistan.		

40.10 Sensitivity analysis

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

	2021	2020
	----- Rupees in '000 -----	
1% increase in discount rate	462,329	395,753
1% decrease in discount rate	579,085	501,844
1 Year increase in Life expectancy / Withdrawal rate	515,960	444,272
1 Year decrease in Life expectancy / Withdrawal rate	515,961	444,273

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

	Rupees in '000
40.11 Expected contributions to be paid to the funds in the next financial year	<u>162,761</u>
40.12 Expected charge for the next financial year	<u>152,792</u>
40.13 Maturity profile	

The weighted average duration of the defined benefit obligation is 11.31 years (2020 : 11.94 years)

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

At December 31, 2021	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
Gratuity	25,730	33,644	82,264	3,150,534	3,292,172

40.14 Funding Policy

Funding levels are monitored on an annual basis and are based on actuarial recommendations. Expected Gratuity Expense for the next year works out to Rs. 152.792 million as per the actuarial valuation report of the Holding Company as of December 31, 2021.

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

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

41 DEFINED CONTRIBUTION PLAN

The Holding Company operates a contributory provident fund for all permanent employees. The employer and employee both contribute 10% of basic salary to the fund every month. Equal monthly contributions by employer and employees during the year amounted to Rs. Rs. 134.214 million (2020: Rs. 119.903 million) each.

42 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense of the Holding Company

Items	Note	2021						
		Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
		Chairman	Executives (other than CEO)	Non- Executives				
----- Rupees '000 -----								
Fees and Allowances etc.		1,520	-	12,800	2,582	-	-	-
Managerial Remuneration								
Fixed		-	-	-	8,618	33,664	75,708	53,509
Cash Bonus / Awards	42.1.3	-	-	-	-	25,000	9,132	7,073
Rent & house maintenance		-	-	-	-	-	34,069	24,079
Utilities		-	-	-	-	-	7,571	5,351
Medical		-	-	-	-	-	7,571	5,351
Conveyance		-	-	-	1,905	-	17,520	11,190
Shariah Board allowance		-	-	-	5,602	-	-	-
Others		-	-	-	-	21,881	2,721	5,794
Total		1,520	-	12,800	18,707	80,545	154,292	112,347
Number of Persons		1	-	7	4	1	16	15

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

42.1.1 The President / CEO has been provided with the Holding Company's maintained cars.

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

42.1.3 This represents cash bonus paid during the year 2021, out of the 'Provision for bonus expense' made during the year 2020 for Holding Company's employees.

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

2021

Sr. No.	Name of Director	Meeting Fees and Allowances Paid for the Year 2021							
		For Board Meetings	For Board Committees					Board Remuneration Committee	Total Amount Paid
			Audit Committee	Risk Management Committee	Human Resource Management Committee	Board IT Committee			
----- Rupees '000 -----									
1	Mr. Ali Hussain	1,680	-	-	-	-	200	1,880	
2	Dr. Amjad Waheed	1,400	-	100	200	-	200	1,900	
3	Mr. Siraj Ahmed Dadabhojy *	-	-	-	-	-	-	-	
4	Mr. Haider Ali Hilaly	1,400	400	-	-	200	-	2,000	
5	Dr. Lalarukh Ejaz	1,400	400	-	200	200	200	2,400	
6	Mr. Tasnim ul Haq Farooqui **	400	-	-	100	-	100	600	
7	Mr. Sulaiman Sadruddin Mehdi	1,400	400	100	200	-	200	2,300	
8	Mr. Syed Ali Hasham	1,400	400	100	200	-	200	2,300	
	Total Amount Paid	9,080	1,600	300	900	400	1,100	13,380	

* Mr. Dadabhojy resigned from the Board of Directors effective from August 25, 2021. During the year, he attended four (4) Board meetings.

** Mr. Farooqui was co-opted effective from August 25, 2021 for remaining term in replacement of Mr. Dadabhojy.

2020

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

42.3 Remuneration paid to Shariah Board Members

Items	2021			2020		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
----- Rupees in '000 -----						
a. Meeting Fees and Allowances	-	-	2,582	-	-	1,500
b. Managerial remuneration & allowances	11,820	4,305	-	10,534	3,622	-
Total Amount	11,820	4,305	2,582	10,534	3,622	1,500
Total Number of Persons	1	1	2	1	1	1

43 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity or investments in associates and subsidiary, 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 subsidiary, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

43.1 Fair value of financial assets

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

	2021			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	360,522	-	-	360,522
GoP Ijara Sukuk	-	73,330,941	-	73,330,941
Non-Government Shariah compliant Securities	32,414,124	7,221,277	-	39,635,401
Non-Financial Assets - measured at fair value				
Fixed assets - Land and building	-	-	7,559,697	7,559,697
Non-banking assets acquired in satisfaction of claims	-	-	1,506,468	1,506,468
Off-balance sheet financial instruments - measured at fair value				
Shariah compliant alternative of forward purchase of foreign exchange	-	15,970,727	-	15,970,727
Shariah compliant alternative of forward sale of foreign exchange	-	12,006,873	-	12,006,873
----- Rupees in '000 -----				
	2020			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	335,097	-	-	335,097
GoP Ijara Sukuk	-	44,497,832	-	44,497,832
Non-Government Shariah compliant Securities	31,440,745	7,454,508	-	38,895,253
Non-Financial Assets - measured at fair value				
Fixed assets - Land and building	-	-	6,891,351	6,891,351
Non-banking assets acquired in satisfaction of claims	-	-	1,671,387	1,671,387
Off-balance sheet financial instruments - measured at fair value				
Shariah compliant alternative of forward purchase of foreign exchange	-	11,246,372	-	11,246,372
Shariah compliant alternative of forward sale of foreign exchange	-	20,631,765	-	20,631,765

Valuation techniques used in determination of fair values within level 2

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

Valuation techniques used in determination of fair values within level 3

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 acquired in satisfaction of claims	Non-banking assets acquired in satisfaction of claims are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Banks' Association. The valuation is based on their assessment of market value of the properties.

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

There were no transfers between levels 1 and 2 from last year.

44 SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

	2021				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- Rupees in '000 -----				
Profit & Loss					
Net profit / return	9,274,032	(6,881,098)	8,630,903	(72,197)	10,951,640
Inter segment revenue - net	(8,533,499)	16,870,195	(8,090,142)	(246,554)	-
Total other income	663,845	726,729	478,408	160,506	2,029,488
Total Income	1,404,378	10,715,826	1,019,169	(158,245)	12,981,128
Segment direct expenses	78,216	6,027,911	363,787	3,152,918	9,622,832
Inter segment expense allocation	209,805	1,892,661	1,008,800	(3,111,266)	-
Total expenses	288,021	7,920,572	1,372,587	41,652	9,622,832
Provisions / (reversals)	(17,262)	213,680	455,401	(619,931)	31,888
Profit / loss before tax	1,133,619	2,581,574	(808,819)	420,034	3,326,408

	2021				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- Rupees in '000 -----				
Balance Sheet					
Assets					
Cash & Bank balances	15,598,035	12,648,467	-	-	28,246,502
Investments	125,228,590	-	-	-	125,228,590
Net inter segment placements	-	279,554,688	-	4,568,415	284,123,103
Due from financial institutions	34,945,365	-	-	-	34,945,365
Islamic financing and related assets					
- performing	-	37,941,681	137,318,830	3,367,681	178,628,192
- non-performing	-	1,189,828	1,242,013	116,206	2,548,047
Others	6,623,543	7,730,019	543,878	24,211,761	39,109,201
Total Assets	182,395,533	339,064,683	139,104,721	32,264,063	692,829,000
Liabilities					
Due to financial institutions	6,091,010	3,727,127	11,375,195	-	21,193,332
Subordinated sukuk	-	-	-	2,000,000	2,000,000
Deposits & other accounts	17,048,947	327,739,004	-	-	344,787,951
Net inter segment acceptances	158,909,968	-	125,213,135	-	284,123,103
Others	49,643	7,598,553	2,516,390	7,752,861	17,917,447
Total liabilities	182,099,568	339,064,684	139,104,720	9,752,861	670,021,833
Equity	-	-	-	22,807,167	22,807,167
Total Equity & liabilities	182,099,568	339,064,684	139,104,720	32,560,028	692,829,000
Contingencies & Commitments	3,963,854	-	44,305,791	535,682	48,805,327

	2020				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- Rupees in '000 -----				
Profit & Loss					
Profit / return earned	8,972,401	(7,333,737)	10,970,557	(117,670)	12,491,551
Inter segment revenue - net	(7,550,229)	18,398,941	(10,558,297)	(290,415)	-
Other income	692,536	587,810	329,244	(112,377)	1,497,213
Total Income	2,114,708	11,653,014	741,504	(520,462)	13,988,764
Segment direct expenses	71,344	4,573,564	258,759	3,860,200	8,763,867
Inter segment expense allocation	172,453	2,623,860	961,887	(3,758,200)	-
Total expenses	243,797	7,197,424	1,220,646	102,000	8,763,867
Provisions / (reversals)	(15,590)	147,487	2,089,139	379,988	2,601,023
Profit before tax	1,886,501	4,308,103	(2,568,281)	(1,002,450)	2,623,874
	----- Rupees in '000 -----				
Assets					
Cash & Bank balances	23,783,594	10,560,903	-	-	34,344,497
Investments	95,622,282	-	-	-	95,622,282
Net inter segment placements	-	232,280,586	-	2,801,703	235,082,289
Due from financial institutions	41,640,012	-	-	-	41,640,012
Islamic financing and related assets					
- performing	-	24,718,161	99,428,978	2,887,371	127,034,510
- non-performing	-	1,265,885	1,555,851	115,643	2,937,379
Others	1,171,691	5,271,853	5,430,218	24,488,148	36,361,910
Total Assets	162,217,579	274,097,388	106,415,047	30,292,865	573,022,879
Liabilities					
Due to financial institutions	7,675,409	1,989,031	6,463,176	-	16,127,616
Subordinated sukuk	-	-	-	2,000,000	2,000,000
Deposits & other accounts	15,987,163	266,949,587	-	-	282,936,750
Net inter segment acceptances	137,226,368	-	97,855,921	-	235,082,289
Others	133,484	6,784,172	2,437,698	7,007,788	16,363,142
Total liabilities	161,022,424	275,722,790	106,756,795	9,007,788	552,509,797
Equity	-	-	-	20,513,082	20,513,082
Total Equity & liabilities	161,022,424	275,722,790	106,756,795	29,520,870	573,022,879
Contingencies & Commitments	(9,435,135)	-	22,345,454	9,090,985	22,001,304

45 TRUST ACTIVITIES

The Holding Company commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets are not assets of the Holding Company and, therefore, are not included in its balance sheet. Following is the list of assets held under trust:

Category	Type	No. of IPS account		Face Value	
		2021	2020	2021	2020
				-----Rupees in '000-----	
Insurance Companies	Sukuks	8	8	286,000	286,000
Asset Management Companies	Sukuks	40	41	2,711,430	2,806,030
Employee Funds / NGO's	Sukuks	8	8	229,600	135,000
Individuals	Sukuks	2	2	144,470	144,470
Others	Sukuks	19	19	2,561,500	2,561,500
		77	78	5,933,000	5,933,000

Category	Type	No. of IPS account		Face Value	
		2021	2020	2021	2020
				-----Rupees in '000-----	
Insurance Companies	Sukuks / Islamic Commercial Paper	1	2	35,000	60,000
Asset Management Companies	Sukuks / Islamic Commercial Paper	12	60	614,900	12,584,900
Employee Funds / NGO's	Sukuks / Islamic Commercial Paper	1	7	50,800	350,800
Individuals	Sukuks / Islamic Commercial Paper	4	4	49,300	49,300
Others	Sukuks / Islamic Commercial Paper	2	2	550,000	550,000
		20	75	1,300,000	13,595,000

46 RELATED PARTY TRANSACTIONS

The Holding Company has related party transactions with its associates, employee benefit plans and its directors and key management personnel.

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

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

	2021				2020			
	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	-	-	-	-	-	-	-	-
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	19,239	305,603	489,677	496,392	22,538	194,707	525,179	1,193,862
Addition during the year	-	137,090	386,691	4,264,589	-	180,438	92,048	3,216,340
Repaid during the year	(3,857)	(57,239)	(395,828)	(4,290,511)	(3,299)	(66,942)	(127,550)	(3,404,528)
Transfer in / (out) - net	-	(104,971)	-	229,531	-	(2,600)	-	(509,282)
Closing balance	15,382	280,483	480,540	700,001	19,239	305,603	489,677	496,392
Other assets								
Profit receivable on financings	230	127	2,576	5,618	812	167	1,626	3,153

	2021					2020				
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties		
----- Rupees in '000 -----										
Subordinated debt										
Opening balance	-	1,015	-	-	-	10,000	-	-		
Issued / purchased during the year	-	-	-	-	-	15	-	-		
Redemption / sold during the year	-	-	-	-	-	(9,000)	-	-		
Closing balance	-	1,015	-	-	-	1,015	-	-		
Deposits and other accounts										
Opening balance	18,887	25,210	85,142	1,171,529	3,534	6,260	82,086	1,062,262		
Received during the year	63,980	474,247	2,350,516	10,058,067	96,690	694,472	1,641,620	8,820,606		
Withdrawn during the year	(76,802)	(456,200)	(2,394,418)	(9,840,769)	(81,169)	(675,522)	(1,638,684)	(8,711,343)		
Transfer in / (out) - net	(2)	(845)	(13,902)	(82,428)	(168)	-	120	4		
Closing balance	6,063	42,412	27,338	1,306,399	18,887	25,210	85,142	1,171,529		
Other Liabilities										
Profit / return payable	1	201	2	7,305	2	160	689	7,141		
Meeting fee / remuneration payable	-	-	-	-	2,260	-	-	-		
Contingencies and Commitments										
Other contingencies	-	-	23,385	697,037	-	-	-	279,802		
Income										
Profit / return earned	1,468	8,515	30,131	57,853	2,413	8,171	30,499	55,236		
Other income	-	8,631	-	-	-	3,649	-	-		
Expense										
Profit / return expensed	73	476	627	90,503	22	373	1,338	107,125		
Other administrative expenses	1,696	3,620	-	17,848	86	2,209	-	6,710		
Meeting fee / remuneration	14,320	248,499	-	-	9,860	186,976	-	-		
Contribution to employees provident fund	-	-	-	134,214	-	-	-	119,903		
Charge for employees gratuity fund	-	-	-	139,925	-	-	-	126,159		

47 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2021 2020
----- Rupees in '000 -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

11,007,991	11,007,991
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

13,989,958	13,877,167
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Eligible Additional Tier 1 (ADT 1) Capital

2,000,000	2,007,989
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Total Eligible Tier 1 Capital

15,989,958	15,885,156
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Eligible Tier 2 Capital

4,907,251	4,972,587
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Total Eligible Capital (Tier 1 + Tier 2)

20,897,209	20,857,743
------------	------------

Risk Weighted Assets (RWAs):

Credit Risk

122,367,298	107,957,298
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Market Risk

1,120,150	1,020,400
-----------	-----------

Operational Risk

24,016,288	20,552,900
------------	------------

Total

147,503,736	129,530,598
-------------	-------------

Common Equity Tier 1 Capital Adequacy ratio

9.48%	10.71%
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Tier 1 Capital Adequacy Ratio

10.84%	12.26%
--------	--------

Total Capital Adequacy Ratio

14.17%	16.10%
--------	--------

National minimum capital requirements prescribed by SBP

CET1 minimum ratio

6.00%	6.00%
-------	-------

Tier 1 minimum ratio

7.50%	7.50%
-------	-------

Total capital minimum ratio

10.00%	10.00%
--------	--------

CCB (Consisting of CET 1 only)

1.50%	1.50%
-------	-------

Total Capital plus CCB

11.50%	11.50%
--------	--------

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

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

2021 2020
----- Rupees in '000 -----

Leverage Ratio (LR):

Eligible Tier-1 Capital

15,989,958	15,885,156
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Total Exposures

451,470,713	369,368,591
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Leverage Ratio

3.54%	4.30%
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Liquidity Coverage Ratio (LCR)*:

Total High Quality Liquid Assets

117,677,463	66,806,359
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Total Net Cash Outflow

48,190,151	33,817,378
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Liquidity Coverage Ratio

249.73%	210.41%
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Net Stable Funding Ratio (NSFR)*:

Total Available Stable Funding

347,348,801	282,534,177
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Total Required Stable Funding

145,818,809	112,435,298
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Net Stable Funding Ratio

238.21%	251.29%
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* Holding Company's LCR and NSFR ratios have been presented.

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

48 RISK MANAGEMENT

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

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

RISK MANAGEMENT FRAMEWORK

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

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

Strategic Level

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

Macro Level

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

Micro Level

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

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

Risk appetite of the Group

The risk appetite of the Holding Company is an outcome of its corporate goal, economic profitability, available resources (size and business life cycle) and most significantly; the controls. The Holding Company 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 Holding Company'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 Holding Company's leadership.

The risk management function at the Holding Company, 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 Holding Company's objectives.

Business line accountability

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

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

48.1 COVID - 19

48.1.1 Risk management in the current economic scenario

The Covid-19 pandemic has created uncertainty for the society and business community at a global level, whereby maintaining social distancing and being jabbed with vaccinations has now become the 'new normal'. BankIslami, being a responsible institute, to manage the crisis has been taking numerous measures to maintain business continuity based on the guidelines issued by WHO, SBP and Government of Pakistan to ensure provision of safe and resilient working environment for its human capital and customers. These measures comprised of; formation of a management committee to monitor overall Covid-19 situation which can impact the Holding Company, expansion and readiness of BCP site to manage any unforeseen crises, implementation of strong information security protocols so that the Holding Company can allow affected staff to work from home without any hassle, promotion of digital services, disinfection of office and branch premises on frequent basis and provision of company sponsored vaccination services, Covid-19 testing and medical advisory for Holding Company's staff and their family members. Moreover, the Holding Company, to safeguard its credit profile, has further strengthened its credit review procedures in the light of Covid-19. The Holding Company conducted various stress tests on the credit portfolio and is confident that the current CAR level is sufficient to adhere all regulatory and business needs.

48.2 Credit Risk

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

(i) Price risk

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

(ii) Counter party risk

The risk that the counter party defaults during the term of a transaction (Murabaha, Diminishing Musharakah etc.).

(iii) Settlement risk

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

(iv) Country risk

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

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

48.2.1 Due from financial institutions

Credit risk by public / private sector

	Gross Due from Financial Institutions		Non-performing Due from Financial Institutions		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Public / Government	-	-	-	-	-	-
Private	34,969,665	41,667,552	24,300	27,540	24,300	27,540
	34,969,665	41,667,552	24,300	27,540	24,300	27,540

48.2.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Chemical and Pharmaceuticals	242,006	499,423	242,006	499,423	242,006	499,423
Electronics and electrical appliances	55,000	55,000	55,000	55,000	-	-
Construction	32,800	32,800	32,800	32,800	32,800	32,800
Power (electricity), Gas, Water & Sanitary	35,944,912	36,070,467	-	-	-	-
Financial	391,072	391,071	21,072	21,071	21,072	21,071
Services	1,062,441	67,897	62,441	67,898	62,439	67,897
Others	83,918,650	55,134,141	221,249	221,250	-	-
	121,646,881	92,250,799	634,568	897,442	358,317	621,191

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Public / Government	120,213,921	90,413,927	-	-	-	-
Private	1,432,960	1,836,872	634,568	897,442	358,317	621,191
	121,646,881	92,250,799	634,568	897,442	358,317	621,191

48.2.3 Islamic financing, related assets and advances - net

Credit risk by industry sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Agriculture, Forestry, Hunting and Fishing	2,167,878	961,614	35,480	5,185	1,408	-
Textile	23,631,608	13,186,883	3,038,934	3,542,040	2,965,214	3,468,320
Chemical and Pharmaceuticals	1,718,677	900,317	756,386	817,373	755,979	786,979
Cement	2,784,141	2,011,013	250,000	657,045	250,000	453,523
Sugar	4,617,646	4,017,496	846,503	847,195	664,503	665,195
Footwear and Leather garments	291,061	184,402	172,402	2,459	172,402	2,459
Automobile and transportation equipment	962,816	943,228	114,343	112,470	100,827	100,359
Education	2,495,278	1,353,400	-	-	-	-
Electronics and electrical appliances	2,516,561	2,128,658	1,047,568	1,397,568	966,434	1,397,568
Construction	935,747	1,543,358	403,401	758,378	378,779	757,256
Power (electricity), Gas, Water & Sanitary	12,930,759	11,890,178	649	3,029	51	2,431
Wholesale and Retail Trade	5,999,056	5,724,940	1,469,809	2,082,827	1,186,578	1,763,381
Exports / Imports	208,109	260,756	20,586	32,586	20,586	32,586
Transport, Storage and Communication	3,027,074	369,722	79,398	165,353	21,914	115,419
Financial	1,244,792	369,312	240,400	240,400	240,189	240,189
Services	22,595,036	18,090,881	163,306	168,074	103,918	99,659
Individuals	46,087,578	32,180,544	3,181,569	3,189,014	1,827,531	1,759,444
Food and beverages	38,793,733	34,158,657	1,685,715	2,010,011	1,479,235	1,544,531
Packing and Paper products	499,656	601,145	13,000	13,000	13,000	13,000
Others	22,870,867	14,271,543	3,557,229	1,484,748	3,380,082	1,289,309
	196,378,073	145,148,047	17,076,678	17,528,755	14,528,630	14,491,608

Credit risk by public / private sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Public / Government	60,723,819	52,494,757	-	-	-	-
Private	135,654,254	92,653,290	17,076,678	17,528,755	14,528,630	14,491,608
	196,378,073	145,148,047	17,076,678	17,528,755	14,528,630	14,491,608

48.2.4 <u>Contingencies and Commitments</u>	2021	2020
	----- Rupees in '000 -----	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	207,533	65,722
Mining and Quarrying	783,359	-
Textile	6,852,440	4,480,411
Chemical and Pharmaceuticals	1,011,299	89,032
Cement	1,758,859	2,041,238
Sugar	203,652	48,865
Footwear and Leather garments	-	120,900
Automobile and transportation equipment	1,604,400	2,117,699
Education	42,119	4,957
Electronics and electrical appliances	130,539	503,963
Production and transmission of energy	2,001,884	1,206,909
Construction	485,252	2,971,077
Power (electricity), Gas, Water & Sanitary	23,222	216,089
Wholesale and Retail Trade	2,212,729	2,020,837
Exports / Imports	34,639	221,253
Transport, Storage and Communication	342,233	663,428
Financial	4,211	81,155
Services	2,236,819	781,934
Individuals	20,656	142,961
Food and beverages	627,910	1,307,503
Manufacturing	2,826,759	1,792,582
Packing and Paper products	75,983	103,622
Others	25,318,830	1,019,167
	48,805,327	22,001,304
Credit risk by public / private sector		
Public / Government	-	1,457,024
Private	48,805,327	20,544,280
	48,805,327	22,001,304

48.2.5 Concentration of Financing

The Holding Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 82,371.247 million (2020: Rs. 67,428.914 million) are as following:

	2021	2020
	----- Rupees in '000 -----	
Funded	73,499,823	62,136,283
Non Funded	8,871,424	5,292,631
Total Exposure	82,371,247	67,428,914

The sanctioned limits against these top 10 exposures aggregated to Rs. 86,734 million (2020: Rs. 76,840 million)

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

48.2.6 Total funded classified therein

	2021		2020	
	Amount	Provision held	Amount	Provision held
----- Rupees in '000 -----				
OAEM	164,571	-	149,428	-
Substandard	554,426	92,057	485,371	34,915
Doubtful	1,113,707	334,116	1,947,553	536,216
Loss	15,243,974	14,102,457	14,946,403	13,920,477
Total	17,076,678	14,528,630	17,528,755	14,491,608

48.2.7 Financing - Province / Region-wise Disbursement & Utilization

		2021					
Province / Region	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- Rupees in '000 -----							
Punjab	71,064,629	71,064,629	-	-	-	-	-
Sindh	94,310,824	-	94,310,824	-	-	-	-
KPK including FATA	753,877	-	-	753,877	-	-	-
Balochistan	575,256	-	-	-	575,256	-	-
Islamabad	35,527,208	-	-	-	-	35,527,208	-
AJK including Gilgit-Baltistan	86,230	-	-	-	-	-	86,230
Total	202,318,024	71,064,629	94,310,824	753,877	575,256	35,527,208	86,230

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

48.3 Market Risk

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

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

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

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

48.3.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- Rupees in '000 -----						
Cash and balances with treasury banks	24,552,347	-	24,552,347	22,034,025	-	22,034,025
Balances with other banks	3,694,155	-	3,694,155	12,310,472	-	12,310,472
Due from financial institutions	34,945,365	-	34,945,365	41,640,012	-	41,640,012
Investments	125,228,590	-	125,228,590	95,622,282	-	95,622,282
Islamic financings, related assets & advances	181,176,239	-	181,176,239	129,971,889	-	129,971,889
Fixed assets	13,618,491	-	13,618,491	11,721,873	-	11,721,873
Intangible assets	3,223,191	-	3,223,191	3,155,509	-	3,155,509
Deferred tax assets	4,183,055	-	4,183,055	5,699,800	-	5,699,800
Other assets	18,084,464	-	18,084,464	13,637,939	-	13,637,939
Non-current assets held for sale	-	-	-	2,146,789	-	2,146,789
Total	408,705,897	-	408,705,897	337,940,590	-	337,940,590

48.3.2 Foreign Exchange Risk

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

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

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

	2021				2020			
	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	401,592,640	374,787,846	(4,022,087)	22,782,707	319,982,309	309,025,182	9,404,748	19,743,968
United States Dollar	5,700,773	9,617,635	3,800,529	(116,333)	16,654,118	7,046,498	(9,435,134)	172,486
Great Britain Pound	617,478	683,515	71,062	5,025	591,273	584,261	-	7,012
Japanese Yen	9,344	48	-	9,296	17,725	48	-	17,677
Euro	625,256	753,131	150,496	22,621	581,385	750,038	30,386	(138,267)
UAE Dirham	103,263	35,754	-	67,509	26,856	8,782	-	18,074
Asian Currency Unit	34,996	-	-	34,996	67,413	-	-	67,413
Swiss Franc	-	-	-	-	2,680	-	-	2,680
Chinese Yuan	2,937	-	-	2,937	1,913	-	-	1,913
Australian Dollar	3,260	2,072	-	1,188	6,868	1,994	-	4,874
Saudi Riyal	14,317	12,294	-	2,023	7,727	6,076	-	1,651
Canadian Dollar	1,570	6,435	-	(4,865)	223	4,629	-	(4,406)
Turkish Lira	63	-	-	63	100	-	-	100
	408,705,897	385,898,730	-	22,807,167	337,940,590	317,427,508	-	19,895,175

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	245	-	1,512	-
- Other comprehensive income	-	-	-	-

48.3.3 Equity Position Risk

Equity position includes the following:

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

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

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

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	18,026	-	16,755	-

48.3.4 Yield / Profit Rate Risk

It includes all material yield risk positions of the Holding Company taking into account all re-pricing and maturity data. It includes current balances and contractual yield rates, the Holding Company understands that its Islamic financing and related assets shall be re-priced as per their respective contracts.

The Holding Company 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 Holding Company by applying upward and downward shocks.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in profit rates on				
- Profit and loss account	109,516	-	124,916	-
- Other comprehensive income	-	-	-	-

48.3.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021

Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk										Non-profit bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
----- Rupees in '000 -----												
On-balance sheet financial instruments												
Assets												
	24,552,347	-	-	-	-	-	-	-	-	-	-	24,552,347
Cash and balances with treasury banks	3,694,155	192,081	-	-	-	-	-	-	-	-	-	3,502,074
Balances with other banks	34,945,565	26,444,586	-	4,492,042	-	-	-	-	-	-	-	-
Due from financial institutions	125,228,590	33,439,354	40,074,994	49,481,579	-	-	-	-	-	-	-	2,232,663
Investments	181,176,239	39,531,634	22,902,216	66,018,635	3,299,905	8,719,276	7,462,008	5,122,494	2,572,136	-	-	1,904,565
Islamic financing and related assets and advances	16,509,794	-	-	-	-	-	-	-	-	-	-	16,509,794
Other assets	386,106,490	99,607,655	62,977,210	77,133,686	70,510,677	8,719,276	7,462,008	5,122,494	2,572,136	-	-	48,701,443
Liabilities												
	3,484,210	-	-	-	-	-	-	-	-	-	-	3,484,210
Bills payable	21,193,332	7,291,471	3,111,600	1,805,305	745,868	2,800,000	3,691,010	-	216,678	-	-	-
Due to financial institutions	344,787,951	216,277,820	-	-	-	-	-	-	-	-	-	128,510,131
Deposits and other accounts	2,000,000	2,000,000	-	-	-	-	-	-	-	-	-	-
Subordinated sukuk	13,708,084	-	-	-	-	-	-	-	-	-	-	13,708,084
Other liabilities	385,173,577	223,569,291	5,111,600	1,805,305	745,868	2,800,000	3,691,010	-	216,678	-	-	145,702,425
On-balance sheet gap	932,913	(123,961,636)	57,865,610	68,705,372	2,554,037	5,919,276	3,770,998	5,122,494	2,355,458	-	-	(97,000,982)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions	35,305,359	-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of:												
- forward foreign exchange contracts	3,963,854	1,761,385	1,891,487	-	-	-	-	-	-	-	-	-
Other commitments (to be specified)	9,306,462	9,306,462	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	48,575,675	46,373,206	1,891,487	310,982	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	(77,588,430)	59,757,097	75,913,268	68,705,372	2,554,037	5,919,276	3,770,998	5,122,494	2,355,458	-	-	(97,000,982)
Cumulative Yield/Interest Risk Sensitivity Gap	(77,588,430)	(17,831,333)	58,081,935	126,787,307	129,341,344	135,260,620	139,031,618	144,154,112	146,509,570	49,508,588	-	49,508,588

Effective Yield / Profit rate	Total	2020										Non-profit bearing financial instruments	
		Exposed to Yield / Profit risk											
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
		Rupees in '000											

On-balance sheet financial instruments													
Assets													
		22,034,025	-	-	-	-	-	-	-	-	-	-	22,034,025
		12,310,472	-	-	-	-	-	-	-	-	-	-	8,995,113
1.77%	Cash and balances with Treasury Banks	3,315,359	-	-	-	-	-	-	-	-	-	-	-
11.09%	Balances with other Banks	28,508,432	11,634,430	1,497,130	-	-	-	-	-	-	-	-	-
11.19%	Due from financial institutions	33,187,683	29,907,688	19,608,656	-	-	-	-	-	-	-	-	-
10.57%	Investments	28,334,517	7,931,116	24,771,832	45,816,108	2,523,311	5,359,580	11,324,771	20,707	-	-	-	2,170,419
	Islamic financing and related assets and advances	-	-	-	-	-	-	-	-	-	-	-	3,579,385
	Other assets	93,346,011	49,473,234	45,877,618	45,816,108	12,829,147	5,359,580	11,766,771	20,707	-	-	-	12,625,314
		314,203,994											49,404,256
		3,324,085	-	-	-	-	-	-	-	-	-	-	3,324,085
6.60%	Bills payable	16,127,616	7,642,536	1,499,750	34,933	2,805,692	769,295	3,375,410	-	-	-	-	-
4.79%	Due to financial institutions	282,936,750	-	-	-	-	-	-	-	-	-	-	-
12.91%	Deposits and other accounts	2,000,000	-	-	-	-	-	-	-	-	-	-	-
	Subordinated sukuk	10,704,368	-	-	-	-	-	-	-	-	-	-	-
	Other liabilities	315,092,819	189,551,818	1,499,750	34,933	2,805,692	769,295	3,375,410	-	-	-	-	10,704,368
		(888,825)	(96,205,807)	44,377,868	45,781,175	10,023,455	4,590,285	8,391,361	20,707	310,562	-	-	(60,009,129)
	On-balance sheet gap												
		25,519,168	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments													
	Documentary credits and short-term trade-related transactions												
	Commitments in respect of:												
	- forward foreign exchange contracts	(9,404,748)	(28,904)	71,760	-	-	-	-	-	-	-	-	-
	Other commitments (to be specified)	7,730,405	-	-	-	-	-	-	-	-	-	-	-
	Off-balance sheet gap	23,844,825	(28,904)	71,760	-	-	-	-	-	-	-	-	-
		(72,403,838)	41,801,794	44,449,628	45,781,175	10,023,455	4,590,285	8,391,361	20,707	310,562	-	-	(60,009,129)
	Total Yield/Interest Risk Sensitivity Gap												
		(72,403,838)	(30,602,044)	13,847,584	59,628,759	69,652,214	74,242,499	82,633,860	82,654,567	82,965,129	-	-	22,956,000

48.4 Operational Risk

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

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

48.4.1 Operational Risk-Disclosures Basel II Specific

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

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

48.5 Liquidity Risk

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

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

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

Holding Company calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per SBP Basel III Liquidity Standards issued under BPRD circular no 08 dated June 23, 2016. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile of Holding Company which requires Holding Company to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days period. As of December 31, 2021, Holding Company's LCR stood at 249.73% against the SBP's minimum requirement of 100%.

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

Governance of Liquidity risk management

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

Funding Strategy

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

Liquidity Risk Mitigation techniques

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

Liquidity Stress Testing

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

Contingency Funding Plan

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

Main drivers of LCR Results

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

Composition of High Quality Liquid Assets - HQLA

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

Concentration of Funding Sources

Being a commercial bank, it relies on funds provided by depositors. However the Holding Company has been continuously improving upon its ratio of core deposits. Current, Saving and Others accounts consist of 68.68% of total deposits, term deposits are 31.32% and acceptance from SBP and financial institutions is 6.15% of total deposits. Moreover the Holding Company does not rely on top few depositors to meet its funding requirements. This clearly shows that the funding sources for the Holding Company are well diversified.

Currency Mismatch in the LCR

Currency mismatch is minimal as FCY deposits are 3.21% of Holding Company's total deposits.

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

2021

	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	24,552,347	-	-	-	-	-	-	-	-
Balances with other banks	3,694,155	-	-	-	-	-	-	-	-
Due from financial institutions	34,945,365	-	4,008,737	4,492,042	-	-	-	-	-
Investments	125,228,590	10,305,836	-	-	-	689,794	78,474,104	33,526,194	1,018,215
Islamic financing, related assets and advances	181,176,239	14,849,585	16,412,742	38,490,928	6,626,477	10,694,976	15,409,630	21,551,810	19,771,921
Fixed assets	13,618,491	25,649	39,672	820,903	368,395	530,090	1,892,755	2,270,062	7,657,204
Intangible assets	3,223,191	2,329	44,166	13,259	24,153	20,899	174,088	-	2,944,297
Deferred tax assets	4,183,055	-	-	115,195	862,053	320,262	867,922	2,017,623	-
Other assets	18,084,464	5,704,236	6,292,451	385,720	-	-	50,000	1,853,092	-
Non-current assets held for sale	-	-	-	-	-	-	-	-	-
Liabilities									
Bills payable	3,484,210	-	-	-	-	-	-	-	-
Due to financial institutions	21,193,332	3,111,600	1,531,400	1,805,305	745,868	2,800,000	3,691,010	-	216,678
Deposits and other accounts	344,787,951	27,660,567	16,954,991	19,290,762	5,979,641	628,323	637,057	106,512	510
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	2,000,000
Other liabilities	14,433,237	484,763	5,623,011	447,486	3,213,456	418,530	802,252	-	-
Liabilities classified as held for sale	-	-	-	-	-	-	-	-	-
Net assets	385,898,730	31,256,930	24,109,402	21,543,553	9,938,965	3,846,853	5,130,319	106,512	2,217,188
	22,807,167	(190,662,577)	2,688,366	22,774,494	(2,057,887)	8,409,168	91,738,180	61,112,269	29,174,449
Share capital - net	11,007,991	-	-	-	-	-	-	-	-
Reserves	1,703,144	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	6,640,760	-	-	-	-	-	-	-	-
Unappropriated profit	3,455,272	-	-	-	-	-	-	-	-
Non controlling interest	-	-	-	-	-	-	-	-	-
	22,807,167	-	-	-	-	-	-	-	-

2020

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks	22,034,025	-	-	-	-	-	-	-	-	-
Balances with other banks	12,310,472	-	-	-	-	-	-	-	-	-
Due from financial institutions	41,640,012	28,508,452	11,634,430	1,497,130	-	-	-	-	-	-
Investments	95,622,282	1,216,449	-	-	405,816	10,305,836	-	45,159,831	37,906,408	627,942
Islamic financing, related assets and advances	129,971,889	28,842,777	11,445,054	24,777,628	4,442,523	3,618,422	6,883,782	15,885,732	22,366,896	11,709,075
Fixed assets	11,721,873	2,822	5,599	9,069	831,731	241,466	374,756	1,738,456	1,860,291	6,657,683
Intangible assets	3,155,509	-	1,650	31,275	56,400	17,103	14,799	89,985	-	2,944,297
Deferred tax assets	5,699,800	-	-	-	206,137	1,188,337	441,480	3,863,846	-	-
Other assets	13,637,939	2,577,527	4,666,955	2,942,019	1,025,372	-	-	50,000	-	2,376,066
Non-current assets held for sale	2,146,789	-	-	-	2,146,789	-	-	-	-	-
	337,940,590	95,492,524	27,753,688	29,257,121	9,114,768	15,371,164	7,714,817	66,787,850	62,133,595	24,315,063
Liabilities										
Bills payable	3,324,085	3,324,085	-	-	-	-	-	-	-	-
Due to financial institutions	16,127,616	-	6,422,800	1,499,750	34,933	2,805,692	769,295	3,375,410	-	1,219,736
Deposits and other accounts	282,936,750	43,406,005	34,186,649	22,450,387	27,820,810	14,407,168	16,442,545	26,607,400	51,986,402	45,629,384
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	-	2,000,000
Liabilities classified as held for sale	11,343,041	2,836,963	778,362	2,478,285	585,019	3,443,873	227,486	993,053	-	-
Other liabilities	1,696,016	-	-	-	1,696,016	-	-	-	-	-
	317,427,508	49,567,053	41,387,811	26,428,422	30,136,778	20,656,733	17,439,326	30,975,863	51,986,402	48,849,120
Net assets	20,513,082	45,925,471	(13,634,123)	2,828,699	(21,022,010)	(5,285,569)	(9,724,509)	35,811,987	10,147,193	(24,534,057)
Share capital - net	11,007,991	-	-	-	-	-	-	-	-	-
Reserves	1,526,894	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	4,734,999	-	-	-	-	-	-	-	-	-
Unappropriated profit	3,026,358	-	-	-	-	-	-	-	-	-
Non controlling interest	216,840	-	-	-	-	-	-	-	-	-
	20,513,082	45,925,471	(13,634,123)	2,828,699	(21,022,010)	(5,285,569)	(9,724,509)	35,811,987	10,147,193	(24,534,057)

Share capital - net	11,007,991
Reserves	1,526,894
Surplus on revaluation of assets	4,734,999
Unappropriated profit	3,026,358
Non controlling interest	216,840
	<u>20,513,082</u>

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

2021

	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	24,552,347	-	-	-	-	-	-	-	-
Balances with other banks	3,694,155	-	-	-	-	-	-	-	-
Due from financial institutions	34,945,365	-	4,008,737	4,492,042	-	-	-	-	-
Investments	125,228,590	10,305,836	-	-	-	689,794	78,474,104	33,526,194	1,018,215
Islamic financing and related assets and advances	181,176,239	14,849,585	16,412,742	38,490,928	6,626,477	10,694,976	15,409,630	21,551,810	19,771,921
Fixed assets	13,618,491	25,649	39,672	820,903	368,395	530,090	1,892,755	2,270,062	7,657,204
Intangible assets	3,223,191	2,329	44,166	13,259	24,153	20,899	174,088	-	2,944,297
Deferred tax assets	4,183,055	-	-	115,195	862,053	320,262	867,922	2,017,623	-
Other assets	18,084,464	5,704,236	6,292,451	385,720	-	-	50,000	1,853,092	-
Non-current assets held for sale	-	-	-	-	-	-	-	-	-
	408,705,897	30,887,635	26,797,768	44,318,047	7,881,078	12,256,021	96,868,499	61,218,781	31,391,637
Liabilities									
Bills payable	3,484,210	-	-	-	-	-	-	-	-
Due to financial institutions	21,193,332	3,111,600	1,531,400	1,805,305	745,868	2,800,000	3,691,010	-	216,678
Deposits and other accounts	344,787,951	38,371,112	25,756,931	26,747,147	20,905,261	23,010,325	37,944,681	74,708,916	48,110,673
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	2,000,000
Other liabilities	14,433,237	484,763	5,623,011	447,486	3,213,456	418,530	802,252	-	-
Liabilities classified as held for sale	-	-	-	-	-	-	-	-	-
	385,898,730	41,967,475	32,911,342	28,999,938	24,864,585	26,228,855	42,437,943	74,708,916	50,327,351
Net assets	22,807,167	(11,079,840)	(6,113,574)	15,318,109	(16,983,507)	(13,972,834)	54,430,556	(13,490,135)	(18,935,714)
Share capital- net	11,007,991	-	-	-	-	-	-	-	-
Reserves	1,703,144	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	3,455,272	-	-	-	-	-	-	-	-
Unappropriated profit	6,640,760	-	-	-	-	-	-	-	-
Non controlling interest	-	-	-	-	-	-	-	-	-
	22,807,167	-	-	-	-	-	-	-	-

2020

	Rupees in '000									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Assets										
Cash and balances with treasury banks	22,034,025	-	-	-	-	-	-	-	-	-
Balances with other banks	12,310,472	-	-	-	-	-	-	-	-	-
Due from financial institutions	41,640,012	11,634,430	1,497,130	-	-	-	-	-	-	-
Investments	95,622,282	1,216,449	-	405,816	10,305,836	-	45,159,831	37,906,408	627,942	-
Islamic financing and related assets and advances	129,971,889	28,842,777	11,445,054	24,777,628	3,618,422	6,883,782	15,885,732	22,366,896	11,709,075	-
Fixed assets	11,721,873	2,822	5,599	9,069	241,466	374,756	1,738,456	1,860,291	6,657,683	-
Intangible assets	3,155,509	-	1,650	31,275	17,103	14,799	89,985	-	2,944,297	-
Deferred tax assets	5,699,800	-	-	-	1,188,337	441,480	3,863,846	-	-	-
Other assets	13,637,939	2,577,527	4,666,955	2,942,019	1,025,372	-	50,000	-	-	-
Non-current assets held for sale	2,146,789	-	-	2,146,789	-	-	-	-	-	-
	337,940,590	95,492,524	27,753,688	29,257,121	15,371,164	7,714,817	66,787,850	62,133,595	24,315,063	-
Liabilities										
Bills payable	3,324,085	-	-	-	-	-	-	-	-	-
Due to financial institutions	16,127,616	6,422,800	1,499,750	34,933	2,805,692	769,295	3,375,410	-	1,219,736	-
Deposits and other accounts	282,936,750	34,196,649	22,450,387	27,820,810	14,407,168	16,442,545	26,607,400	51,986,402	45,629,384	-
Subordinated sukuk	2,000,000	-	-	-	-	-	-	-	2,000,000	-
Liabilities classified as held for sale	11,343,041	778,362	2,478,285	585,019	3,443,873	227,486	993,053	-	-	-
Other liabilities	1,696,016	-	-	1,696,016	-	-	-	-	-	-
	317,427,508	49,557,053	41,397,811	30,136,778	20,656,733	17,439,326	30,975,863	51,986,402	48,849,120	-
Net assets	20,513,082	45,935,471	(13,644,123)	2,828,699	(5,285,569)	(9,724,509)	35,811,987	10,147,193	(24,534,057)	-
Share capital-net	11,007,991	-	-	-	-	-	-	-	-	-
Reserves	1,526,894	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	3,026,358	-	-	-	-	-	-	-	-	-
Unappropriated profit	4,734,999	-	-	-	-	-	-	-	-	-
Non controlling interest	216,840	-	-	-	-	-	-	-	-	-
	20,513,082	-	-	-	-	-	-	-	-	-

48.6 Strategic Risk

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

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

48.7 Systemic Risk

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

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

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

48.8 Shariah Non-compliance Risk

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

48.9 Shariah compliant forward and future contracts

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

49 GENERAL

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

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

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

49.4 Corresponding figures

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

Transfer from	Transfer to	As at December 31, 2020
Statement of Financial Position:		
Bills Payable	Deposits	<u><u>1,625,401</u></u>
Profit and Loss Account:		
Placements	Investments	<u><u>1,364,540</u></u>

50 DATE OF AUTHORISATION FOR ISSUE

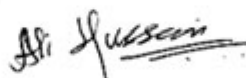
These consolidated financial statements were authorized for issue on March 01, 2022 by the Board of Directors of the Holding Company.



PRESIDENT /
CHIEF EXECUTIVE
OFFICER



CHIEF FINANCIAL
OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR

Annexure - I

STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2021

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year			Rupees in '000-			Principal written-off	Profit written-off / waived	Other financial	Total (9+10+11)
				Principal	Profit	Others	5	6	7				
1	M/s Bismillah Distributors First Floor, Telenor Franchise 1, Opposite Qasim Park Sialkot	Muhammad Asif Ayaz Rana 45504-1793524-7	Muhammad Ayaz Rana	3,739	1,365	-	5,104	-	-	1,365	-	1,365	1,365
2	House No. 8/II, Street No. A, DHA Phase V, Karachi	Arif Ali Shah Bukhari 42301-9080626-1	Khadim Ali Shah Bukhari	248,477	248,904	-	497,381	-	-	248,904	-	248,904	248,904
3	M/s Bin Bashir Textile 2-KM, Jaanwala Road, Khurrianwala, Faisalabad	1) Bashir Ahmed 33100-0805678-1 2) Naseer Ahmad 33100-7872898-7 3) Nasir Naseer 33100-0132073-1 4) Sumaira Bashir 33100-0747109-8	1) Muhammad Rafique 2) Muhammad Rafique 3) Naseer Ahmad 4) Bashir Ahmad	14,999	11,781	-	26,780	-	-	11,781	-	11,781	11,781
4	M/s Kohinoor Flour Mills Plot No. 429, 441, 442, Main Korangi Creek Road, Karachi	Junaid Asad Khan 42301-6477107-5	Asad Abbas Khan	39,997	7,655	-	47,652	-	-	7,655	-	7,655	7,655
5	Muhammad Sarmad Nadeem House No. 326, Street No. 4, GG Phase IV, DHA, Lahore	Muhammad Sarmad Nadeem 42301-4248326-9	Ch. Muhammad Sarwar	3,158	841	-	3,999	-	-	841	-	841	841
6	M/s Modesty Sports P.O. Box 385, Modesty Road, Malley Kalan, Sialkot.	1) Malik Muhammad Sarwar 34603-6710572-5 2) Muhammad Jamil 34603-9726161-1 3) Muhammad Botta 34603-9812611-1 4) Malik Muhammad Saleem 34603-9822111-1 5) Malik Mehmood-u-Hassan 34603-0612760-9 6) Azmat Ullah 34603-7176944-1 7) Muhammad Ajmal 34603-4897803-5 8) Abdul Majeed 34603-7936865-3	1) Muhammad Din 2) Malik Muhammad Sarwar 3) Malik Allah Rakha 4) Malik Allah Rakha 5) Muhammad Sarwar 6) Saeed Ahmed 7) Saeed Ahmed 8) Saeed Ahmed	18,874	11,963	-	30,837	-	-	10,318	-	10,318	10,318
7	M/s Azgard Nine Limited Ismail Aiw-an-e-Roomi, Lahore - 54600	1) Ahmed H. Shaikh 35201-8953938-7 2) Abdul Hamid Ahmed Degia 42101-1573230-1 3) Abid Hussain 42201-6556219-9 4) Zahid Mahmood 42501-1542129-5 5) Usman Rasheed 45101-0633360-7 6) Nasir Ali Khan Bhatti 35200-1532448-1 7) Maliha Sarda Azam 35202-1349008-2 8) Muhammad Wasim Butt 35202-2811322-7	1) Humayun Naseer Shaikh 2) Ahmed Degia 3) Ghulam Hussain Ultranwala 4) Abdul Hameed 5) Rasheed Ahmed 6) Muhammad Yousef Bhatti 7) Khan Muhammad Azam 8) Muhammad Shafi Butt	465,107	278,442	257,419	1,000,967	309,936	278,442	257,419	278,442	257,419	845,797
8	M/s Moon CNG Station Moon Street, Mohallah Prem Nagar, City Sialkot, Tehsil & District Sialkot	Naseem Akhtar 34603-3947125-9	Sheikh Abdul Majeed	2,380	2,888	-	5,268	-	-	2,867	-	2,867	2,867
9	Mirza Majid House # 127, Block-R, DHA, Lahore.	Mirza Majid 35201-1542943-5	Munir Ahmad	20,696	26,128	-	46,824	-	-	26,128	-	26,128	26,128
10	Sheharyar Ali Shah Mouza Bahawalpur, Ghaiwan Post Office, Hataji Tehsil, Ahmed Pur East, Dist. Bahawalpur.	Sheharyar Ali Shah 70258-6286186-1	Sajjad Ali Shah	2,796	4,760	-	7,556	-	-	4,760	-	4,760	4,760
11	Samina Ashfaq Khawat No.7, Block-6, Khatooni No.13, Mauza Dualaabad, Gulshane-E-Khalq Housing Scheme, Multan.	Samina Ashfaq 36302-0745169-2	W/o Ashfaq Khan Khakwani	1,772	1,628	-	3,400	-	-	1,628	-	1,628	1,628
12	Abdul Jamil Khan House # 10/II, Lane # 7, Phase-II, DHA, Islamabad.	Abdul Jamil Khan 15402-1431365-3	Naik Anam Khan	665	1,583	-	2,248	-	-	1,583	-	1,583	1,583

S. No.	Name and address of the borrower	2	Name of individuals / partners / directors (with CNIC No.)	3	Father's / Husband's name	Outstanding Liabilities at beginning of year					Principal written-off	Profit written-off / waived	Other financial	Total (9+10+11)
						Principal	Profit	Others	Total (5+6+7)	8				
1					4	5	6	7	8	9	10	11	12	
13	Javed Butt Butt Kashmir Motor, Shop No.2, Shah Allah Ditta Road, Rawalpindi.		Javed Butt 61101-1993078-7		Mahad Butt	281	1,095	-	1,376	-	1,095	-	1,095	
14	Abdur Rehman (Late) House No.774, Street No.5, Sector 1/9-1, Islamabad.		Abdur Rehman 61101-8104811-5		Ajab Khan	384	1,012	-	1,396	-	1,012	-	1,012	
15	Muhammad Ajmal Ashfaq Mini Housing Society, Shaukat Town, Ghazi Road, Lahore.		Muhammad Ajmal Ashfaq 35201-0912751-3		Noor Ul Haq	441	784	-	1,225	-	784	-	784	
16	Kashif Alam 502 Upper Portion, Block D, Faisal Town, Lahore.		Kashif Alam 35202-7540455-5		Muhammad Khurshed Alam Khan	248	738	-	986	-	738	-	738	
17	Ifrikhar Ahmed Bajwa Ghoona Road, Bajwa House, Muhalla Millat House, Faisalabad.		Ifrikhar Ahmed 33100-5831177-3		Noor Ahmed Bajwa	298	622	-	920	-	622	-	622	
18	Shafiq Ahmed & Muhammad Shabbir Plot # 106/100, Khatoomi # 256, Qita 1, Salam Khata # 07/10, Mouza Aman Garh, Rahim Yar Khan.		Shafiq Ahmed & Muhammad Shabbir 31303-2463626-7		Manzoor Ahmed	9,846	2,524	362	12,732	-	194	372	566	
19	Muhammad Zeeshan & /or Mah Rukh Zeeshan House # 257, Shaheen Block, The Greater Lahore Co Operative Housing Society Ltd, Lahore.		Muhammad Zeeshan & /or Mah Rukh Zeeshan 34101-6088228-3		Shahid Pervaiz	4,917	505	279	5,701	-	505	279	785	
20	Kanwal Zehra Bokharey Apartment No. 12, 4th Floor, Block-C, Clara Apartment, Diplomatic Enclave, Sector G-5, Islamabad.		Kanwal Zehra Bokharey 35202-2453818-4		Syed Nurzhat Bokharey	12,668	1,579	289	14,525	-	1,579	289	1,868	
21	Muhammad Mansoor Flat No. A-49, 4th Floor, Latif Plaza, Sub Plot No. F-4, Block-6, Scheme No. 24, Gulshan-e-Iqbal Town Karachi.		Muhammad Mansoor 42401-8142311-1		Jamal Uddin	3,467	651	65	4,183	-	551	65	616	
22	Adil Khan House # IH-114, Air Force Officers Co-Operative Housing Society, Falcon Complex, New Malir, Opp. Check Post V, Malir Cantt, Karachi.		Adil Khan 32102-1196565-9		Ata Muhammad Khan	41,368	2,622	651	44,640	-	169	651	820	
23	Syed Shujat Husain House No. 136/II, 33rd Street, Phase VI, DHIA, Karachi		Syed Shujat Husain 42000-0465976-1		Syed Warasat Husain	58,390	10,549	1,695	70,633	-	-	1,460	1,460	
24	Tehmena Khalid Flat # GF-1, Ground Floor, Building # Measuring 2100 Sq Feet, 18-A, Sea View Township, Phase V, Extension, DHIA, Karachi.		Tehmena Khalid 42301-3730199-4		Khalid Anam	19,397	3,228	167	22,791	-	3,228	167	3,395	

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year					Principal written-off	Profit written-off / waived	Other financial	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)	9				
1	2	3	4	5	6	7	8	9	10	11	12	
25	Aftab / Sadia House No. 716, Block F, M.A Jhar Town, Lahore	Aftab / Sadia 36104-3679784-5	Muhammad Shafi	21,933	3,865	679	26,477	-	1,373	679	2,052	
26	Gohar Ali Riaz Plot # 127, Block A-2, Valencia Town, Lahore.	Gohar Ali Riaz 35202-4654570-3	Sheikh Muhammad Riaz	8,261	2,613	444	11,318	-	736	444	1,180	
27	Aurora AG Autos Shop # 2.3 Mir Market Near Allied Bank Bilal Ganj Lahore	Amyjad Hussain 35202-3405738-7	Gulzar Hussain	1,795	1,327	116	3,239	-	1,177	116	1,294	
28	Mehwish Khan & / or Ghazanfar Qadri Plot # 306-D, Khayaban-e-Shujaat, Phase- VIII-B, PDHA, Karachi	Mehwish Khan & / or Ghazanfar Qadri 42201-0639652-6	Ghazanfar Qadri	6,664	816	335	7,816	-	590	335	926	
29	Hassan Nawaz AM Plot No.194, Block D, Phase I, State Life Insurance Employees Housing Society, Lahore	Hassan Nawaz 42301-1217226-1	Muhammad Nawaz	11,078	1,904	261	13,243	-	1,451	261	1,712	
30	Ahmer Yunus & / or Sadia Naz Plot No. 68/1, Zulfikar Street-I-B, Phase VIII-A, DHA, Karachi	Ahmer Yunus & / or Sadia Naz 42301-1885286-7	Idris Yunus	44,174	515	539	45,228	-	515	539	1,054	
31	Khadim Hussain Kohli No. 55-S-38-C, Bearing Khewat No. 208, Khatoni No. 600 and Khasra No. 5730/1979, Situated At Chmen Bagh, Mauza Raigarh, Lahore	Khadim Hussain 35404-9947297-5	Noor Muhammad	925	454	112	1,490	-	378	112	490	
32	Adnan Haider / Sadia Plot # 143/II, Survey # 26 Kh-e-Ghazi, Phase-VI, DHA, Karachi	Adnan Haider / Sadia 27642-2100240-1	Syed M Haider Naqvi	22,599	4,169	82	26,850	-	3,523	82	3,605	
33	Nasir Hussain & / or Shakila Bibi House # 3, Street # 6, Khewat # 253, Khatooni # 1857, Khasra # 52, 53, Baba Fareed Colony, Lahore.	Nasir Hussain & / or Shakila Bibi 35201-1466202-1	Nazir Ahmad	4,126	1,418	248	5,792	-	1,395	248	1,643	
34	Raana Shah Flat No. 9, Blue Tower, Sub Plot No. B-1/C, Part of Commercial No. I, Qasimabad, Hyderabad	Raana Shah 41201-4188432-0	Noor Ahmed	2,884	547	27	3,458	-	547	27	574	
35	Saeed ud Din & Mrs. Uzma Plot # 30/1, Main Khayaban-e-Shaheen, Phase V, Measuring 1000 Sq. Yds. DHA, Karachi.	Saeed ud Din & Mrs. Uzma 42201-4802010-7	Syed Nasruddin	40,000	13,926	2,527	56,452	-	12,426	174	12,600	
36	Athar Aslam & Asima Athar Plot # 11, Measuring 6 Marla, Vide Khewat # 874 Khatooni # 1010, Khasra # 1781/310/11, Situated at Samaan Zar Scheme, Hadbst Mouza Ajodhia Pur, Lahore.	Athar Aslam & Asima Athar 35202-0980844-9	Muhammad Aslam	3,048	956	48	4,052	-	956	48	1,004	
TOTAL:				1,141,841	656,355	266,345	2,064,540	309,936	631,817	263,767	1,205,520	

* Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.

Annexure - II

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

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
Furniture and Fixture	1,086	1,086	-	61	61	Tender	Adam Traders
Computer Hardware	1,071	1,071	-	60	60	Tender	Adam Traders
Computer Hardware	5,809	3,865	1,943	165	(1,778)	Tender	Adam Traders
Furniture and Fixture	608	329	279	351	72	Tender	Adam Traders
Computer Hardware	1,892	1,853	39	54	14	Tender	Adam Traders
Building	9,051	453	8,598	7,682	(916)	Tender	Saud Rasheed
Building	17,010	1,327	15,683	19,000	3,317	Tender	Shujauddin & Brothers
Building	8,775	371	8,404	6,302	(2,102)	Tender	Saud Rasheed
Total	45,302	10,355	34,946	33,675	(1,272)		

Pattern of Shareholdings

AS AT DECEMBER 31, 2021

No. of Shareholders	Shareholdings' Slab			Total Shares Held
607	1	to	100	14,355
14352	101	to	500	6,829,620
3036	501	to	1000	2,296,507
1633	1001	to	5000	3,161,458
208	5001	to	10000	1,632,950
74	10001	to	15000	960,881
55	15001	to	20000	1,018,809
38	20001	to	25000	883,334
21	25001	to	30000	596,764
22	30001	to	35000	725,501
17	35001	to	40000	645,747
12	40001	to	45000	510,990
24	45001	to	50000	1,185,500
7	50001	to	55000	375,500
10	55001	to	60000	585,656
6	60001	to	65000	380,000
7	65001	to	70000	477,551
6	70001	to	75000	447,373
7	75001	to	80000	546,900
5	80001	to	85000	411,650
6	85001	to	90000	536,000
5	90001	to	95000	463,400
14	95001	to	100000	1,399,614
3	100001	to	105000	305,983
6	105001	to	110000	647,702
2	110001	to	115000	230,000
3	115001	to	120000	359,913
4	120001	to	125000	493,500
3	125001	to	130000	387,000
3	130001	to	135000	397,629
2	135001	to	140000	276,892
2	140001	to	145000	289,000
1	145001	to	150000	150,000
2	155001	to	160000	317,900
1	160001	to	165000	160,500
2	175001	to	180000	358,000
1	180001	to	185000	184,000
2	190001	to	195000	386,000
7	195001	to	200000	1,396,874
1	200001	to	205000	203,000
2	205001	to	210000	417,000
2	220001	to	225000	448,500

No. of Shareholders	Shareholdings' Slab			Total Shares Held
1	225001	to	230000	229,053
1	245001	to	250000	250,000
1	260001	to	265000	263,500
2	270001	to	275000	546,550
1	280001	to	285000	281,000
2	295001	to	300000	600,000
1	330001	to	335000	335,000
1	345001	to	350000	350,000
1	375001	to	380000	375,900
1	385001	to	390000	390,000
2	395001	to	400000	800,000
1	405001	to	410000	409,000
1	415001	to	420000	420,000
1	425001	to	430000	428,500
1	430001	to	435000	433,500
2	445001	to	450000	896,000
1	475001	to	480000	475,175
1	480001	to	485000	485,000
3	495001	to	500000	1,498,000
1	525001	to	530000	529,500
1	540001	to	545000	543,000
1	555001	to	560000	560,000
1	610001	to	615000	612,000
1	615001	to	620000	615,150
2	645001	to	650000	1,298,000
1	695001	to	700000	700,000
1	730001	to	735000	733,000
1	745001	to	750000	750,000
1	750001	to	755000	750,176
1	815001	to	820000	820,000
1	855001	to	860000	855,500
1	895001	to	900000	900,000
1	900001	to	905000	901,200
1	920001	to	925000	921,500
1	925001	to	930000	929,000
1	970001	to	975000	973,000
2	995001	to	1000000	2,000,000
1	1075001	to	1080000	1,075,300
1	1190001	to	1195000	1,193,500
1	1195001	to	1200000	1,200,000
1	1250001	to	1255000	1,250,500
1	1310001	to	1315000	1,314,000
1	1390001	to	1395000	1,392,000
1	1480001	to	1485000	1,483,500
2	1495001	to	1500000	3,000,000
1	1505001	to	1510000	1,509,500

No. of Shareholders	Shareholdings' Slab		Total Shares Held	
1	1625001	to	1630000	1,629,000
1	1695001	to	1700000	1,700,000
1	1710001	to	1715000	1,713,500
1	1785001	to	1790000	1,785,500
1	1930001	to	1935000	1,935,000
1	2000001	to	2005000	2,003,637
1	2035001	to	2040000	2,036,962
1	2295001	to	2300000	2,300,000
1	2500001	to	2505000	2,505,000
1	2740001	to	2745000	2,743,281
1	2940001	to	2945000	2,940,500
1	2995001	to	3000000	3,000,000
1	3020001	to	3025000	3,025,000
1	3045001	to	3050000	3,050,000
1	3210001	to	3215000	3,210,500
1	3300001	to	3305000	3,303,500
1	3310001	to	3315000	3,314,000
1	3520001	to	3525000	3,522,500
1	4505001	to	4510000	4,507,000
1	4560001	to	4565000	4,563,899
1	4995001	to	5000000	5,000,000
1	5700001	to	5705000	5,702,050
1	5845001	to	5850000	5,850,000
1	5860001	to	5865000	5,860,500
1	6600001	to	6605000	6,603,975
1	6720001	to	6725000	6,721,627
1	6950001	to	6955000	6,952,500
1	7530001	to	7535000	7,532,100
1	8000001	to	8005000	8,000,005
1	8130001	to	8135000	8,134,545
1	8370001	to	8375000	8,371,500
1	9165001	to	9170000	9,166,000
1	9565001	to	9570000	9,568,500
1	11380001	to	11385000	11,384,281
1	16925001	to	16930000	16,928,500
1	16980001	to	16985000	16,981,000
1	17390001	to	17395000	17,392,500
1	17875001	to	17880000	17,875,500
1	50290001	to	50295000	50,293,194
1	59020001	to	59025000	59,023,638
1	99020001	to	99025000	99,023,638
1	144200001	to	144205000	144,200,144
1	219890001	to	219895000	219,893,560
1	235680001	to	235685000	235,684,306
20320				1,108,703,299

Category Wise List of Shareholders

AS AT DECEMBER 31, 2021

Categories of Shareholders	Share holders	Shares Held	Percentage
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN			
ALI HUSSAIN	1	219,893,560	19.83
HAIDER ALI HILALY	2	91,000	0.01
SULAIMAN SADRUDDIN MEHDI	1	1,000	0.00
DR. AMJAD WAHEED	1	550	0.00
SYED ALI HASHAM	1	501	0.00
DR. LALARUKH EJAZ	1	500	0.00
TASNIM-UL-HAQ FAROOQUI	1	500	0.00
SUB-TOTAL	8	219,987,611	19.84
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
JAHANGIR SIDDIQUI & CO. LTD	1	235,684,306	21.26
DUBAI BANK PJSC	1	144,200,144	13.01
SHABIR AHMED RANDEREE	1	99,023,638	8.93
AHMED G. M. RANDEREE	1	59,023,638	5.32
SAJ CAPITAL MANAGEMENT LTD	1	50,293,194	4.54
MEHRAN SUGAR MILLS LTD	1	1,500,000	0.14
ITHACA CAPITAL (PVT.) LIMITED	1	733,000	0.07
CALCORP LIMITED	1	560,000	0.05
SUB-TOTAL	8	591,017,920	53.31
EXECUTIVES	1	92,400	0.01
NIT and ICP	-	-	0.00
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS	4	3,450,690	0.31
INSURANCE COMPANIES	1	6,603,975	0.60
MODARABAS AND MUTUAL FUNDS			
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	17,392,500	1.57
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	9,166,000	0.83
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	6,952,500	0.63
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	3,210,500	0.29
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	3,050,000	0.28
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	2,300,000	0.21
CDC - TRUSTEE MEEZAN BALANCED FUND	1	2,036,962	0.18
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	1	1,935,000	0.17
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	1,713,500	0.15
CDC - TRUSTEE JS ISLAMIC FUND	1	1,629,000	0.15
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	1	1,500,000	0.14
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	1,483,500	0.13
MCBFSL - TRUSTEE AKD ISLAMIC STOCK FUND	1	1,075,300	0.10
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	1	921,500	0.08
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	612,000	0.06
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	1	485,000	0.04
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	390,000	0.04
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	1	281,000	0.03
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	250,000	0.02
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	200,000	0.02
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	200,000	0.02
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	122,000	0.01
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	1	115,000	0.01
B.R.R. GUARDIAN MODARABA	1	18,500	0.00
FIRST ELITE CAPITAL MODARABA	1	2,500	0.00
PROVIDENCE MODARABA LTD	1	300	0.00
SUB-TOTAL	26	57,042,562	5.14
General Public			
a. Local	19,868	140,540,297	12.68
b. Foreign	65	4,509,476	0.41
Foreign Companies	1	5,702,050	0.51
Others	338	79,756,318	7.19
Totals	20,320	1,108,703,299	100.00

Share holders holding 5% or more	Shares Held	Percentage
JAHANGIR SIDDIQUI & CO.LTD.	235,684,306	21.26
ALI HUSSAIN	219,893,560	19.83
DUBAI BANK PJSC	144,200,144	13.01
SHABIR AHMED RANDEREE	99,023,638	8.93
AHMED G. M. RANDEREE	59,023,638	5.32

Notice Of Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the Members of BankIslami Pakistan Limited (the "Bank") will be held Inshallah on Wednesday, March 30, 2022 at 10:15 A.M to transact the following business. The meeting will be held via Zoom and shareholders are encouraged to attend the meeting via Zoom facility in view of Covid-19 pandemic. Shareholders who elect to attend the AGM in person can assemble at 10th Floor Progressive Square, Shahra-e-Faisal, Karachi.

ORDINARY BUSINESS

1. To confirm minutes of 17th Annual General Meeting of the Bank held on March 30, 2021.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank and Consolidated Audited Accounts of the Bank for the year ended December 31, 2021 together with the Auditors' and Directors' Report and Chairman's Review thereon.
3. To appoint Auditors of the Bank for the year ending December 31, 2022 and to fix their remuneration. KPMG Taseer Hadi & Co., Chartered Accountants, offer themselves for appointment as auditors for the year ending December 31, 2022.

ANY OTHER BUSINESS

4. To transact any other business with the permission of Chair.

Venue of Annual General Meeting (AGM) and Participation of Shareholders through Electronic means:

In the wake of the current situation related to Corona virus and in the light of the relevant guidelines issued by Securities & Exchange Commission of Pakistan vide its letter no. SMD/SE/2(20)/2021/117 dated December 15, 2021, its Circular no. 4 of 2021 dated February 15, 2021 and its Circular no. 6 of 2021 dated March 3, 2021 respectively, the following arrangements have been made by the Bank for the participation of Shareholders:

- The Directors/Management of the Bank will be present at the Bank's Registered Office at 11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton Block-4, Karachi, to coordinate with the shareholders and consolidate the proxies to ensure the quorum.
- 10th Floor, Progressive Square, Shahra-e-Faisal, Karachi will be the venue for the shareholders who elect to attend the meeting physically. As per SECP instructions given in the Circular No. 4 of 2021 dated February 15, 2021 shareholders who intends to participate physically in the general meeting will be allowed to participate keeping in view the COVID-19 related SOP's issued by the Provincial and / or the Federal Government.
- The Shareholders are encouraged to participate in the AGM through Zoom facility organized by the Bank. In order to attend the AGM through Zoom facility, the shareholders are requested to get themselves registered with the Company Secretary at least 24 hours before the time of AGM at the following E-mail address:

E-mail address: agm2022@bankislami.com.pk

- The shareholders are requested to provide the information as per below format. The details of the Zoom facility will be sent to the shareholders on the email address provided in the below table:

Sr. No.	Name of the shareholder	CNIC Number	Folio / CDC Account Number	Cell Number	Email address

The login facility will be opened at 10:00 A.M on March 30, 2022 enabling the participants to join the proceedings which will start at 10:15 A.M. sharp.

By order of the Board



Muhammad Shoaib
Company Secretary

Dated: March 09, 2022

Notes:

- The Members' Register will remain closed from March 24, 2022 to March 30, 2022 (both days inclusive).
- A member eligible to attend and vote at this meeting may appoint proxy to attend and vote in the meeting.
- 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.
- 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:

- 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.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/ her original CNIC or passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.
- 5 Members are requested to promptly notify CDC Share Registrar Services Limited, CDC House,99 – B, Block 'B', S.M.C.H.S., Main Shakra-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, 2021 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 TAX IMPLICATION ON DIVIDEND

The Government of Pakistan has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies / banks. These rates are as per law.

To enable the Bank to make tax deduction on the amount of Cash Dividend, all the members whose names are not entered into the Federal Board of Revenue's (FBR), Active Tax-Payers List (ATL), despite the fact that they are tax return filers, are advised to make sure that their names are entered into ATL, before the date of book closure for cash dividend; otherwise, tax on their cash dividend will be deducted as non-filer.

TAX ON JOINT SHAREHOLDING

All shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to the Bank's Shares Registrar, in writing as follows:

Folio number / CDS Account number	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC No.	Shareholding Proportion (number of Shares)	Name and CNIC No.	Shareholding Proportion (number of Shares).

10 ZAKAT DECLARATION (CZ-50)

Zakat will be deducted from the dividends at source at the rate of 2.5 % of the paid-up value of the share (Rs. 10/- each) and will be deposited within the prescribed period with the relevant authority. In case of claiming exemption, please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 and Rule 4 of Zakat (Deduction and Refund) Rules, 1981. Shareholder who holds Bank's shares in physical, please deposit their Zakat Declaration on Form CZ-50 with Bank's Share Registrar with mentioning Folio No and Name. Shareholder who holds shares in book entry shall deposit their Zakat declaration on Form CZ-50 with CDC Investor Account Services / CDC Participant / Stock brokers with mentioning CDS Account No. and name of shareholder.

11 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.

اس ضمن میں بینک نے اپنے لیٹرز کے ذریعے شیئر ہولڈرز کو فرد اور اخبارات کے ذریعے آگاہ کر دیا ہے کہ تمام شیئر ہولڈرز نقد منافع کو الیکٹرانک طریقہ کار سے حاصل کرنے کیلئے اپنے متعلقہ بینک کا IBAN فراہم کریں۔ اس لئے شیئر ہولڈرز سے درخواست ہے کہ بینک کی ویب سائٹ www.bankislami.com.pk پر دستیاب بینک کے لیٹرز میں مطلوبہ فیلڈز کو پُر کر کے بینک کے ٹرانسفر ایجنٹ کو بھجوائیں۔

9- ڈیویڈنڈز پر ٹیکس کا نفاذ

حکومت پاکستان نے اکم ٹیکس آرڈیننس، 2001 کے سیکشن 150 میں متعدد ترامیم کی ہیں جن کے ذریعے بینک / کمپنی کی جانب سے ادا کئے جانے والے ڈیویڈنڈز پر ٹیکس کو ٹی کی مختلف شرح مقرر کی گئی ہیں۔ یہ شرح قانون کے مطابق ہیں۔

بینک کو نقد ڈیویڈنڈ کی رقم پر ٹیکس کی کوٹنی کا اہل بنانے کے لئے ایسے تمام شیئر ہولڈرز جن کے نام فیڈرل بورڈ آف ریونیو کی ایکٹیو ٹیکس پیپرز لسٹ (ATL) میں موجود نہیں، اگرچہ وہ ٹیکس ریٹرن فائلر ہیں، ان سے درخواست ہے کہ کیش ڈیویڈنڈ کے لئے کھاتوں کی بندش سے قبل ATL میں اپنے ناموں کی شمولیت یقینی بنائیں، بصورت دیگر ان کے نقد ڈیویڈنڈ سے ٹیکس کی کوٹنی بطور نان فائلر کر لی جائے گی۔

مشترکہ شیئر ہولڈنگ پر ٹیکس

ایسے تمام شیئر ہولڈرز جو شیئرز کی مشترکہ ملکیت رکھتے ہیں ان سے گزارش ہے کہ اپنی ملکیت میں موجود شیئرز کی مناسبت سے مرکزی شیئر ہولڈر اور مشترکہ شیئر ہولڈر (ہولڈرز) کی اپنی شیئر ہولڈنگ کی تفصیل درج ذیل کے مطابق تحریری شکل میں ہمارے شیئر رجسٹرار کو فراہم کریں:

فولیو ای دی ایس	کل شیئرز	نام اور CNIC نمبر	پر سپل شیئر ہولڈرز	نام اور CNIC نمبر	جو انٹ شیئر ہولڈرز
		نام اور CNIC نمبر	شیئر ہولڈنگ کا تناسب	نام اور CNIC نمبر	شیئر ہولڈنگ کا تناسب
			(شیئرز کی تعداد)		(شیئرز کی تعداد)

10- زکوٰۃ ڈیکلیریشن (CZ-50)

شیئرز کی ادا شدہ قیمت (-/10 روپے پر) 2.5% کی شرح سے منبع کے منافع سے زکوٰۃ کاٹی جائے گی اور مقررہ مدت کے اندر متعلقہ اتھارٹی کے پاس جمع کرائی جائے گی۔ استثناء کا دعویٰ کرنے کی صورت میں، براہ کرم زکوٰۃ اور عشر آرڈیننس 1980 اور زکوٰۃ (کوٹنی اور رقم کی واپسی) رولز 1981 کے قاعدہ 4 کے تحت اپنے زکوٰۃ کے اعلانات جمع کروائیں۔ وہ شیئر ہولڈرز جس کے پاس بینک کے شیئرز فزیکل ہیں، براہ کرم اپنی زکوٰۃ ڈیکلریشن فارم CZ-50 پر بینک کے شیئر رجسٹرار کے پاس جمع کرائیں جس میں فولیو نمبر، اور شیئر ہولڈر کا نام درج ہو، بک انٹری میں شیئرز رکھنے والے شیئر ہولڈرز کو اپنی زکوٰۃ کا اعلان فارم CDC Participant / Stock Broker / CDC Investor Account Services کو جمع کرانا ہوگا جس میں CDC Account نمبر اور شیئر ہولڈر کا نام درج ہو۔

پراکسی کی تقرری

- i- انفرادی صورت میں کھانڈدار یا ذیلی کھانڈدار یا وہ شخص جس کی گروپ کھانڈ میں سیکورٹیز جمع ہوں اور اس کی رجسٹریشن کی تفصیلات شرائط کے مطابق اپ لوڈ کی گئی ہوں، نمائندے کی نامزدگی کا فارم اوپر بیان کردہ لوازمات کے مطابق جمع کرائے گا۔
- ii- نمائندے کی نامزدگی کے فارم پر دو افراد کی گواہی لازمی ہے جن کے نام، پتہ اور شناختی کارڈ نمبر فارم پر لازمی درج ہونا چاہیے۔
- iii- بنی فیشل اونرز اور پراکسی کی تصدیق شدہ قومی شناختی کارڈ/سارٹ کارڈ یا پاسپورٹ کی تصدیق شدہ نقول پراکسی فارم کے ہمراہ جمع کرائی جائیں گی۔
- iv- پراکسی اجلاس کے وقت اپنا اصل شناختی کارڈ یا پاسپورٹ پیش کرے گا۔
- v- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ، نمونہ دستخط بینک کے پراکسی فارم کے ہمراہ جمع کرائی جائے گی۔

5- شیئر ہولڈرز سے درخواست ہے کہ اپنے رجسٹرڈ ڈاک کے پتے میں کسی تبدیلی کے متعلق کمپنی کے شیئرز رجسٹری ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ، ڈی سی ہاؤس، 99، بلاک 'بی'، ایس ایم سی۔ ایچ۔ ایس، مین شاہراہ فیصل، کراچی۔ 74400 کو بروقت مطلع کر دیں۔

6- SECP Notification SRO No. 470 (1) / 2016 dated 31-05-2016 کے تحت دی گئی اجازت کے تحت بینک نے 31 دسمبر، 2021 کو ختم ہونے والے سال کیلئے سالانہ آڈٹ شدہ مالیاتی گوشوارے، آڈیٹر رپورٹ، ڈائریکٹرز جائزہ رپورٹ وغیرہ (سالانہ رپورٹ) شیئر ہولڈرز کو الیکٹرانک ذرائع یعنی ڈی وی ڈی / سی ڈی کے ذریعے ان کے رجسٹرڈ پتے پر ارسال کر دی ہے۔ تاہم ایک شیئر ہولڈر ڈی وی ڈی / سی ڈی کی بجائے پرنٹڈ کاپی کے حصول کے لیے کمپنی سیکریٹری کو بینک کے رجسٹرڈ آفس واقع 11th فلور، ایگزیکٹو ٹاورز، ڈولمن سٹی، میرین ڈرائیو، بلاک چار، کلفٹن، کراچی پر درخواست ارسال کر سکتا ہے۔ شیئر ہولڈر کو یہ کاپی مفت میں اس کے پتے پر ایک ہفتے کے اندر ارسال کر دی جائے گی۔ سالانہ آڈٹ شدہ کھاتوں کی پرنٹڈ کاپیوں کے حصول کیلئے "ریکوسٹ فارم" بینک کی ویب سائٹ پر رکھ دیا گیا ہے۔

7- وہ شیئر ہولڈرز جن کے پاس شیئرز فیزیکل شکل میں موجود ہیں وہ کسی بھی بروکر تاج یا سرمایہ کار اکاؤنٹ (انوٹریٹ اکاؤنٹ) کے پاس اپنا سی ڈی سی سب اکاؤنٹ کھول سکتے ہیں تاکہ وہ شیئر کو (سکرپٹ لیس کی شکل میں) منتقل کر سکیں۔ اس عمل سے انہیں بہت سی سہولتیں میسر آئیں گی۔ مثلاً ان کے شیئرز محفوظ ہاتھوں میں ہوں گے اور جب کبھی وہ فروخت کرنا چاہیں تو فروخت کر سکیں گے۔ کیونکہ سٹاک ایکس چینج کے موجودہ قوانین کے مطابق جن شیئر ہولڈرز کے پاس شیئرز کا غذی شکل میں موجود ہوں گے (اور وہ کسی اکاؤنٹ میں منتقل نہیں ہوں گے) ان کی خرید و فروخت نہیں کی جاسکتی۔ مزید یہ کہ کمپنیز ایکٹ 2017 کے سیکشن 72 یہ واضح کرتا ہے کہ جس تاریخ سے ایس سی ای پی نے اس ایکٹ کا اجرا کیا ہے اس تاریخ سے کوئی بھی کمپنی جو شیئرز کمپنٹل کی حامل ہے اسے ان شیئرز کو صرف بک انٹری کی شکل میں ہی رکھے۔ لہذا ہر موجودہ کمپنی پر لازم ہے کہ وہ اپنے فیزیکل شیئرز کو بک انٹری کی شکل میں اس طرح منتقل کرے جس طرح ایکٹ میں درج ہے۔ یہ بھی ضروری ہے کہ جس تاریخ میں ایس سی ای پی نے ایکٹ کا اجرا کیا اس کے چند سال کے اندر یہ کام مکمل کر لیا جائے۔

8- کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق یہ لازمی ہے کہ نقد میں ادا ہونے والے منافع کو صرف الیکٹرانک طریقہ کار سے براہ راست متعلقہ شیئر ہولڈرز کے متعین کردہ بینک اکاؤنٹ میں منتقل کیا جائے گا۔ ایس سی ای پی نے اپنے نوٹیفیکیشن SRO 1145(1)/2017 کے ذریعے کمپنیز (ڈسٹری بیوشن آف ڈیویڈنڈز) قواعد و ضوابط جاری کئے ہیں کہ تمام شیئر ہولڈرز نقد میں ادا ہونے والے منافع کی الیکٹرانک طریقہ کار سے متعین کردہ بینک اکاؤنٹ میں منتقلی کیلئے اپنے متعلقہ بینک اکاؤنٹ کی تفصیلات فراہم کریں۔

شینئر ہولڈرز کی حوصلہ افزائی کی جاتی ہے کہ وہ سالانہ اجلاس عام میں زوم ایپ کے ذریعے شرکت کریں۔ زوم کے ذریعے اے جی ایم میں شرکت کیلئے خواہشمند شینئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ مندرجہ ذیل ای میل کے ذریعے اے جی ایم کے وقت سے 24 گھنٹے قبل کہنی سیکرٹری کے پاس خود کی رجسٹریشن کرائیں۔

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شینئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ ذیل میں دیئے فارمیٹ کے مطابق معلومات فراہم کریں۔ زوم ایپ کی تفصیلات نیچے دیئے گئے جدول میں فراہم کردہ ای میل پر بھیج دی جائیں گی۔

نمبر شمار شینئر ہولڈر کا نام شناختی کارڈ نمبر فولیو نمبر CI سی ڈی سی اکاؤنٹ نمبر فون نمبر ای میل ایڈریس

زوم ایپ پر لاگ ان کی سہولت صبح 10:00 بجے بتاریخ 30 مارچ 2022 کو فعال کر دی جائے گی تاکہ شرکاء اجلاس کی کارروائیوں جو صبح 10:15 بجے شروع ہو جائیں گی میں شریک ہو سکیں۔

بھکم بورڈ



محمد شعیب

کہنی سیکرٹری

بتاریخ: 09 مارچ 2022

نوٹس

- 1- اراکین کارجنر 24 مارچ، 2022 سے 30 مارچ، 2022 تک (بشمول دونوں ایام) بند رہے گا۔
- 2- اجلاس میں شریک ہونے اور ووٹ دینے کا حقدار کوئی بھی رکن اجلاس میں حاضر ہونے اور ووٹ دینے کے لیے اپنا ایک پراکسی مقرر کر سکتا ہے۔
- 3- پراکسی کا تقرر نامہ اجلاس کے انعقاد سے کم از کم ارنالیس (48) گھنٹے پہلے بینک کے رجسٹرار آفس کو موصول ہونا چاہیے۔
- 4- مرکزی ڈیپازٹری کہنی آف پاکستان ("سی ڈی سی") کے کھاتہ داروں کو سیکورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کی طرف سے جاری کردہ سرکلر نمبر 1، بتاریخ 26 جنوری، 2000 میں دی گئی گائیڈ لائنز کی تعمیل کرنی ہوگی۔

اجلاس میں شرکت

- i- انفرادی صورت میں کھاتہ دار یا ذیلی کھاتہ دار یا وہ شخص جس کی گروپ کھاتہ میں سیکورٹیز جمع ہوں اور اس کی رجسٹریشن کی تفصیلات شرائط کے مطابق اپ لوڈ کی گئی ہوں، کی اجلاس کے وقت شناخت اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ سے تصدیق کی جائے گی۔
- ii- کارپوریٹ ادارہ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ دستخط کے نمونے (اگر پہلے فراہم نہیں کی گئی ہیں) اجلاس کے وقت فراہم کئے جائیں گے۔

اطلاع برائے سالانہ اجلاس عام

مطلع کیا جاتا ہے کہ مندرجہ ذیل امور کی انجام دہی کے لیے بینک اسلامی پاکستان لمیٹڈ ("دی بینک") کا 18 واں سالانہ اجلاس عام بدھ 30 مارچ، 2022 صبح 10:15 بجے منعقد ہوگا۔ اجلاس کا انعقاد زوم ایپ کے ذریعے ہوگا اور شیئر ہولڈرز سے درخواست ہے کہ وہ زوم ایپ کے ذریعے اجلاس میں شرکت کریں۔ سالانہ اجلاس عام میں شرکت کے لیے خواہش مند شیئر ہولڈرز 10th فلور پروگریسیو سکوائر، شاہراہ فیصل، کراچی میں جمع ہو سکتے ہیں۔

عمومی امور

- 1۔ 30 مارچ، 2021 کو بینک کے منعقدہ 17 ویں سالانہ اجلاس عام کی کارروائیوں کی توثیق۔
- 2۔ 31 دسمبر، 2021 کو اختتام پذیر مالی سال کے لیے کمپنی کے سالانہ آڈٹ شدہ مالیاتی گوشوارے اور بینک کے کنسولیدٹڈ آڈٹ شدہ اکاؤنٹس معہ چیئرمین جائزہ رپورٹ، ڈائریکٹرز اور آڈیٹرز رپورٹ پر غور اور منظوری۔
- 3۔ 31 دسمبر، 2022 کو ختم ہونے والے مالی سال کے لیے آڈیٹرز کی تقرری اور ان کے معاوضے کا تعین۔ آڈیٹرز KPMG ٹاٹیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے اہلیت کی بنا پر خود کو تقرری کیلئے پیش کیا ہے۔

دیگر امور

- 4۔ چیئرمین کی اجازت سے دیگر امور پر غور و خوض کرنا۔

سالانہ اجلاس عام (اے جی ایم) کے انعقاد کا مقام اور الیکٹرانک ذرائع سے شیئر ہولڈرز کی شرکت

کورونائڈ وائرس کی وجہ سے موجودہ صورتحال کے تناظر اور سیکوریز اینڈ ایکس چینج کمیشن آف پاکستان (ایس ای سی پی) اور پاکستان سٹاک ایکس چینج لمیٹڈ کی طرف سے بذریعہ خط نمبر SMD/SE/2/(20)/2021/117 بتاریخ 15 دسمبر 2021، (ایس ای سی پی) سرکلر نمبر 4 of 2021 بتاریخ 15 فروری 2021، اور (ایس ای سی پی) سرکلر نمبر 6 of 2021 بتاریخ 3 مارچ 2021 بتدریدی جاری کردہ گائیڈ لائنز کی روشنی میں شیئر ہولڈرز کی شرکت کیلئے بینک کی جانب سے مندرجہ ذیل انتظامات کیے گئے ہیں۔

بینک کے ڈائریکٹر انتظامیہ بینک کے رجسٹرڈ آفس، 11th فلور، ایگزیکٹو ٹاور، ڈولن سٹی، میرین ڈرائیو، کلفٹن بلاک 4، کراچی میں موجود ہیں گے تاکہ شیئر ہولڈرز سے رابطہ اور کورم کو یقینی بنانے کے لیے پراسیسوں کو یکجا کیا جائے۔

10th فلور، پروگریسیو سکوائر، شاہراہ فیصل، کراچی میں شیئر ہولڈرز فزیکلی شرکت کرنا چاہتے ہیں جمع ہو سکتے ہیں۔ ایس ای سی پی کی طرف سے سرکلر نمبر 4 of 2021 بتاریخ 15 فروری، 2021 میں واضح ہدایات دی گئی ہیں کہ ایسے شیئر ہولڈرز جو فزیکلی اجلاس عام میں شرکت کرنے کے خواہاں ہیں انہیں صوبائی اور یا وفاقی حکومت کی طرف سے جاری کردہ ایس او پیز کو مد نظر رکھتے ہوئے اجلاس میں شرکت کی اجازت دی جائے گی۔

Correspondent Banking Network

COUNTRY	NAME OF BANK
AUSTRALIA	JPMorgan Chase Bank, N.A.
AUSTRIA	Raiffeisenlandesbank Oberoesterreich Aktiengesellschaft
BAHRAIN	Al Baraka Islamic Bank Bank Al Habib Limited National Bank of Pakistan
BANGLADESH	Bank Alfalah Limited Bank Asia Limited Eastern Bank Limited Habib Bank Limited Standard Bank Limited
BELARUS	Belarusbank
BELGIUM	Belfius Bank SA/NV Habib Bank Limited KBC Bank NV
CANADA	Habib Canadian Bank
CHINA	Agricultural Bank of China, The Bank of China Bank of Dalian Bank of Deyang Bank of Jiangsu Company Limited Bank of Ruifeng Changshu Rural Commercial Bank China Everbright Bank Guangdong Nanhai Rural Commercial Bank Company Limited Habib Bank Limited Harbin Bank Hua Xia Bank Industrial and Commercial Bank of China JPMorgan Chase Bank (China) Company Limited Mizuho Bank (China) Limited Nanyang Commercial Bank Rural Commercial Bank of Zhangjiagang Shengjing Bank Company Limited Taicang Rural Commercial Bank The Export-Import Bank of China Yinzhou Bank Zhejiang Chouzhou Commercial Bank Company Limited Zhejiang Xiaoshan Rural Cooperative Bank Zhongshan Rural Commercial Bank Company Limited

COUNTRY	NAME OF BANK
CZECH REPUBLIC	Ceska Sporitelna A.S. Citibank Europe Plc, Organizacni Slozka Unicredit Bank Czech Republic,A.S.
DENMARK	Danske Bank A/S
DJIBOUTI	Banque Pour Le Commerce Et L'industrie - Mer Rouge
EGYPT	Commercial International Bank Export Development Bank of Egypt Mashreqbank PSC
FINLAND	Danske Bank
FRANCE	Habib Bank Limited National Bank of Pakistan Union De Banques Arabes Et Francaises
GERMANY	Danske Bank Deutsche Bank AG J.P.Morgan AG Landesbank Hessen-Thueringen Girozentrale National Bank of Pakistan Unicredit Bank AG
GREECE	EFG Eurobank Ergasias S.A.
HONG KONG	Bank of America, N.A Habib Finance International Limited Habib Bank Zurich Hong Kong Limited JPMorgan Chase Bank Mashreqbank PSC National Bank of Pakistan
INDIA	Axis Bank Limited Mashreqbank PSC Punjab National Bank Tamilnad Mercantile Bank Limited Union Bank of India
INDONESIA	Bank Bukopin JPMorgan Chase Bank N.A. PT. Bank Mandiri PT. Bank Mayapada International PT. Bank Mayora PT. Bank Syariah Muamalat Indonesia
IRELAND	Citibank Europe Plc
ITALY	Banca Monte Dei Paschi Di Siena S.P.A. BPER Banca SpA Banca Popolare Di Sondrio Banca UBAE Spa

COUNTRY	NAME OF BANK
	Banca Valsabbina S.C.P.A. Banco BPM SpA
JAPAN	JPMorgan Chase Bank N.A. Korea Exchange Bank National Bank of Pakistan Union De Banques Arabes Et Francaises
KENYA	Gulf African Bank Limited Habib Bank AG Zurich Habib Bank Limited Kenya Commercial Bank Limited
KOREA	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
LEBANON	Bank Of Beiruts S.A.L. Habib Bank Limited
LUXEMBOURG	Danske Bank International S.A.
MALAYSIA	Bank Muamalat Malaysia Berhad JPMorgan Chase Bank Berhad
MAURITIUS	Habib Bank Limited
NEPAL	Himalayan Bank Limited
NIGERIA	Bank PHB PLC
NORWAY	Fokus Bank
OMAN	Habib Bank Oman
PAKISTAN	Albaraka Bank (Pakistan) Limited Allied Bank Limited Askaribank Limited Bank Al Habib Limited Bank Alfalah Limited Bank of China Limited Bank of Khyber, The Bank of Punjab, The Dubai Islamic Bank Pakistan Limited Faysal Bank Limited First Women Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited

COUNTRY	NAME OF BANK
	Industrial and Commercial Bank of China JS Bank Limited MCB Bank Limited MCB Islamic Bank Limited Meezan Bank Limited National Bank of Pakistan Samba Bank Limited Silkbank Limited Sindh Bank Limited Soneri Bank Limited Summit Bank Limited United Bank Limited
POLAND	Danske Bank A/S Santander Bank Polska SA
QATAR	Commercial Bank of Qatar Limited Doha Bank Mashreqbank PSC Masraf Al Rayan United Bank Limited
RUSSIAN FEDERATION	Credit Bank of Moscow Transcapital Bank
SAUDI ARABIA	Bank AL Bilad Bank Al-Jazira Emirates NBD PJSC JPMorgan Chase Bank, N.A. National Bank of Pakistan
SINGAPORE	Axis Bank Limited Citibank NA Habib Bank Limited JPMorgan Chase Bank, N.A. Union De Banques Arabes Et Francaises Wells Fargo Bank National Association
SOUTH AFRICA	Habib Overseas Bank Limited HBZ Bank Limited
SPAIN	Banco Espanol De Credito Banco Santander S.A.
SRI LANKA	Hatton National Bank PLC Sampath Bank Plc-Company

COUNTRY	NAME OF BANK
SWITZERLAND	Habib Bank AG Zurich HBL Bank UK Limited Luzerner Kantonalbank
TAIWAN	JPMorgan Chase Bank, N.A.
THAILAND	Bank of Ayudhya Public Company Limited Bank of Tokyo-Mitsubishi UFJ Ltd Export-Import Bank of Thailand
TURKEY	Akbank T.A.S. Aktif Yatirim Bankasi A.S. Albaraka Turk Participation Bank Asya Katilim Bankasi A.S. Denizbank A.S. Habib Bank Limited Kuveyt Turk Katilim Bankasi A.S. Odea Bank Tekstil Bankasi A.S. Turkiye Cumhuriyeti Ziraat Bankasi A.S. Turkiye Finans Katilim Bankasi A.S. Turkiye Vakiflar Bankasi T.A.O. Vakif Katilim Bankasi A.S.
UKRAINE	Credit Dnepr Bank Demark Bank JS
UNITED ARABEMIRATES	Abu Dhabi Commercial Bank Abu Dhabi Islamic Bank Axis Bank Limited Bank Alfalah Limited Dubai Bank PJSC Emirates NBD Bank PJSC Habib Bank AG Zurich Habib Bank Limited Mashreqbank PSC MCB Bank Limited United Bank Limited

COUNTRY	NAME OF BANK
UNITED KINGDOM	<p>Danske Bank Emirates NBD PJSC Habib Bank AG Zurich HBL Bank UK Limited JPMorgan Chase Bank, N.A. Mashreqbank PSC Northern Bank (Part Of Danske Bank Group) United National Bank Woori Bank</p>
UNITED STATES	<p>BOKE, NA Citibank NA Deutsche Bank AG Habib American Bank JPMorgan Chase Bank, N.A. Mashreqbank PSC National Bank of Pakistan New York Commercial Bank Saehan Bank US Bank Wells Fargo Bank, N.A.</p>
VIETNAM	<p>Asia Commercial Bank Hochiminh City Housing Development Commercial Bank Joint Stock Commercial Bank For Foreign Trade of Vietnam Vietnam Asia Commercial Joint-Stock Bank Vietnam Maritime Commercial Stock Bank Vinasiam Bank Western Commercial Joint Stock Bank</p>
YEMEN	<p>Saba Islamic Bank United Bank Limited</p>

Branch Network

Serial No.	Location	No of Branches
1	ABBOTTABAD	1
2	AHMEDPUR EAST	1
3	ARIFWALA	1
4	ATTOCK	2
5	BADIN	1
6	BAHAWALNAGAR	1
7	BAHAWALPUR	2
8	BALAKOT	1
9	BANNU	1
10	BATAGRAM	1
11	BATKHELA	1
12	BEESHAM	1
13	BOONI	1
14	BUNER	1
15	BUREWALA	1
16	CHAKWAL	1
17	CHAMAN	1
18	CHICHAWATNI	1
19	CHILAS	1
20	CHINIOT	1
21	CHITRAL	1
22	D. G. KHAN	1
23	D. I. KHAN	1
24	DADU	1
25	DARGAI	1
26	DINGA	1
27	DUKKI	1
28	FAISALABAD	5
29	FATEH JANG	1
30	GHARO	1
31	GHOTKI	1
32	GILGIT	1
33	GOJRA	1
34	GUJJAR KHAN	1
35	GUJHRANWALA	3
36	GUJRAT	2
37	HARIPUR HAZARA	1
38	HARNAI	1
39	HAROONABAD	1
40	HASAN ABDAL	1
41	HAZRO	1
42	HUMAK	1
43	HYDERABAD	6

Serial No.	Location	No of Branches
44	ISLAMABAD	15
45	ISLAMGARH	1
46	JAMPUR	1
47	JHELM	2
48	JHUDDO	1
49	JHUNG	1
50	KALAR SAYDEN	1
51	KAMOKI	1
52	KANDHKOT	1
53	KARACHI	101
54	KASUR	1
55	KHAIRPUR	1
56	KHANEWAL	1
57	KHANOZAI	1
58	KHANPUR	1
59	KHARIAN	1
60	KOHAT	1
61	KOTRI	1
62	KUHLAK	1
63	LAHORE	50
64	LALAMUSA	1
65	LARKANA	1
66	LAYYAH	1
67	LORALAI	1
68	MANDI BHAUDDIN	1
69	MANSEHRA	1
70	MARDAN	1
71	MATIARI	1
72	MATTA	1
73	MEHAR	1
74	MIAN CHANNU	1
75	MIANWALI	1
76	MIRPUR KHAS	2
77	MIRPUR, AJK	2
78	MORO	1
79	MULTAN	6
80	MUREE	1
81	MURIDKE	1
82	MUSLIM BAGH	1
83	MUZFARABAD	1
84	NARAN	1
85	NAWABSHAH	1
86	NOWSHERA	1
87	OKARA	2
88	PAKPATTAN	1
89	PESHAWAR	5

Serial No.	Location	No of Branches
90	PIR MAHAL	1
91	PISHIN	1
92	QILA SAIFULLAH	1
93	QUETTA	10
94	RAHIM YAR KHAN	1
95	RAWALPINDI	14
96	SADIQABAD	1
97	SAHIWAL	2
98	SAMBRIYAL	1
99	SANGHAR	1
100	SANJAVI	1
101	SARGODHA	2
102	SAWAT	1
103	SHARIG	1
104	SHEIKHUPURA	1
105	SHUJABAD	1
106	SIALKOT	3
107	SIBBI	1
108	SKARDU	1
109	SUKKUR	2
110	TALAGANG	1
111	TANDO ADAM	1
112	TANDO ALLAH YAR	1
113	TATRAL KAHUN	1
114	TAXILA	1
115	TIMARGARA	1
116	TOBA TEK SINGH	1
117	UPPER DIR	1
118	VEHARI	1
119	WAH CANTT.	1
120	WAHI PANDI	1
121	WAZIRABAD	1
122	ZAHIR PIR	1
123	ZHOB	1
	Grand Total	340

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Proxy Form

18th Annual General Meeting

The Company Secretary
BankIslami Pakistan Limited
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block – 4, Clifton
Karachi – Pakistan.

I/We, _____ of _____, being a member of BankIslami Pakistan Limited, holder of _____ Ordinary Share(s) as per Share Register Folio No./CDC Account No. _____ hereby appoint _____, Folio No./CDC Account No. (if member), _____ of _____ or failing him / her _____ Folio No./CDC Account No. (if member), _____ of _____ as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the 18th Annual General Meeting of the Bank to be held on Wednesday, March 30, 2022, at 10:15 A.M to be held through Zoom and shareholders are encouraged to attend the meeting via Zoom facility. Shareholders who elect to attend the AGM in person can assemble at 10th Floor, Progressive Square, Shahra-e-Faisal, Karachi and at any adjournment thereof.

Signed under my / our hand this _____ day of _____.

Witness 1:

Name: _____

Signature _____

Address: _____

CNIC or Passport No. _____

Please affix
Rupees Five
Revenue Stamp

Signature of Member(s)

Witness 2:

Name: _____

Signature _____

Address: _____

CNIC or Passport No. _____

Notes:

- Proxies in order to be effective, must be received by the Bank not less than 48 hours before the meeting.
- 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 Bank.

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

سالانہ اجلاس عام

دی کمپنی بیکری

بینک اسلامی پاکستان لمیٹڈ

11th فلور، ایکریٹو ٹاور، ڈالمن سٹی، میرین ڈرائیو،

بلاک 4، کاشن، کراچی۔ پاکستان

میں مسمیٰ / مسماة _____ ساکن _____ بحیثیت بینک اسلامی پاکستان لمیٹڈ
کامبر حامل _____ عام حصص یافتہ برطانیق شیئر رجسٹرڈ فولیو/سی ڈی سی اکاؤنٹ نمبر _____ بذریعہ بذاتقرری _____ فولیو/سی
ڈی سی اکاؤنٹ نمبر (اگر ممبر ہے) _____ ساکن _____ یا ان کی غیر موجودگی میں _____ فولیو/سی ڈی سی
اکاؤنٹ نمبر (اگر ممبر ہے) _____ ساکن _____ کو اپنا/ ہمارا پراکسی (مختار) مقرر کرتا ہوں/ کرتی ہوں/ کرتے ہیں بینک کے
18 ویں سالانہ اجلاس عام میں شرکت اور رائے دہی کے لئے جو بروز بدھ 30 مارچ، 2022 بوقت 10:15 بجے بذریعہ زوم کی سہولت استعمال کرتے ہوئے منعقد کیا جائے گا
(شیئر ہولڈرز سے درخواست ہے کہ وہ ترجیحاً زوم کی سہولت استعمال کریں) وہ شیئر ہولڈرز جو سالانہ اجلاس میں بطور شخصے شرکت کرنا چاہیں ان سے درخواست ہے کہ وہ
10th فلور، پروگریسیو سکوائر، شاہراہ فیصل، کراچی اور کسی بھی التواء کی صورت میں بعد میں بتائی گئی جگہ تشریف لے آئیں۔
آج بروز _____ کو بذات خود دستخط کئے گئے۔

گواہ 1

نام: _____

دستخط _____

پتہ _____

قومی شناختی کارڈ یا پاسپورٹ نمبر _____

گواہ 2

نام: _____

دستخط _____

پتہ _____

قومی شناختی کارڈ یا پاسپورٹ نمبر _____

نوٹ

1- پراکسی فارم باقاعدہ مکمل اور دستخط شدہ موثر ہونے کے لئے کمپنی کو اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل موصول ہونی چاہئے۔

2- سی ڈی سی شیئر ہولڈرز اور ان کی پراکسی (مختار) ہر ایک سے درخواست ہے کہ کمپنی کو پراکسی فارم جمع کرانے سے قبل اس پراکسی فارم کے ساتھ اپنے کمپیوٹر انڈز قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ کاپی منسلک کریں۔

سی ڈی سی / آر ٹی اے / بی آئی پی ایل / لیٹر / 17

تاریخ

فولیو نمبر:

مالک حصص کا نام:

باپ / شوہر کا نام:

پتہ:

نقد منافع منقسمہ کی ادائیگی کے لیے بینک اکاؤنٹ کی تفصیلات

(کمپنیز ایکٹ 2017 کے مطابق لازمی)

محترم مالک حصص

اس کا مقصد آپ کو مطلع کرنا ہے کہ کمپنیز ایکٹ 2017 کی دفعہ 242 کے مطابق، نقد منافع منقسمہ کی ادائیگی صرف برقی ذرائع سے مستحق حصص مالک کے نامزد اکاؤنٹ میں براہ راست کردی جائے گی۔ براہ کرم یہ نوٹ فرمائیں کہ نقد منافع منقسمہ کی ادائیگی کے لیے بینک کو لازمی اختیار حاصل ہے۔ ریگولیشنری قوانین پر عملدرآمد اور آپ کے بینک اکاؤنٹ میں منافع کی رقم کی براہ راست کریڈٹ کی سہولت کے حصول کے لیے آپ سے درج ذیل معلومات کی فراہمی کی درخواست کی جاتی ہے۔

حصص مالک کی تفصیلات

حصص مالک کا نام

فولیو نمبر

قومی شناختی کارڈ نمبر

حصص مالک کا موبائل نمبر

حصص مالک کا لینڈ لائن ٹیلیفون نمبر (اگر کوئی ہے تو)

بینک اکاؤنٹ کی تفصیلات

بینک اکاؤنٹ کا عنوان (ٹائٹل)

بین الاقوامی بینک اکاؤنٹ نمبر (IBAN) ”لازمی“ (24 ہند سے)

برائے مہربانی اپنی متعلقہ برانچ سے مشاورت کے بعد اپنا درست IBAN نمبر فراہم کریں کیونکہ دیئے گئے IBAN نمبر میں کسی غلطی یا غفلت کی صورت میں آپ کے نقد منافع منقسمہ کی ادائیگی میں کسی تاخیر یا کسی نقصان کے لیے کمپنی کسی بھی صورت سے ذمہ دار نہیں ہوگی۔

بینک کا نام

برانچ کا نام اور پتہ

یہ کہا گیا ہے کہ درج بالا بیان کردہ معلومات درست ہیں اور ان میں کسی تبدیلی کی صورت میں، میں/ہم اس کے مطابق فوری طور پر شہر کاؤ / شیئرز رجسٹرار کو آگاہ کریں گے۔

مالک حصص کے دستخط

آپ سے درخواست کی جاتی ہے کہ مکمل پُر کئے گئے اس خط کی نقول اپنے باضابطہ دستخط اور قابل اطلاق قومی شناختی کارڈ کی تصدیق شدہ نقول کے ساتھ ہمارے شیئرز رجسٹرار کو ہمارے دفتر کے پتے پر شیئرز رجسٹرار، بینک اسلامی پاکستان، سی ڈی سی شیئرز رجسٹرار سوسر لمیٹڈ، سی ڈی سی ہاؤس، 99-بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی۔ 74000 پر جمع کرائیں۔

آپ کا مخلص

سی ڈی سی شیئرز رجسٹرار سوسر لمیٹڈ

نوٹ: یہ ایک سسٹم کا تخلیق کردہ خط ہے جسے کسی دستخط کی کوئی ضرورت درکار نہیں ہے۔



On behalf of BankIslami Pakistan Limited

**Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)**

Head Office: CDC House,
99-B, Block B, S.M.C.H.S.,
Main Shahra-e-Faisal,
Karachi - 74400
Tel: (92) 0800-23275
Fax: (92-21) 34326053
URL: www.cdcsrsl.com
Email: info@cdcsrsl.com

Dear CDS/IAS Accountholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank accounts of entitled shareholder as designated by them. In pursuance of the direction given by Securities and Exchange Commission of Pakistan (SECP), kindly immediately contact your relevant CDC Participant/CDC Investor Account Services Department and provide them your bank mandate information including International Bank Account Number (IBAN) which is now mandatory for all cash dividend payments.

In order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide requisite bank mandate information to your respective Participant/CDC Investor Account Services Department immediately.

Kindly also ensure that the title of IBAN / Bank Account must be in your name.

You may also refer Circular No. CDC/LC&R/16 dated August 31st, 2017 issued by Central Depository Company of Pakistan Limited in this regard available on website www.cdcpakistan.com

Regards,

**M/s. CDC Share Registrar Services Limited
Share Registrar: BANKISLAMI PAKISTAN LIMITED**

Note: This letter is being computer generated and does not require any signature.

سی ڈی ایس کے حصص مالکان کے لیے خط کی وضع

نقد منافع منقسمہ کی ادائیگی کے لیے بینک اکاؤنٹ کی تفصیلات
(کمپنیز ایکٹ 2017 کے مطابق لازمی)

محترم مالکِ حصص

اس کا مقصد آپ کو مطلع کرنا ہے کہ کمپنیز ایکٹ 2017 کی دفعہ 242 کے مطابق، نقد منافع منقسمہ کی ادائیگی صرف برقی ذرائع سے مستحق حصص مالک کے نامزد اکاؤنٹ میں براہ راست کردی جائے گی۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی طرف سے دی گئی ہدایات کے مطابق، برائے مہربانی اپنے متعلقہ سی ڈی سی شرکاء/سی ڈی سی انویسٹرا کاؤنٹ سروس ڈیپارٹمنٹ سے فوری رابطہ کریں اور انہیں اپنے بینک اختیار کی لازمی معلومات بشمول بین الاقوامی اکاؤنٹ نمبر (IBAN) فراہم کریں، جو کہ اب تمام نقد منافع منقسمہ کی ادائیگیوں کے لیے لازمی ہے۔ ریگولیٹری قوانین پر عملدرآمد اور آپ کے بینک اکاؤنٹ میں منافع کی رقم کی براہ راست کریڈٹ کی سہولت کے حصول کے لیے آپ سے لازمی بینک اختیاری معلومات کی اپنے متعلقہ شریک/سی ڈی سی انویسٹرا کاؤنٹ سروس ڈیپارٹمنٹ کو فوری طور پر فراہم کرنے کی درخواست کی جاتی ہے۔

آپ کا مخلص

میسرز سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ
شیئرز رجسٹرار، بینک اسلامی پاکستان لمیٹڈ

نوٹ: یہ ایک سسٹم کا تخلیق کردہ خط ہے جسے کسی دستخط کی کوئی ضرورت درکار نہیں ہے۔



**SECP INSTRUCTIONS FOR THE SHAREHOLDERS TO CONVERT PHYSICAL SHARE OF
BANKISLAMIA PAKISTAN LIMITED INTO BOOK ENTRY FORM AND TO UPDATE THEIR MANDATORY
BANK ACCOUNT DETAILS**

With reference to the provisions of Section 72 of the Companies Act, 2017, Securities and Exchange Commission of Pakistan, through its letter No. CSD/ED/MISC/2016-639-640 dated March 26, 2021, has required listed companies to replace the existing physical shares issued by them into Book Entry Form. In compliance to regulatory requirement, shareholders of BankIslami Pakistan Limited holding physical share certificates are requested to convert their physical shares certificates into Book Entry Form. Shareholders of Bank may contact their Broker (a PSX member), CDC Participant or CDC Investor Account Services Department of Central Depository Company of Pakistan Limited for assistance in opening CDC Account.

The aforementioned conversion will benefit to shareholders i.e readily available share(s) for sale and purchase at better rates; instant credit of entitlements (bonus shares and rights shares); and eliminate the risk of loss of shares, etc.

Further, pursuant to Section 242 of the Companies Act, 2017, SECP S.R.O 421(1)/2018 dated April 02 2018, and SECP letter No. CL/CSD/MISC/2014-30 dated March 19, 2021, it is mandatory for the listed companies to pay Cash Dividend to their Shareholders only through electronic mode directly into Shareholders' Bank Account, instead of issuing physical Dividend Warrants. Shareholders those who have not yet provided the IBAN are requested to contact the Bank's share registrar at the below address or Broker (a PSX member), Participant/Investor Account Services of Central Depository Company of Pakistan Limited (as the case may be) and provide complete bank details and comply regularity requirement.

Zakat Declaration (CZ-50)

Zakat will be deducted from the dividends at source at the rate of 2.5 % of the paid-up value of the share (Rs. 10/- each) and will be deposited within the prescribed period with the relevant authority. In case of claiming exemption, please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 and Rule 4 of Zakat (Deduction and Refund) Rules, 1981. Shareholder who hold Bank's shares in physical, please deposit their Zakat Declaration on Form CZ-50 with Bank's Share Registrar with mentioning Folio No and Name. Shareholder who holds shares in book entry shall deposit their Zakat declaration on Form CZ-50 with CDC Investor Account Services / CDC Participant / Stock brokers with mentioning CDS Account No. and name of shareholder.

**CDC Share Registrar Services Limited,
Head Office, CDC House, 99-B, Block "B", S.M.C.H.S. Main Shahrah-e-Faisal
Karachi-74400 Tel: (92) 0800-23275 Fax: (92-21) 34326053
URL: www.cdcsrsl.com, Email: info@cdcsrsl.com**

بینک اسلامی پاکستان لمیٹڈ کے فزیکل حصص کو بک انٹری فارم میں تبدیل کرنے اور بینک اکاؤنٹ کی تفصیلات کو لازمی اپ ڈیٹ کرنے کے لیے شیر ہولڈرز کو سیکورمیٹرز اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایات

کمپنیز ایکٹ، 2017 کے سیکشن 72 کی دفعات کے حوالے سے، سیکورمیٹرز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے خط نمبر CDS/ED/MISC/2016-639-640 کے ذریعے مورخہ 26 مارچ 2021 کو لمیٹڈ کمپنیوں کو اپنے فزیکل حصص کو بک انٹری کی شکل میں تبدیل کرنے کی ہدایات جاری کی ہیں۔ مندرجہ بالا ریگولیٹری ضرورت کی تعمیل میں، بینک اسلامی پاکستان لمیٹڈ کے فزیکل حصص کے سرٹیفکیٹ رکھنے والے شیر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے فزیکل حصص کے سرٹیفکیٹ کو بک انٹری فارم میں تبدیل کریں۔ بینک کے حصص یافتگان سی ڈی سی اکاؤنٹ کھولنے میں مدد کے لیے اپنے بروکر (پی ایس ایکس ممبر) سی ڈی سی پارٹی سپینٹ یا سی ڈی سی انویسٹرا اکاؤنٹ سروسز، سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کے سیکشن سے رابطہ کر سکتے ہیں۔

مذکورہ بالا تبادلوں سے حصص یافتگان کو فائدہ ہوگا۔ یعنی بہتر قیمتوں پر فروخت اور خریداری کے لیے آسانی سے دستیاب حصص، حقداروں کا فوری استحقاق (بولس حصص اور حقوق حصص)، اور حصص وغیرہ کے گم ہونے کے خطرے کو ختم کریں۔

مزید یہ کہ کمپنیز ایکٹ 2017 کے سیکشن 242 کے تحت، ایس ای سی پی کے SRO: 421(1)2018 مورخہ 02 اپریل 2018 اور ایس ای سی پی لیٹر نمبر CL/CSD/MISC/2014-30 مورخہ 19 مارچ 2021 کے تحت لمیٹڈ کمپنی فزیکل منافع کے وارنٹ جاری کرنے کی بجائے صرف شیر ہولڈرز کے بینک اکاؤنٹ میں الیکٹرانک انداز کے ذریعے اپنے حصص یافتگان کو کیش منافع ادا کریں گی۔ حصص یافتگان کو جنہوں نے ابھی تک IBAN فراہم نہیں کیا ہے، درخواست کی جاتی ہے کہ وہ بینک کے شیئر رجسٹرار سے نیچے دیئے گئے پتے پر رابطہ کریں یا بروکر (پی ایس ایکس ممبر)، سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کے پارٹی سپینٹ / سرمایہ کار اکاؤنٹ سروسز (جیسا کہ ہو سکتا ہے) پر رابطہ کریں اور بینک کھاتہ کی مکمل تفصیلات فراہم کریں اور ریگولیٹری ہدایات کی تعمیل کریں۔

زکوٰۃ ڈیکلریشن (CZ-50)

حصص کی ادا شدہ قیمت (-/10 روپے پر) 2.5% کی شرح سے منبع کے منافع سے زکوٰۃ کاٹی جائے گی اور مقررہ مدت کے اندر متعلقہ اتھارٹی کے پاس جمع کرائی جائے گی۔ استثنیٰ کا دعویٰ کرنے کی صورت میں، براہ کرم زکوٰۃ اور عشر آرڈیننس 1980 اور زکوٰۃ (کٹوتی اور رقم کی واپسی) رولز 1981 کے قاعدہ 4 کے تحت اپنے زکوٰۃ کے اعلانات جمع کروائیں۔ وہ شیئر ہولڈرز جس کے پاس بینک کے حصص فزیکل ہیں، براہ کرم اپنی زکوٰۃ ڈیکلریشن فارم CZ-50 بینک کے شیئر رجسٹرار کے پاس جمع کرائیں جس میں فولیو نمبر، اور شیئر ہولڈر کا نام درج ہو، بک انٹری میں حصص رکھنے والے شیئر ہولڈر کو اپنی زکوٰۃ کا اعلان فارم /CDC Investor Account Services (CZ-50) /CDC Participant /Stock Broker کو جمع کرانا ہوگا جس میں CDC Account نمبر اور شیئر ہولڈر کا نام درج ہو۔

سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ

ہیڈ آفس، سی ڈی سی ہاؤس، 99 بی، بلاک بی،

ایس ایم سی ایچ ایس، مین شاہراہ، فیصل، کراچی 74400

ٹیلیفون (92) 0800-23275 فیکس (92) 21-34326053

یو آر ایل www.cdcsrsl.com









ای میل info@cdcsrsl.com









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