

We Serve a  
BETTER BANKING EXPERIENCE



# Vision

**Promoting global  
economic prosperity  
based on the Islamic  
Financial system**







# Mission

Saving humanity from Riba by offering Shariah-compliant, customer-centric, innovative financial solutions, and creating value for our stakeholders, while upholding social responsibility and transparency.







# Core Values



- Shariah Excellence
- Innovation
- Meritocracy
- Teamwork
- People Centric





# Corporate Information

## Board of Directors

Mr. Suleman Lalani	Chairman (Non-Executive Director)
Mr. Rizwan Ata	President & Chief Executive Officer
Mr. Akhtar Abbas	Independent Director
Mr. Ali Hussain	Non-Executive Director
Ms. Iffat Zehra Mankani	Non-Executive Director
Mr. Haider Ali Hilaly	Independent Director
Mr. Sulaiman Sadruddin Mehdi	Independent Director
Mr. Syed Ali Hasham	Non-Executive Director

## Shariah Supervisory Board

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

## Board Audit Committee

Mr. Haider Ali Hilaly	Chairperson
Ms. Iffat Zehra Mankani	Member
Mr. Sulaiman Sadruddin Mehdi	Member
Mr. Syed Ali Hasham	Member

## Board Risk Management Committee

Ms. Iffat Zehra Mankani	Chairperson
Mr. Sulaiman Sadruddin Mehdi	Member
Mr. Syed Ali Hasham	Member
Mr. Rizwan Ata, President & Chief Executive Officer	Member

## Board Human Resources & Remuneration Committee

Mr. Akhtar Abbas	Chairperson
Ms. Iffat Zehra Mankani	Member
Mr. Suleman Lalani	Member
Mr. Syed Ali Hasham	Member

## Board Information Technology Committee

Mr. Haider Ali Hilaly	Chairperson
Mr. Akhtar Abbas	Member
Mr. Suleman Lalani	Member
Mr. Rizwan Ata, President & Chief Executive Officer	Member

## Company Secretary

Mr. Hasan Shahid

## Chief Financial Officer

Mr. Sohail Sikandar

## Auditors

KPMG Taseer Hadi & Co.,  
Chartered Accountants

## Legal Advisers

Haidermota & Co.  
Mohsin Tayebaly & Co.

### Management (in alphabetical order)

Rizwan Ata  
 Imran Haleem Shaikh  
 Aasim Salim  
 Bilal Fiaz  
 Burhan Hafeez Khan  
 Faisal Anwar  
 Kashif Nisar  
 Madieh Khawar  
 Masood Muhammad Khan  
 Mateen Mahmood  
 Mohammad Faisal Dhedhi  
 Muhammad Amin  
 Muhammad Assadullah Chaudhry  
 Muhammad Idrees Sheikh  
 Muhammad Irfan Ahmed  
 Hasan Shahid  
 Muhammad Shoaib Rizwani  
 Muhammad Uzair Sipra  
 Rizwan Qamar Lari  
 Sohail Sikandar  
 Syed Jahanzaib Ali  
 Tariq Ali Khan  
 Usman Shahid  
 Zabih Ullah Usmani  
 Zaheer Elahi Babar

President & Chief Executive Officer  
 Deputy CEO  
 Group Head Distribution  
 Group Head Consumer Banking  
 General Manager South West  
 Group Head Treasury & Financial Institutions  
 Head of Product & Shariah Structuring  
 General Manager – Central I  
 Head of Compliance  
 Head of Operations  
 General Manager South East  
 Group Head Information Technology  
 Head of Human Resource  
 General Manager Interior Sindh  
 Head of Shariah Compliance  
 Company Secretary  
 General Manager South Punjab  
 Head of Legal  
 Group Head Internal Audit  
 Chief Financial Officer  
 General Manager – Central II  
 General Manager North  
 Group Head Risk Management  
 General Manager Baluchistan  
 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 Shakra-e-Faisal  
 Karachi- 74400.  
 Tel: (92) 0800-23275 Fax: (92-21) 34326053  
 URL: www.cdcsrsl.com  
 Email: info@cdcsrsl.com

### Website:

www.bankislami.com.pk

# Discussion on Corporate Governance

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

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

The Bank has adopted the requirements under Corporate Governance Regulatory Framework (CGRF) issued by State Bank of Pakistan (SBP) and Listed Companies Code of Corporate Governance Regulation, 2019 (CCG) issued by Securities and Exchange Commission of Pakistan (SECP), 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 embraced gender diversity by having a representation of female independent director on its Board. Further, it has ensured representation of independent members on its Board in compliance with the regulatory requirement.

The Board performs (in-house every year and through external evaluator once in every three years) performance evaluation of the Board, the Chairman and Individual Directors, the President & CEO and Board's Committees in compliance with the Corporate Governance Regulatory Framework issued by State Bank of Pakistan and as required under the Listed Companies (Code of Corporate Governance) Regulations, 2019. The evaluation is conducted covering areas, particularly in respect to its composition, expertise, effective risk management, adequate system of internal controls and audit function. Based on the assessment results, areas of strength and improvement were identified followed by discussion on performance improvement plans with each individual Board member.

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



## Profile of the Board

Following are the Profiles of the members of the Board:

- **Mr. Suleman Lalani, Chairman (Non-Executive Director)**

Mr. Suleman Lalani is presently the Group President of Jahangir Siddiqui & Co. Limited (“JSCL”).

Before his elevation to the position of Group President, he served JSCL as its Chief Executive Officer for more than a decade. Prior to joining JSCL, he was Executive Director Finance & Operations and Company Secretary of JS Investments Limited where he also served as CFO and Company Secretary for seven years.

Mr. Lalani had started his career with JSCL in 1992 where he worked for over eight years. In year 2000, he was promoted to the position of Chief Operating Officer of Jahangir Siddiqui Investment Bank Limited, a subsidiary of JSCL. In January 2002, he joined The First Micro-Finance Bank Limited as its Chief Financial Officer and Company Secretary.

Mr. Lalani is a Fellow member of the Institute of Chartered Accountants of Pakistan and has more than 30 years of experience in the financial services sector. He has also completed the Board Development Series Certificate Program conducted by the Pakistan Institute of Corporate Governance.

**Date of Joining the Board: May 10, 2023**

**Other directorships held:**

Chairman/Director, JS Investments Limited

Director, Al-Abbas Sugar Mills Limited

Director, TRG Pakistan Limited

- **Mr. Akhtar Abbas (Independent Director)**

Mr. Akhtar Abbas is a highly competent lawyer and human rights activist. He is serving the community for almost two decades through his untiring passion and commitment towards his profession. He has Bachelor and Masters degrees in Law from International Islamic University, Islamabad with a special focus on comparative study of Sharia and Common Law. He also has a Masters Degree in Political Science from Punjab University. As an advocate High Court, he has participated and played a pivotal role in several cases of public and constitutional importance throughout his career.

He has recently worked as an Assistant Advocate General with the Government of Punjab. He has also worked as Legislative Consultant to the Senate of Pakistan, where he has worked with Standing Committee on Law and Justice. He voluntarily assisted the Chairman of the Committee in research, drafting and comparative study of different laws in proposing new legislation through private member bill. Other than his legal services, he has been teaching various law subjects at top universities of the country including COMSATS University Islamabad and Bahria University Islamabad as a visiting faculty member. He also appears in TV shows as a legal & political analyst.

He has also attended numerous trainings, workshops, and seminars of significant importance including but not limited to National Security Workshop (NSW-12); the highest course on the subject in the country offered by National Defence University and National Media Workshop (NMW-7) from the same university. He has graduated from Pakistan Naval War College Lahore where he attended Maritime Security Workshop (MARSEW-19). He has also attended a training course on Eco-Tourism held in Philippine organized by Asian Productivity Organization, Japan. He holds two diplomas in Business and Diplomacy from European Academy of Diplomacy Warsaw, Poland. He has also completed Director Training Programme from Lahore University of Management Sciences (LUMS).

**Date of Joining the Board: May 10, 2023**

**Other Offices held:**

Member, District Social Protection Committee Bhakkar (Punjab Social Protection Authority)  
Deputy Information Secretary, Chamber of Agriculture, Punjab  
Legal Advisor, Pakistan Institute of Conflict and Security Studies  
Advocate High Court, Punjab Bar Council

- **Mr. Ali Hussain (Non-Executive Director)**

Mr. Ali Hussain has over forty eight years of professional and managerial experience in both corporate and private entities. For the past thirty three 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.

He was appointed as director of the BankIslami on April 29, 2011 and continues to hold directorship in the Bank.

**Date of Joining the Board: April 29, 2011**

**Other directorships held:**

Managing Director, SAJ Capital Management Limited

- **Ms. Iffat Zehra Mankani (Non-Executive Director)**

Ms. Iffat is currently the Chief Executive Officer at JS Investments, with an impressive 23-year track record spanning leadership roles in asset management and valuation across premier organizations in Pakistan and Canada. She is known for her analytical prowess and innovative approach, excelling in strategic financial scrutiny, brand revitalization, and the development of successful investment strategies. She was associated with JSIL from 2004 to 2007 as the CIO and in a similar capacity later with BMA Funds from 2007 to 2012. Before returning to Pakistan, Iffat worked with the deals team at PwC Canada and led Canadian banks in their capital markets divisions.

During her tenures as Chief Investment Officer at JS Investments and BMA Asset Management, Ms. Mankani was pivotal in developing and implementing a structured asset and risk allocation process, resulting in consistently high performance for the managed funds. She has successfully launched innovative financial products and set new industry standards.

Prior to her current role, Ms. Mankani made notable contributions to the Deals Advisory team at PwC Canada, focusing on complex financial instruments and private debt valuations. Her experience in Canada also extends to risk management roles at major banks such as the Bank of Montreal and CIBC, where she led quantitative and trading risk oversight initiatives and managed significant regulatory projects.

She holds a Master of Finance from the Rotman School of Management (University of Toronto) and an MBA from the Institute of Business Administration.

**Date of Joining the Board: May 10, 2023**

**Other directorships held:**

Chief Executive Officer, JS Investments Limited

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

Mr. Hilaly has been a principal investor in equities for 24 years. He currently serves as the Chief Executive Officer of the Ithaca Capital group, a privately held investment holding company with a 25 year track record of deploying capital in various businesses across multiple sectors in Pakistan including transportation, leasing, power generation, outsourcing, armed security, vehicle rental, technology, publishing and FMCG.

Prior to joining Ithaca, he 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.

Mr. Haider graduated *cum laude* and Pi Sigma Alpha from Hamilton College in the United States and he holds a MBA degree from the London Business School. He is also a certified director from the Pakistan Institute of Corporate Governance.

**Date of Joining the Board : May 07, 2020**

**Other directorships held:**

CEO/Director, Ithaca Capital (Pvt) Limited  
 Director, Ithaca Capital Limited  
 Director, Ithaca Capital BV  
 CEO, Ithaca Capital Group  
 Director, BottleCo (Private) Limited  
 Director, Optimus Technology (Pvt) Limited  
 Director, Ravi Spherocast (Pvt) Limited  
 CEO & Director, Calcorp Limited  
 Director, Mobility Digital Holdings BV  
 Director, Bykea Technologies (Pvt) Limited

Director, Bykea Technologies BV  
 Director, Bykea Trade (Pvt) Limited  
 Director, Retail Holdings (Pvt) Limited  
 Director, Partners Resource Linked (Pvt) Limited  
 Director, Optimus Limited  
 Director, Athena Brands (Pvt) Limited  
 Director, Kidco Holdings Limited  
 Director, Partners Retail Holdings Limited  
 Director, Ravi Automobiles (Pvt) Limited  
 Director, Ravi Spherocast (Pvt) Limited

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

Mr. Sulaiman is the Chairman of State Life Insurance Corporation.

Mr. Sulaiman is also Chairman - TPL Developments. He has served as CEO TPL – Developments from March 2022 - August 2023 and was leading all the development initiatives of USD 100mn TPL REIT Fund-I.

Before TPL, he has served as CEO Cyan Limited, formerly Central Insurance Company Limited (CICL). In 2011, Sulaiman orchestrated the business restructuring of CICL (Insurance) to Cyan (Investments/PE), a landmark transaction, and the first of its kind in Pakistan.



Before Cyan, he has also 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 Asset Management Companies.

As a senior executive he has been working on strategy, mergers and acquisitions. He is a proven business leader with a track record of delivering sustainable change and superior results. Sulaiman's experience spans over 22 years in multiple areas of real estate development and 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 for PKR 6bn and exited in March 2018 for PKR 22bn resulting in gains of app. PKR 23bn (incl dividends) in less than 6 years. He also had the privilege of leading the election process of HUBCO for DH Group twice in 2012 and 2015 and managed 8 out of 11 seats with just 17.5% shareholding while managing the rest through proxies.

He has been the youngest Chairman of the **Pakistan Stock Exchange (PSX)**. At PSX besides being the Chairman of the Board, Sulaiman was also the Chairman of the Nomination Committee, Human Resource and Remuneration Committee and Regulatory Affairs Committee. He was Chairman Unity Foods Limited. He was also Chairman Pebbles Ltd. - the real estate arm of Dawood Hercules (DH) Group and spearheaded all real estate initiatives of the Group. He is a Founding member of the Presidential Initiative for Artificial Intelligence and Computing (PIAIC) and a Member of the Committee on Emerging Technologies of MOIT. He is also an Independent Director on Sind Energy Holding Company Pvt Ltd., BankIslami Pakistan Ltd. and Aga Khan Cultural Service Pakistan (AKCSP).

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., The Institute of Business Management (IOBM) and Unity Foods. He has also represented Sindh as an Independent Member on Private Power and Infrastructure Board (PPIB).

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

**Date of Joining the Board : May 07, 2020**

**Other directorships held:**

Chairman, State Life Insurance Corporation  
Chairman, TPL Developments (Pvt.) Limited  
Director, Sindh Energy Holding Co. Limited  
Director, Aga Khan Cultural Services Pakistan

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

Mr. Hasham is presently JSCL's Chief Financial Officer. He has been with JSCL since 2017 and during this tenure he worked on various roles and assumed varied responsibilities. Previously, Mr. Hasham had been associated with the Audit and Assurance department of Deloitte and worked in Pakistan and Qatar. During his association with Deloitte, his areas of experience were financial services, retail and aviation sectors.

Mr. Hasham has an overall experience of more than a decade in the fields of finance, taxation, auditing, internal control evaluation, and corporate affairs.

Mr. Hasham is an associate member of the Institute of Chartered Accountants of Pakistan (ICAP) and holds a Bachelor degree in Commerce from University of Karachi. He also has completed Corporate Governance Leadership Skills (CGLS) – Director Education Program from Pakistan Institute of Corporate Governance (PICG).

**Date of Joining the Board: May 07, 2020**
**Other Directorships held:**

JS Infocom Limited  
 JS Engineering Investments 1 (Private) Limited  
 Mahvash and Jahangir Siddiqui Foundation

- **Mr. Rizwan Ata, President & Chief Executive Officer**

Mr. Rizwan Ata is one of the Pioneers of Islamic Banking Industry in Pakistan. He has been associated with BankIslami since 2019 and has played an instrumental role in the exceptional growth that the Bank has achieved since then.

Prior to joining BankIslami Mr. Rizwan Ata has served in several leadership roles in different local and international banks, such as, Group Head Islamic Banking at Bank Alfalah, Group Chief Islamic Banking at Allied Bank, Group Head Branch Network and SME at Meezan Bank as well as several leadership roles at Emirates Bank Int.

Along with a rich Banking Experience Mr. Rizwan Ata has a strong Academic Background, he holds a Master's Degree from LUMS and other Leadership and Management certifications from INSEAD and University of London.

**Date of Joining the Board: September 29, 2023**
**Other directorships held:**

Director, Shakarganj Food Products Limited

**Board of Directors attendance during the year 2023**

Sr.No.	Name of Directors	Category	No. of Meetings held in tenure	No. of Meetings attended
1	Mr. Suleman Lalani, Chairman *	Non-Executive Director	4	4
2	Mr. Akhtar Abbas *	Independent Director	4	4
3	Mr. Ali Hussain	Non-Executive Director	6	6
4	Ms. Iffat Zehra Mankani *	Non-Executive Director	4	4
5	Mr. Haider Ali Hilaly	Independent Director	6	6
6	Mr. Sulaiman Sadruddin Mehdi	Independent Director	6	6
7	Mr. Syed Ali Hasham	Non-Executive Director	6	6
8	Mr. Rizwan Ata *** President & CEO	Executive Director	2	2
9	Dr. Amjad Waheed **	Independent Director	2	2
10	Dr. Lalarukh Ejaz **	Independent Director	2	2
11	Mr. Tasnim-ul-Haq Farooqui **	Non-Executive Director	2	2
12	Mr. Syed Amir Ali *** Former President & CEO	Executive Director	4	4

\* Elected effective from May 10, 2023.

\*\* Directors retired effective from May 10, 2023.

\*\*\* Mr. Rizwan Ata was appointed as President & CEO effective from September 29, 2023 in place of Mr. Syed Amir Ali.

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 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 Committee along with relevant details:

#### ▪ Audit Committee

Mr. Haider Ali Hilaly	Chairperson
Mr. Syed Ali Hasham	Member
Mr. Sulaiman Sadruddin Mehdi	Member
Ms. Iffat Zehra Mankani	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 auditor 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 risks. It reviews and approves the Internal Audit Charter and 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 2023	Attendance
1.	Mr. Haider Ali Hilaly	4	4
2.	Mr. Syed Ali Hasham	4	4
3.	Mr. Sulaiman Sadruddin Mehdi	4	4
4.	Ms. Iffat Zehra Mankani *	2	2
5.	Dr. Lalarukh Ejaz **	2	2
6.	Mr. Tasnim ul Haq Farooqui **	2	2

\* Director elected effective from May 10, 2023.

\*\* Director retired effective from May 10, 2023.

### ▪ Risk Management Committee

Ms. Iffat Zehra Mankani	Chairperson
Mr. Syed Ali Hasham	Member
Mr. Sulaiman Sadruddin Mehdi	Member
Mr. Rizwan Ata	Member

### Terms of Reference

The Board Risk Management Committee (BRMC) is tasked with overseeing and reviewing the Bank's risk management framework, including the significant policies, procedures and practices employed within the Bank to manage all the Bank's risk including credit risk, market risk, operational risk, compliance risk and other risks.

BRMC 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. BRMC 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 2023	Attendance
1.	Ms. Iffat Zehra Mankani *	1	1
2.	Mr. Syed Ali Hasham	3	3
3.	Mr. Sulaiman Sadruddin Mehdi	3	3
4.	Dr. Amjad Waheed **	1	1
5.	Mr. Rizwan Ata President & CEO	-	-
6.	Mr. Syed Amir Ali Former President & CEO	1	1

\* Director elected effective from May 10, 2023.

\*\* Director retired effective from May 10, 2023.

### ▪ Board Human Resource & Remuneration Committee

Mr. Akhtar Abbas	Chairperson
Ms. Iffat Zehra Mankani	Member
Mr. Suleman Lalani	Member
Mr. Syed Ali Hasham	Member

### Terms of Reference

The Board Human Resources & Compensation Committee (BHR&RC) is formed to assist the Board in the effective discharge of its responsibilities related to human resources, their remuneration, compensation & benefits and related policies. The Head of Human Resource Department is the secretary of the committee. In the absence of Head of Human Resources for any reason, the company secretary may act as an interim secretary. The BHR&RC comprises of at least three (3) members (non-executive directors of the Bank) with the Chairperson as an independent director. The role of the Committee is to assist the Board to have an oversight of the Bank's Human Resource and Remuneration management. The core responsibilities of BHR&RC includes reviewing Human Resource management at the Bank to recommend the Board for taking strategic decisions including remuneration related policies and any changes or amendments therein as well as implementation of succession planning etc. Furthermore, the matters related to the selection, evaluation, compensation (including retirement benefits) and terms & condition of employment of the President & CEO and of other key executives of the Bank along with remuneration policy and remuneration structure of Board members (e.g. meeting allowance), President & CEO and employees. Moreover, to review the results of engagement and compensation & benefit surveys, and to make recommendation for improvement in policies and

## Board Committees

overall working environment of the Bank. In addition to these, it is also the responsibility to BHR&RC to perform any other assignment delegated to the Committee by the Board from time to time.

S. No	Name of Directors	Number of Eligible Meetings Held During 2023	Attendance
1.	Mr. Akhtar Abbas *	2	2
2.	Ms. Iffat Zehra Mankani *	2	2
3.	Mr. Suleman Lalani *	2	2
4.	Mr. Syed Ali Hasham	3	3
5.	Mr. Amjad Waheed **	1	1
6.	Ms. Lalarukh Ejaz **	1	1
7.	Mr. Tasnim ul Haq Farooqui **	1	1
8.	Mr. Sulaiman Sadruddin Mehdi ***	1	1
9.	Mr. Ali Hussain ***	1	1

\* Director elected effective from May 10, 2023.

\*\* Director retired effective from May 10, 2023.

\*\*\* Member of the Committee till May 10, 2023.

### Information Technology (IT) Committee

Mr. Haider Ali Hilaly	Chairperson
Mr. Suleman Lalani	Member
Mr. Akhtar Abbas	Member
Mr. Rizwan Ata	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 it remain within regulatory framework. BITC reviews progress and implementation of the IT Strategic Plan and receive periodic update 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 2023	Attendance
1.	Mr. Haider Ali Hilaly	3	3
2.	Mr. Suleman Lalani *	2	2
3.	Mr. Akhtar Abbas *	2	2
4.	Dr. Lalarukh Ejaz **	1	1
5.	Mr. Tasnim ul Haq Farooqui **	1	1
6.	Mr. Rizwan Ata President & CEO	2	2
7.	Mr. Syed Amir Ali Former President & CEO	1	1

\* Director elected effective from May 10, 2023.

\*\* Director retired effective from May 10, 2023.



# Profile of the 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 the 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 Standards Committee – Karachi
- Member, Shariah Board – Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain
- Member, Shariah Board – Bank Makramah Limited
- Member, Shariah Board – Standard Chartered Bank (Pakistan) Limited
- Shariah Consultant - Shariah Review Bureau, Bahrain
- Member, Shariah Council - Al-Hilal Shariah Advisors (Private) Limited
- Member, Religious Board of Modaraba Companies – Pakistan
- Member, Steering Committee for providing strategic guidance regarding implementation of Federal Shariat Court (FSC)'s judgment on Riba – Pakistan

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 Husain (Member)

Mufti Muhammad Husain 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, and has also authored the famous series of books 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-Aalamia (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 20,000 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-Aalamia (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 at Alfalah 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 2023	Attendance
1	Mufti Irshad Ahmad Aijaz	4	4
2	Mufti Javed Ahmad	4	4
3	Mufti Muhammad Husain	4	4
4	Mufti Syed Hussain Ahmed	4	4

## Disclosure on Remuneration Policy of the Bank

Remuneration Policy of the Bank is developed in line with the guidelines issued by the State Bank of Pakistan. The Remuneration Policy of Bank intends to inculcate a culture of “pay for performance” by rewarding merit. The review of this policy shall fall under the ambit of the Board Human Resource & Remuneration Committee (BHR&RC) 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

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

Performance of the non-executive directors shall be presented to the shareholders with their approved remuneration.

The Bank respects and as a result implements the minimum wage as per the law of the land. The Bank shall operate at reasonable pay-gaps whereby difference between average salaries within same level shall not exceed 100%.

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

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

# Six Years' Financial And Non-Financial Summaries

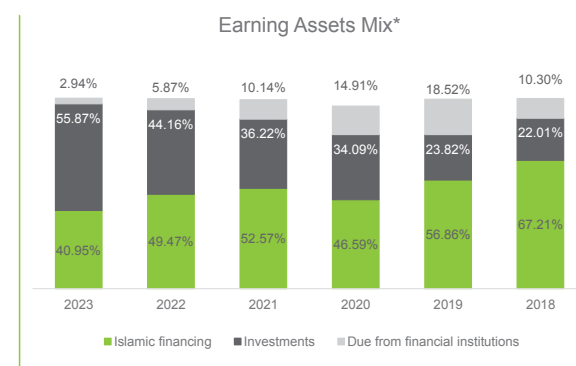
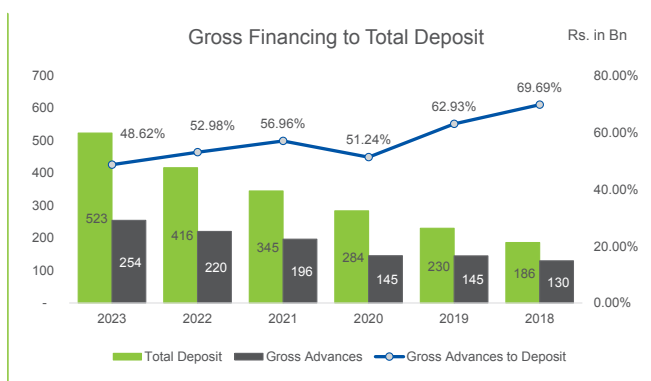
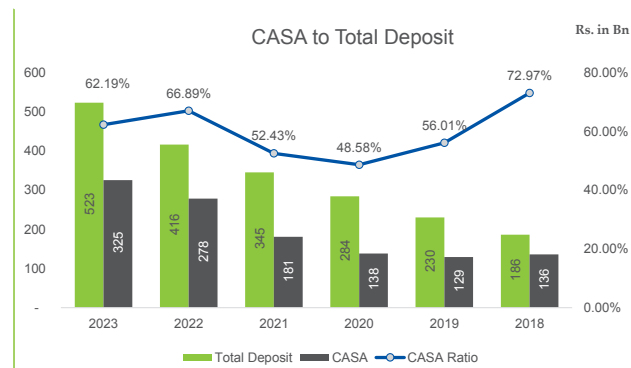
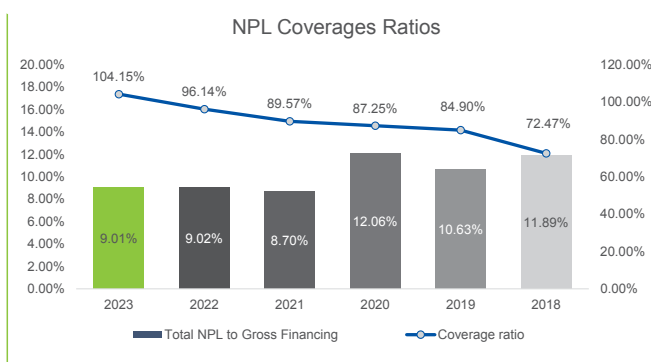
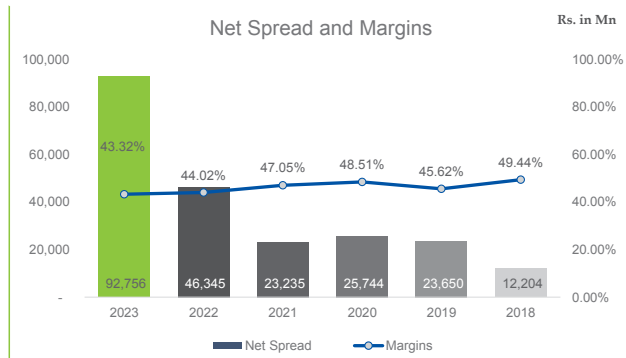
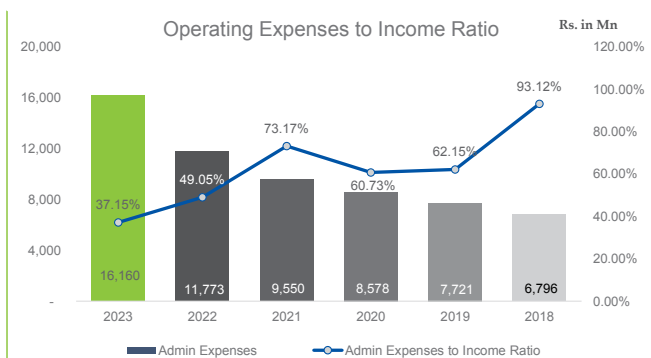
	2023	2022	2021	2020	2019	2018
<b>Profit and Loss Account</b>						
Profit / return earned	92,756	46,345	23,235	25,744	23,650	12,204
Profit / return expensed	52,573	25,943	12,303	13,255	12,860	6,170
Net Spread earned	40,184	20,402	10,932	12,489	10,790	6,034
Fee, commission, brokerage & exchange Income	1,817	1,459	1,227	900	618	842
Dividend and capital gains	1,254	1,456	798	625	855	340
Other Income	240	684	94	111	160	82
Total Other Income	3,311	3,599	2,119	1,635	1,633	1,264
Total Income	43,494	24,001	13,052	14,124	12,424	7,298
Operating Expenses	16,579	11,961	9,623	8,764	7,794	6,859
Profit / (loss) before tax and provisions	26,915	12,041	3,429	5,360	4,630	439
Provisions / (Reversal)	6,391	3,812	32	2,601	2,799	37
Profit before tax	20,523	8,228	3,397	2,759	1,831	403
Profit after tax	11,045	4,440	2,131	1,703	1,087	213
<b>Statement of Financial Position</b>						
Paid up capital - net	11,008	11,008	11,008	11,008	11,008	10,000
Reserves	4,800	2,591	1,703	1,527	1,186	969
Unappropriated profit	15,996	10,083	6,336	4,330	2,876	1,695
Shareholders' equity	31,804	23,682	19,047	16,865	15,070	12,664
Surplus on revaluation of assets-net of tax	4,662	2,768	3,464	3,031	4,626	1,851
Net Assets	36,466	26,450	22,511	19,895	19,696	14,515
Total Assets	654,866	487,239	408,390	336,297	283,096	215,743
Earning Assets	562,154	406,994	344,652	279,351	231,759	176,409
Gross Financings	254,035	220,341	196,378	145,338	144,720	129,578
Financings-net of provisions	230,194	201,328	181,176	130,162	131,775	118,571
Non-performing Loans (NPLs)	22,891	19,873	17,077	17,529	15,388	15,403
Investments - net	314,084	179,741	124,838	95,240	55,194	38,832
Total Liabilities	618,400	460,789	385,879	316,402	263,400	201,228
Deposits & other accounts	522,541	415,912	344,788	283,641	229,984	185,945
Current & Saving Deposits (CASA)	324,951	278,211	180,768	137,799	128,808	135,680
Borrowing	60,659	21,052	21,193	16,128	15,104	7,820
Cost bearing Liabilities	404,111	280,239	209,132	173,397	132,768	136,010
Contingencies and commitments	164,368	103,802	39,805	22,001	26,652	23,135
<b>Per Branch</b>						
Deposits	1,188	1,223	1,005	849	697	563
CASA	739	818	527	413	390	411
Gross Advances	577	648	573	435	439	393
<b>Other Non-Financial Information</b>						
No. of Branches	Absolute	440	340	343	334	330
Total No. of Employees	Absolute	5,891	4,562	4,046	3,437	3,447

## Six Years Financial Ratios

		2023	2022	2021	2020	2019	2018
<b>Profitability Ratios</b>							
Profit before tax ratio	%	<b>47.19%</b>	34.28%	26.03%	19.54%	14.74%	5.52%
Gross Yield on Earning Assets	%	<b>16.50%</b>	11.39%	6.74%	9.22%	10.20%	6.92%
Gross Yield on Avg. Earning Assets	%	<b>19.14%</b>	12.33%	7.45%	10.07%	11.59%	6.78%
Gross Yield on Avg. Earning Assets (incl. Dividend & capital gains)	%	<b>19.40%</b>	12.72%	7.70%	10.32%	12.01%	4.74%
Gross Spread ratio	%	<b>43.32%</b>	44.02%	47.05%	48.51%	45.62%	49.44%
Cost to Income ratio	%	<b>38.12%</b>	49.83%	73.73%	62.05%	62.73%	93.98%
Return on average Equity (ROAE)	%	<b>39.81%</b>	20.78%	11.87%	10.67%	7.84%	1.70%
Return on average Assets (ROA)	%	<b>1.93%</b>	0.99%	0.57%	0.55%	0.44%	0.10%
Return on Capital employed	%	<b>39.93%</b>	17.68%	11.92%	10.21%	9.22%	2.60%
Shareholders' Funds	%	<b>5.57%</b>	5.43%	5.51%	5.92%	6.96%	6.73%
Market Return on Shareholders' Funds	%	<b>65.19%</b>	4.20%	6.45%	7.97%	-7.88%	90.73%
Return on Shareholders' Funds	%	<b>35.11%</b>	18.14%	10.05%	8.60%	6.36%	1.51%
Non-funded income to total income	%	<b>7.61%</b>	14.99%	16.24%	11.58%	13.15%	17.32%
Operating expenses to Profit before tax ratio	%	<b>78.74%</b>	143.08%	281.13%	310.86%	421.61%	1688.16%
<b>Assets Quality and Liquidity Ratios</b>							
Gross Financing to deposits ratio	%	<b>48.62%</b>	52.98%	56.96%	51.24%	62.93%	69.69%
Net Financing to deposit ratio	%	<b>44.05%</b>	48.41%	52.55%	45.89%	57.30%	63.77%
Net Investment to deposit	%	<b>60.11%</b>	43.22%	36.21%	33.58%	24.00%	20.88%
CASA to Total deposit	%	<b>62.19%</b>	66.89%	52.43%	48.58%	56.01%	72.97%
Non-Performing loans to Gross Financing	%	<b>9.01%</b>	9.02%	8.70%	12.06%	10.63%	11.89%
Coverage Ratio (Specific provision/NPLs)	%	<b>84.96%</b>	81.11%	85.08%	82.67%	82.71%	70.98%
Coverage Ratio (Total provision/NPLs)	%	<b>104.15%</b>	96.14%	89.57%	87.25%	84.90%	72.47%
Cost of Funds	%	<b>15.36%</b>	10.06%	5.53%	6.83%	8.21%	4.54%
Earning Assets to Cost bearing Liabilities	Times	<b>1.39</b>	1.45	1.46	1.34	1.33	1.35
Deposit to shareholder Equity	Times	<b>16.43</b>	17.56	18.10	16.82	15.26	14.68
Assets to Equity	Times	<b>20.59</b>	20.57	21.44	19.94	18.79	17.04
Liquidity Coverage ratio	%	<b>348.22%</b>	317.37%	249.73%	210.41%	162.60%	191.92%
Net Stable Funding ratio	%	<b>307.90%</b>	260.73%	238.21%	251.29%	199.00%	191.34%
Efficiency Ratio	%	<b>40.21%</b>	57.70%	87.35%	68.69%	71.56%	112.63%
<b>Investment and Market Ratios</b>							
Earnings per share (EPS) and diluted EPS	Rs.	<b>9.9622</b>	4.0043	1.9224	1.5362	1.0600	0.211
Price Earnings ratio	Times	<b>2.23</b>	3.34	6.66	7.82	10.46	56.87
Price to Book ratio	Times	<b>0.67</b>	0.56	0.63	0.67	0.58	0.83
Dividend Yield ratio	%	<b>15.47%</b>	-	-	-	-	-
Dividend Payout ratio	%	<b>27.60%</b>	-	-	-	-	-
Breakup value per share							
-With Surplus on Revaluation of Assets & Investments	Rs.	<b>32.89</b>	23.86	20.30	17.94	19.20	14.40
-Without Surplus on Revaluation of Assets	Rs.	<b>31.58</b>	22.38	18.43	16.47	17.61	12.57
-Without Surplus on Revaluation of Assets & Investment	Rs.	<b>28.69</b>	21.36	17.18	15.21	14.69	12.56
		<b>577</b>	648	573	435	439	393
<b>Share Information</b>							
Market value per share Dec-31	Rs.	<b>22.20</b>	13.36	12.81	12.01	11.09	12.00
-High - During the year	Rs.	<b>22.90</b>	15.47	14.84	13.75	14.79	14.00
-low - During the year	Rs.	<b>9.38</b>	10.18	10.06	7.38	10.42	10.02
Market Capitalization	Rs. In Mn	<b>24,613</b>	14,812	14,202	13,316	12,296	12,095
No. Shares Outstanding	In Mn	<b>1,109</b>	1,109	1,109	1,109	1,109	1,008
Cash Dividend per share	Rs.	<b>2.75</b>	-	-	-	-	-
<b>Capital Structure</b>							
Tier 1 Capital	Rs. In Mn	<b>31,367</b>	22,389	15,552	15,347	15,188	12,571
Total Eligible Capital	Rs. In Mn	<b>41,954</b>	29,501	20,301	20,127	19,452	16,914
Risk Weighted Assets (RWAs)	Rs. In Mn	<b>176,382</b>	164,613	143,488	125,040	130,155	112,727
Capital Adequacy ratio	%	<b>23.79%</b>	17.92%	14.15%	16.10%	14.95%	15.00%
Earning Assets to total Assets	%	<b>85.84%</b>	83.53%	84.39%	83.07%	81.87%	81.77%
Debt to Equity ratio as per book value	%	<b>7.82%</b>	10.77%	8.88%	10.05%	8.63%	0.00%

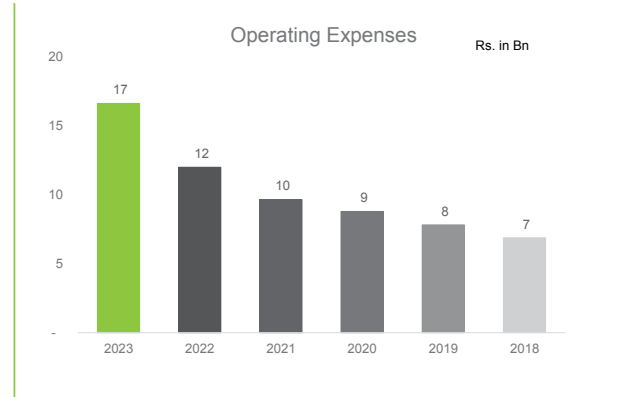
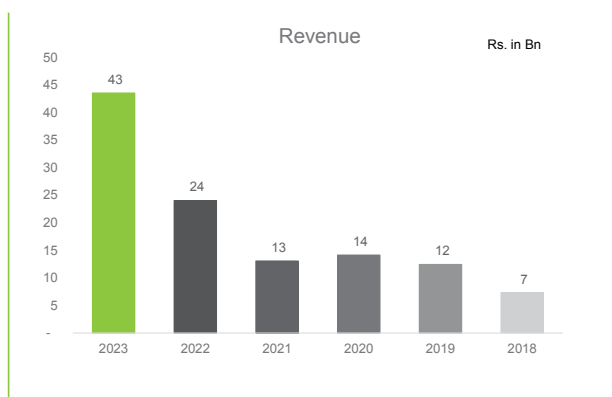
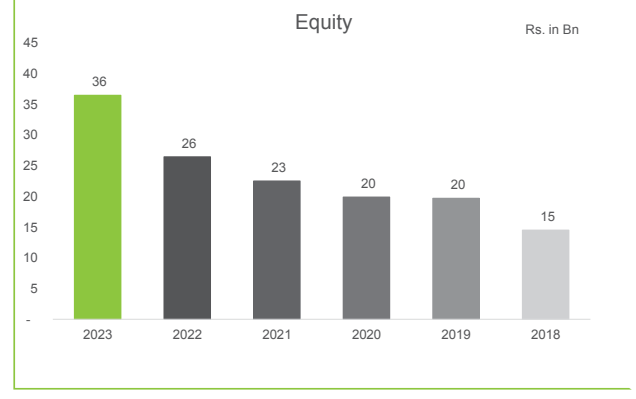
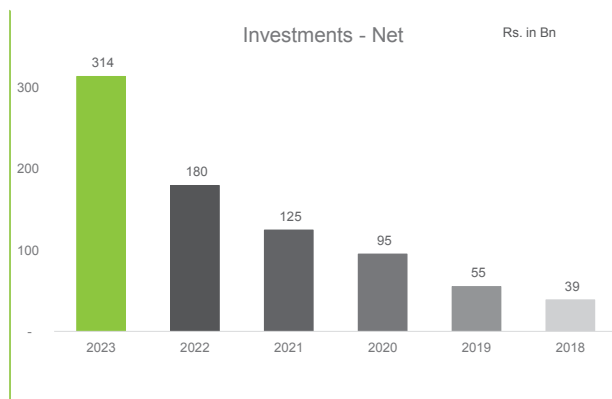
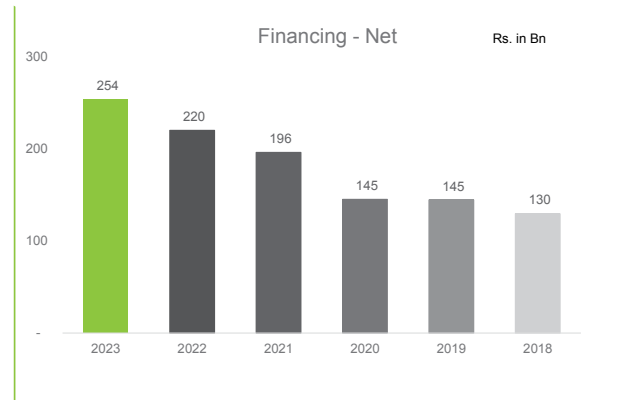
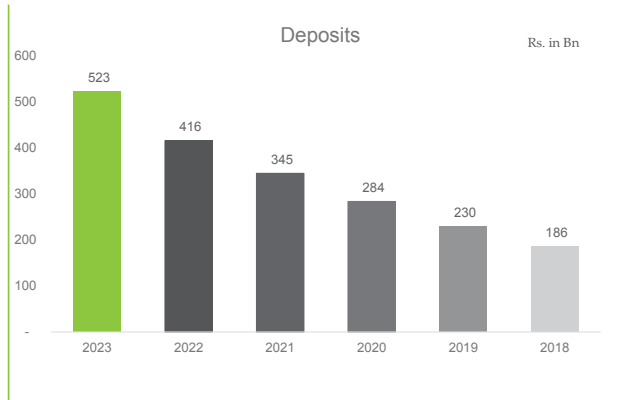


# Ratios Analysis



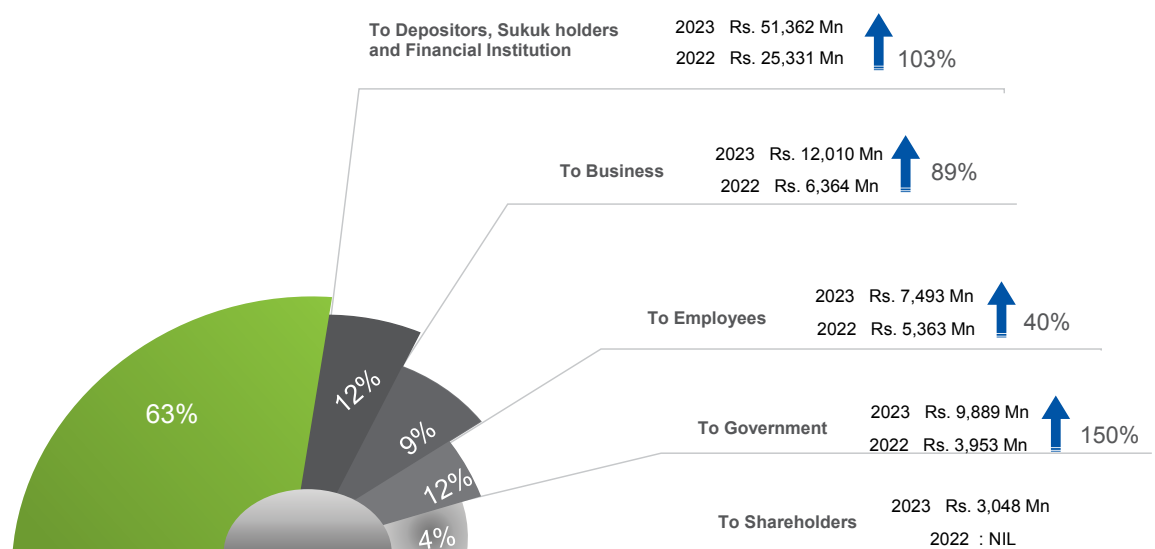
Excluding Balances with other banks

# Graphical Presentation of Financial Statements



# Statement of Value Added

	2022	2021
	Rs. In Million	
<b>Value Added</b>		
Profit Earned net of FE Swap cost	91,987.6	46,174.9
Non Funded Income	3,310.6	3,598.9
Operating Expenses excluding salaries, depreciation* & amortization on owned assets and workers welfare fund	(6,602.2)	(4,499.2)
Finance cost on lease Liabilities against Right of Use Assets	(441.5)	(416.2)
Provision against Financing , Lendings, Investments & Others	(6,391.5)	(3,812.5)
Value added Available for distribution	81,863.1	41,045.8
<b>Allocation of Value added</b>		
<b>To Depositors, Sukuk Holders and Financial Institution</b>		
Profit expense on deposits and other dues	51,362.3	25,356.3
<b>To Employees</b>		
Remuneration, Provident fund and other benefits	7,493.3	5,363.1
<b>To Government</b>		
Workers' Welfare Fund	410.5	164.6
Income tax	9,478.3	3,788.5
	9,888.8	3,953.0
<b>To Society</b>		
Donations	-	9.7
<b>To Shareholders</b>		
Interim/Final Cash Dividends to shareholders	1,108.7	-
<b>To Expansion and Growth</b>		
Depreciation	1,929.9	1,832.9
Amortiozation	143.7	91.2
Retained Earnings	9,936.4	4,439.6
	12,010.0	6,363.7
	81,863.1	41,045.8



# Six Year's Horizontal Analysis

	2023		2022		2021		2020		2019		2018	
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
<b>Statement of Financial Position</b>												
<b>Assets</b>												
Cash and balances with treasury banks	41,287	3%	39,973	63%	24,552	11%	22,034	51%	14,640	2%	14,293	21%
Balances with other banks	1,374	-33%	2,046	-45%	3,692	-70%	12,308	555%	1,878	125%	833	4%
Due from financial institutions - net	16,502	-31%	23,878	-92%	34,945	-16%	41,640	-3%	42,912	136%	18,174	-15%
Investments - net	314,084	75%	179,741	44%	124,838	31%	95,240	73%	55,194	42%	38,832	-8%
Islamic financing and related assets and Advances - net	230,194	14%	201,328	11%	181,176	39%	130,162	-1%	131,775	11%	118,571	0%
Operating fixed assets	19,759	13%	17,451	4%	16,794	13%	14,850	-6%	15,819	62%	9,785	8%
Deferred tax assets	236	-93%	3,339	-22%	4,308	-26%	5,825	4%	5,622	-25%	7,530	-2%
Other assets - net	31,430	61%	19,483	8%	18,084	27%	14,239	-7%	15,257	97%	7,726	33%
	654,866	34%	487,239	19%	408,389	21%	336,298	19%	283,097	31%	215,744	-1%
<b>Liabilities</b>												
Bills payable	5,125	45%	3,531	1%	3,484	5%	3,324	34%	2,488	25%	1,991	-33%
Due to financial institutions	60,659	188%	21,052	-1%	21,193	31%	16,128	7%	15,104	93%	7,820	-60%
Deposits and other accounts	522,541	28%	415,912	21%	344,788	22%	283,641	23%	229,984	24%	185,945	4%
Subordinated sukuk	2,850	0%	2,850	43%	2,000	0%	2,000	18%	1,700	0%	-	0%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other Liabilities	27,225	56%	17,444	21%	14,413	27%	11,309	-20%	14,125	158%	5,473	-13%
	618,400	34%	460,789	19%	385,878	22%	316,402	20%	263,401	31%	201,229	-1%
Net Assets	36,466	38%	26,450	17%	22,511	13%	19,896	1%	19,696	36%	14,515	6%
<b>Represented by</b>												
Share Capital	11,008	0%	11,008	0%	11,008	0%	11,008	0%	11,008	10%	10,000	0%
Reserves	4,800	85%	2,591	52%	1,703	12%	1,527	29%	1,186	22%	969	5%
Unappropriated profit	15,996	59%	10,083	59%	6,336	46%	4,330	51%	2,876	70%	1,695	15%
Surplus on revaluation of assets - net of tax	4,662	68%	2,768	-20%	3,464	14%	3,031	-34%	4,626	150%	1,851	45%
	36,466	38%	26,450	17%	22,511	13%	19,896	1%	19,696	36%	14,515	6%
<b>Profit and Loss Account</b>												
Profit / return earned	92,756	100%	46,345	99%	23,235	-10%	25,744	9%	23,650	94%	12,204	18%
Profit / return expensed	(52,573)	-103%	(25,943)	-111%	(12,303)	7%	(13,255)	-3%	(12,860)	-108%	(6,170)	-18%
<b>Net Spread earned</b>	40,184	97%	20,402	87%	10,932	-12%	12,489	16%	10,790	79%	6,034	18%
Provisions	(6,391)	-68%	(3,812)	-11813%	(32)	99%	(2,601)	7%	(2,799)	-7465%	(37)	-109%
<b>Net Spread after provisions</b>	33,792	104%	16,590	52%	10,900	10%	9,888	24%	7,991	33%	5,997	9%
Other income	3,311	-8%	3,599	70%	2,119	30%	1,635	0%	1,633	29%	1,264	31%
Other expenses	(16,579)	-39%	(11,961)	-24%	(9,623)	-10%	(8,764)	-12%	(7,794)	-14%	(6,859)	-9%
<b>Profit / (loss) before taxation</b>	20,523	149%	8,228	142%	3,396	23%	2,759	51%	1,830	355%	402	154%
Taxation	(9,478)	-150%	(3,788)	-199%	(1,265)	-20%	(1,055)	-42%	(743)	-293%	(189)	-113%
<b>Profit / (loss) after taxation</b>	11,045	149%	4,440	108%	2,131	25%	1,704	57%	1,087	410%	213	-86%

# Six Year's Vertical Analysis

	2023	2022	2021	2020	2019	2018
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
	%	%	%	%	%	%
<b>Statement of Financial Position</b>						
<b>Assets</b>						
Cash and balances with treasury banks	41,287	39,973	24,552	22,034	14,640	14,293
Balances with other banks	1,374	2,046	3,692	12,308	1,878	833
Due from financial institutions - net	16,502	23,878	34,945	41,640	42,912	18,174
Investments - net	314,084	179,741	124,838	95,240	55,194	38,832
Islamic financing and related assets and Advances - net	230,194	201,328	181,176	130,162	131,775	118,571
Operating fixed assets	19,759	17,451	16,794	14,850	15,819	9,785
Deferred tax assets	236	3,339	4,308	5,825	5,622	7,530
Other assets - net	31,430	19,483	18,084	14,239	15,257	7,726
	<b>654,866</b>	<b>487,239</b>	<b>408,389</b>	<b>336,298</b>	<b>283,097</b>	<b>215,744</b>
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Liabilities</b>						
Bills payable	5,125	3,531	3,484	3,324	2,488	1,991
Due to financial institutions	60,659	21,062	21,193	16,128	15,104	7,820
Deposits and other accounts	522,541	415,912	344,788	283,641	229,984	185,945
Subordinated sukuk	2,850	2,850	2,000	2,000	1,700	-
Deferred tax liabilities	-	-	-	-	-	-
Other Liabilities	27,225	17,444	14,413	11,309	14,125	5,473
	<b>618,400</b>	<b>460,789</b>	<b>385,878</b>	<b>316,402</b>	<b>263,401</b>	<b>201,229</b>
	<b>94%</b>	<b>95%</b>	<b>94%</b>	<b>94%</b>	<b>93%</b>	<b>93%</b>
Net Assets	<b>36,466</b>	<b>26,450</b>	<b>22,511</b>	<b>19,896</b>	<b>19,696</b>	<b>14,515</b>
	<b>6%</b>	<b>5%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>	<b>7%</b>
<b>Represented by</b>						
Share Capital	11,008	11,008	11,008	11,008	11,008	10,000
Reserves	4,800	2,591	1,703	1,527	1,186	969
Unappropriated profit	15,996	10,083	6,336	4,330	2,876	1,695
Surplus on revaluation of assets - net of tax	4,662	2,768	3,464	3,031	4,626	1,851
	<b>36,466</b>	<b>26,450</b>	<b>22,511</b>	<b>19,896</b>	<b>19,696</b>	<b>14,515</b>
	<b>6%</b>	<b>5%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>	<b>7%</b>
<b>Profit and Loss Account</b>						
Profit / return earned	92,756	46,345	23,235	25,744	23,650	12,204
Profit / return expensed	(52,573)	(25,943)	(12,303)	(13,255)	(12,860)	(6,170)
<b>Net Spread earned</b>	<b>40,184</b>	<b>20,402</b>	<b>10,932</b>	<b>12,489</b>	<b>10,790</b>	<b>6,034</b>
Provisions	(6,391)	(3,812)	(32)	(2,601)	(2,799)	(37)
<b>Net Spread after provisions</b>	<b>33,792</b>	<b>16,590</b>	<b>10,900</b>	<b>9,888</b>	<b>7,991</b>	<b>5,997</b>
Other income	3,311	3,599	2,119	1,635	1,633	1,264
Other expenses	(16,579)	(11,961)	(9,623)	(8,764)	(7,794)	(6,859)
<b>Profit / (loss) before taxation</b>	<b>20,523</b>	<b>8,228</b>	<b>3,396</b>	<b>2,759</b>	<b>1,830</b>	<b>402</b>
Taxation	(9,478)	(3,788)	(1,265)	(1,056)	(743)	(189)
<b>Profit / (loss) after taxation</b>	<b>11,045</b>	<b>4,440</b>	<b>2,131</b>	<b>1,703</b>	<b>1,087</b>	<b>213</b>
	<b>12%</b>	<b>10%</b>	<b>9%</b>	<b>7%</b>	<b>5%</b>	<b>2%</b>



## Chairman's Review

It gives me immense pleasure to present this report to the Shareholders of BankIslami Pakistan Limited (the 'Bank' or 'BankIslami') on the role of the Board of Directors (the 'Board') and its overall performance.

In 2023, the Bank underwent significant changes, marking a transformative period for the organization. Alhumdolillah! the Bank secured an impressive upgrade in its long-term credit rating, reaching AA- as assessed by PACRA (the rating agency). This achievement underscores the Bank's robust business approach, diligent risk management methodologies, and the enduring trust placed by our esteemed clients.

In August 2023, JS Bank Limited, one of the sponsor shareholders of the Bank, significantly elevated its shareholding to 75.12% and became Parent company of the Bank, making BankIslami an integral part of the JS Group. Moving forward, it is essential that both JS Bank and BankIslami would steadfastly maintain their distinct and independent operations. This strategic alignment empowers both entities to leverage their unique strengths, facilitating the development and delivery of best-in-class products and services to their respective customer bases.

During the year 2023, the preceding Board concluded its term, leading to the election of a new Board. Sincere gratitude goes to the outgoing Board members for their invaluable contributions. A warm welcome is extended to the newly appointed Board members. Their diverse skills and extensive experience are poised to bring fresh perspectives, and we eagerly anticipate their significant contributions to our collective endeavors.

In the year 2023, we also witnessed transition in the leadership of the Bank. We extend a warm welcome to Mr. Rizwan Ata as the new President & CEO of the Bank. Mr. Ata is a seasoned Islamic Banker having over two decades of Islamic banking experience. He is associated with BankIslami since 2019 as Group Head Distribution. At the same time, I would like to express gratitude to the former President & CEO, Syed Amir Ali, for his invaluable contributions to the growth and turnaround of the organization.

The Board is committed to ensure compliance with the best practices 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-Committees include members with subject matter expertise.

During the year, the Board performed in-house performance evaluation of the Board, the Chairman, Individual Directors including Independent Directors, the President & CEO and Board's Committees in line with the 'Guidelines on Performance Evaluation of the Board of Directors' issued by the State Bank of Pakistan and the Listed Companies (Code of Corporate Governance) Regulations, 2019. The evaluation was conducted covering areas, particularly in respect to its composition, expertise, effective risk management, adequate system of internal controls and audit function. Based on the assessment results, areas of strength and improvement were identified followed by discussion on performance improvement plans with each individual Board member. In order to conduct independent performance evaluation of the Board for the year 2023, the Bank has engaged services of Grant Thornton Anjum Rahman as an Independent External Evaluator.

With regards to Bank's performance during the year 2023, despite highly uncertain time, BankIslami posted highest ever Profit after tax of Rs. 11,045 million. This performance was possible due to dedicated efforts of all of our employees and trust of our customers on BankIslami. During the year 2023, the Bank also expanded its branch network by opening 60 new branches bringing the total count to 440 branches (including 60 sub-branches).

The Board of the Bank has announced final cash dividend of Re. 1 per share for the year ended December 31, 2023 which will be presented in the forthcoming Annual General Meeting for approval. It will bring the total cash dividend for the year to Rs. 2.75 per share. The Board had earlier declared and paid an interim cash dividend of Rs. 1.75 per share (17.5%) for the year 2023.

The Bank is committed to sustaining its growth momentum and will persistently pursue its growth targets. This will be achieved through a dynamic marketing strategy, an expansion plan for branches, process enhancements through technology utilization, an increased digital presence, and the introduction of customer-centric and competitively packaged Shariah-compliant products.

At the end, I would like to take this opportunity to convey my 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 the Bank and have supported BankIslami for further enhancing the cause of Islamic Banking.



**Suleman Lalani**

Chairman of the Board of Directors

February 28, 2024

نشاندہی کی گئی، جس کے بعد بورڈ کے ہر فرد کے ساتھ کارکردگی میں بہتری کے منصوبوں پر بات چیت ہوئی۔ سال 2023 کیلئے بورڈ کی کارکردگی کے آزادانہ جائزے کیلئے آزاد بیرونی تشخیص کار Grant Thornton Anjum Rahman کی خدمات حاصل کی گئی۔

سال 2023 کے دوران بینک کی کارکردگی کے حوالے سے انتہائی غیر یقینی صورتحال کے باوجود، بینک اسلامی نے اب تک کا سب سے زیادہ بعد از محصول منافع 11,045 ملین روپے حاصل کیا۔ یہ کارکردگی ہمارے تمام ملازمین کی انتھک کوششوں اور بینک اسلامی پر ہمارے صارفین کے اعتماد کے باعث ممکن ہوئی۔ سال 2023 کے دوران بینک نے 60 نئی شاخیں کھول کر اپنے برانچ نیٹ ورک کو بھی توسیع دی، جس کے بعد 60 ذیلی شاخوں سمیت بینک کی مجموعی شاخوں کی تعداد 440 ہو گئی ہے۔

بینک کے بورڈ نے 31 دسمبر 2023 کو ختم ہونے والے سال کیلئے فی حصص ایک روپے کے حتمی نقد منافع منقسمہ کا اعلان کیا ہے، جو منظوری کیلئے آئندہ سالانہ اجلاس عام میں پیش کیا جائیگا، جس کے بعد سال کیلئے مجموعی نقد منافع منقسمہ فی حصص 2.75 روپے تک ہو جائیگا۔ بورڈ نے اس سے قبل مالی سال 2023 کیلئے 1.75 روپے (17.5) فیصد کے عبوری نقد منافع منقسمہ کا اعلان کیا تھا۔

بینک اپنی ترقی کی رفتار کو برقرار رکھنے کے حوالے سے پر عزم ہے اور اپنے ترقی کے اہداف کی جانب پیش قدمی جاری رکھے ہوئے ہے۔ یہ اہداف متحرک مارکیٹنگ حکمت عملی، شاخوں کے توسیعی منصوبوں، ٹیکنالوجی کے استعمال کے ذریعے تیز پراسیسنگ، ڈیجیٹل موجودگی میں اضافہ اور صارفین کی توقعات اور ضروریات کے مطابق شریعہ مصنوعات متعارف کرا کے حاصل کئے جائیں گے۔

آخر میں، میں اسلامی مالیاتی نظام کی ترقی کیلئے اسٹیٹ بینک آف پاکستان، وزارت خزانہ، سیکورٹیز اینڈ ایکس چینج کمیشن آف پاکستان، فیڈرل بورڈ آف ریونیو اور پاکستان اسٹاک ایکس چینج کو ان کے عزم اور مسلسل تعاون پر تہ دل سے خراج تحسین پیش کرتا ہوں۔ میں ذاتی طور پر اپنے قابل قدر صارفین، حصص یافتگان، شریعہ سپروائزر بورڈ کے اراکین، اور بورڈ آف ڈائریکٹرز کا بھی شکر گزار ہوں، جنہوں نے بینک پر اعتماد کیا اور اسلامی بینکاری کے فروغ کیلئے بینک اسلامی سے تعاون کیا۔

سلیمان لالانی

سلیمان لالانی

چیئرمین، بورڈ آف ڈائریکٹرز

28 فروری 2024

## چیرمین کا تجزیہ

مجھے بینک اسلامی پاکستان لمیٹڈ ("بینک" یا "بینک اسلامی") کے حصص یافتگان کو بورڈ آف ڈائریکٹرز (بورڈ) کے کردار اور اس کی مجموعی کارکردگی سے متعلق رپورٹ پیش کرتے ہوئے بے حد خوشی ہو رہی ہے۔

بینک 2023 میں اہم تبدیلیوں سے گذرا، جو ادارے کیلئے تبدیلی کا دور رہا، الحمد للہ بینک کو کریڈٹ ریٹنگ ایجنسی (PACRA) کی جانب سے طویل مدتی کریڈٹ ریٹنگ میں متاثر کن AA- گریڈ دیا گیا۔ یہ کامیابی بینک کے مضبوط کاروباری نقطہ نظر، مستعد رسک مینجمنٹ کے طریقہ کار، اور ہمارے معزز صارفین کی جانب سے دیئے گئے مستحکم اعتماد کی نشاندہی کرتا ہے۔

اگست 2023 میں بینک کے اسپانسر شیز ہولڈرز میں سے ایک بے ایس بینک لمیٹڈ نے نمایاں طور پر اپنے شیز ہولڈنگ کو 75.12 فیصد تک بڑھا دیا، جس کے بعد بے ایس بینک، بینک اسلامی کی پیرنٹ کمپنی بن گیا اور بینک اسلامی، بے ایس گروپ کا حصہ بن گیا۔ آگے بڑھتے ہوئے یہ ضروری ہے کہ بے ایس بینک اور بینک اسلامی دونوں مستقل طور پر اپنے الگ اور آزاد آپریشنز کو برقرار رکھیں۔ یہ اسٹریٹجک صف بندی دونوں اداروں کو اپنی منفرد صلاحیتوں سے فائدہ اٹھانے کا اختیار دے گی، جس سے ان کے متعلقہ صارفین کو بہترین درجہ کی مصنوعات اور خدمات کی فراہمی میں مدد ملے گی۔

سال 2023 کے دوران سابقہ بورڈ نے اپنی لازمی مدت پوری کی، جس کے بعد ایک نئے بورڈ کا انتخاب ہوا۔ سبکدوش ہونے والے اراکین کا ان کی قابل قدر خدمات پر تہ دل سے شکریہ ادا کرتے ہیں اور نئے آنے والے بورڈ اراکین کا پر تپاک استقبال کرتے ہیں۔ نئے بورڈ اراکین کی مہارت اور وسیع تجربہ نئے تناظر کو سامنے لانے میں مددگار ثابت ہوگا، اور ہم توقع کرتے ہیں کہ ہماری اجتماعی کوششوں میں ان کی قابل قدر خدمات اہم کردار ادا کریں گی۔

سال 2023 میں بینک کی قیادت میں بھی تبدیلی آئی۔ ہم رضوان عطاء کو بینک کے نئے صدر اور سی ای او کے طور پر خوش آمدید کہتے ہیں۔ رضوان عطاء ایک تجربہ کار اسلامی بینکر ہیں، جنہیں اسلامی بینکاری کا دو دہائیوں سے زائد کا تجربہ حاصل ہے۔ وہ 2019 سے بینک اسلامی کے ساتھ بطور گروپ ہیڈ ڈسٹری بیوشن وابستہ ہیں۔ ساتھ ہی میں بینک کی ترقی اور تبدیلی کے عمل میں نمایاں کردار ادا کرنے پر سابق صدر اور سی ای او سید عامر علی کا بھی شکریہ ادا کرنا چاہوں گا۔

بورڈ، کارپوریٹ گورننس کے بہترین طریقوں کی تعمیل کو یقینی بنانے کیلئے پرعزم ہے۔ بورڈ خصوصی مینڈیٹ کے ساتھ ذیلی کمیٹیوں کی تشکیل کے ذریعے بینک کے معاملات کی نگرانی کے لئے مستعد رہا ہے۔ ان ذیلی کمیٹیوں میں متعلقہ مہارت کے حامل اراکین شامل ہیں۔

سال کے دوران بورڈ کی جانب سے بورڈ، چیرمین، انفرادی ڈائریکٹرز، صدر اور سی ای او، اور بورڈ کی کمیٹیوں کی کارکردگی کا ان ہاؤس جائزہ لیا گیا، جو کہ اسٹیٹ بینک آف پاکستان اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے بورڈ آف ڈائریکٹرز کی کارکردگی کی تشخیص سے متعلق جاری کردہ رہنما خطوط کے مطابق ہے۔ یہ جائزہ خاص طور پر اس کی ساخت، مہارت، موثر رسک مینجمنٹ، اندرونی کنٹرول کے مناسب نظام اور آڈٹ کے کام کے حوالے سے کیا گیا تھا۔ تشخیص کے نتائج کی بنیاد پر، مضبوط اور بہتر شعبوں کی

# Directors' Report to the Members

## Dear Members,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of BankIslami Pakistan Limited ('the Bank' or 'BankIslami') on the annual audited Financial Statements for the year ended December 31, 2023.

## Principal Activities

BankIslami principally operates as a licensed and full-fledged Scheduled Islamic Commercial Bank. On December 31, 2023, the Bank was operating with 440 branches including 60 sub-branches offering full suite of Shariah compliant financial solutions to its clients. The services include Corporate & Commercial Financing, SME & Agriculture Financing, Consumer Financing, Trade Finance, Retail Banking, Investment Banking, Treasury Services, Digital Delivery Channels, Cash Management & Employee Banking Services and Wealth Management Services.

## Economy Snapshot & Industry Outlook

### Brief Overview on Economy

During the Fiscal Year 2023 (FY23), Pakistan's economy experienced a significant deceleration, with an estimated 0.17% contraction in real GDP immediately after witnessing growth of 6.17% in FY 22. Factors contributed to the decline mainly included domestic and external shocks, such as the year 2022 floods, imposition of limitations on imports and capital flows, stringent monetary policies, domestic political instability, the rise in global commodity prices, and stricter global financial conditions. In first half of FY24, macroeconomic conditions have gradually improved, leading to a revival in overall economic activity compared to the challenging FY23. Although economic activity has stabilized in Pakistan, yet the outlook remains indeterminate and dependent on the implementation of sound policies. Global growth is expected to slow further in 2024, amid the lagged and ongoing effects of tight monetary policies, restrictive financial conditions, and weak global trade and investments. Downside risks to the outlook also include an escalation of the recent conflict in the Middle East and associated commodity market disruptions, financial stress amid elevated debt and high borrowing costs, persistent inflation, weaker-than-expected activity in China, trade fragmentation, and climate-related disasters. According to World Bank's Global Economic Prospects (GEP) – January 2024, global growth is expected to slow from 2.6% in 2023 to 2.4% in 2024 before ticking up to 2.7% in 2025.

For FY 2024, IMF has projected GDP growth rate for Pakistan at 2.5% while the World Bank and Asian Development Bank (ADB) has predicted the same to be 1.7% and 1.9% respectively, however, sustainable growth depends on higher business confidence level, political stability, implementation of economic adjustment program, ease of imports, favorable weather conditions and smooth transition of government after the recent General Elections 2024.

Keeping in view the expected positive economic development, the Monetary Policy Committee (MPC) has kept the policy rate unchanged at 22%. Major developments observed were improved business sentiments, fiscal consolidation and increasing FX reserves mainly due to notable surplus of USD 397 million in current account in December, also accounting for IMF's Stand-By Arrangement (SBA) tranche of USD 700 million. The SBP's and overall country's reserve now stood at USD 8.1 billion and USD 13.1 billion as at February 09, 2024 respectively, which has previously been reported at USD 4.4 billion and USD 4.7 billion respectively at the end of FY23. The positive impact of these developments may be diluted by sizable adjustments in administered energy prices, especially from November 2023 onwards and escalated geopolitical tensions in the Red Sea region which has led to a surge in global freight charges and are posing risks for global trade and commodity prices.

Taking stock of these developments as well as still-elevated levels of both headline and core inflation, the MPC expects average inflation to fall in the range of 23% – 25% in FY 24 and continue to trend down noticeably in FY25.

*(Source: SBP Monetary Policy Statement, World Bank Pakistan Development Update and News Reports)*



## Banking Industry Outlook

In the year 2023, the banking sector in Pakistan demonstrated resilience and growth despite challenging economic conditions. While domestic financial conditions experienced tightening, and the operating environment endured stress due to heightened inflation and prolonged uncertainty, the banking sector saw a substantial 29.5% growth in assets, primarily backed by investments in government securities. Additionally, there was a robust 24.2% increase in deposits, mainly on account of higher returns being offered by banks on deposits.

The growth in the banking sector's advances was modest at 3.0% in 2023. This reflects contraction in private sector advances, while the public sector sought additional financing, particularly for commodity finance operations. Although the asset quality indicator showed a slight deterioration, with the non-performing loans (NPLs) to total loans ratio reaching 7.6% by the end of December 31, 2023 compared to 7.3% at the end of December 31, 2022, banks managed this by setting aside a higher amount of provisioning from steady earnings.

Profitability indicators demonstrated a significant improvement, with the pre-tax return on assets (ROA) of banking industry improved to 3.3% in 2023 as compared to 2.1% in 2022. The Capital Adequacy Ratio (CAR) of the banking sector improved to 19.7% by the end of the year 2023 as compared to 17% at the end of the year 2022. Solvency indicators further improved, enhancing the banking sector's ability to withstand severe hypothetical shocks, as indicated by the latest stress testing results.

(Source: SBP – Economic Data and Publications)

## Significant Transactions

- In August 2023, JS Bank Limited, a sponsor shareholder of the Bank, substantially increased its shareholding from 7.79% to 75.12%, effectively making the Bank as its subsidiary and an integral part of JS Group. Being part of one of the leading investment and financial services conglomerate, the Bank stands to benefit from economies of scale, cross-selling opportunities and global reach.
- In order to advance its strategic business plan, the Bank has effectively broadened its presence by inaugurating 60 additional branches across the nation, bringing the total count to 440 branches, inclusive of 60 sub-branches. The Bank is committed to sustaining this momentum, further expanding its network to fortify balance sheet growth.
- During the year 2023, the long-term credit rating of the Bank has been upgraded to AA- by PACRA. This accomplishment highlights the Bank's resilient business approach, prudent risk management methodologies, and the enduring confidence placed in the Bank by its esteemed clientele.
- BankIslami has upgraded its Vision and Mission statements during the year:
  - **Vision:** *Promoting global economic prosperity based on Islamic financial system.*
  - **Mission:** *Saving Humanity from Riba by offering Shariah compliant, customer-centric, innovative financial solutions and creating value for our stakeholders, while upholding social responsibility.*

## Overview of Financial Performance

Following are the key financial highlights for the year ended December 31, 2023:

Key Balance Sheet Numbers	2023 Rupees in '000	2022 Rupees in '000	Change %
Deposits	522,540,925	415,911,942	25.6%
Due to FI	60,659,056	21,052,256	188.1%
Financing and related assets - net	230,194,288	201,328,442	14.3%
Investments – net	314,083,872	179,741,488	74.7%
Net Assets	36,465,918	26,450,401	37.9%

Key Profit and Expense Numbers	2023 Rupees in '000	2022 Rupees in '000	Change %
Profit / return earned	<b>92,756,237</b>	46,345,194	100.1%
Profit / return expensed	<b>52,572,505</b>	25,942,829	102.6%
Net Spread Earned	<b>40,183,732</b>	20,402,365	97.0%
Fee and commission income	<b>1,816,904</b>	1,459,365	24.5%
Operating expenses	<b>16,159,656</b>	11,773,169	37.3%
Operating Profit before provisions	<b>26,914,852</b>	12,040,606	123.5%
Profit before taxation	<b>20,523,397</b>	8,228,112	149.4%
Profit after taxation	<b>11,045,099</b>	4,439,635	148.8%
Earnings per share (in Rupees)	<b>9.9622</b>	4.0043	148.8%
Transfer to Statutory Reserve	<b>2,209,020</b>	887,927	-

*Alhamdulillah!* the Bank's deposits substantially increased by 25.6% as compared to the end of year 2022. This growth is particularly notable in term deposits, demonstrating a significant 43.5% increase, along with a commendable 20.8% growth in savings deposits and 14.3% in current deposits on a year-on-year basis.

The Bank has consistently maintained a Current Account and Savings Account (CASA) mix at 60% or more for the past 5 years, reflecting a balanced and stable funding structure. The growth in total deposits is attributed to the Bank's strategic approach towards product diversification, effectively catering to distinct market segments and addressing specific market needs.

Aligned with this strategy, the Bank reintroduced attractive term deposit offerings, capitalizing on heightened demand due to higher policy rates. Furthermore, it introduced tailored products for women, established priority banking centers, and emphasized cash management and employee banking services. The expansion of the branch network is another aspect of the Bank's strategic growth plan, aimed at improving accessibility and increasing market presence. These initiatives collectively contribute to the Bank's sustained growth and market relevance.

Given the uncertain and challenging economic environment during 2023, the Bank resort to allocate the surplus liquidity mainly in GoP Ijarah Sukuk, while growing its Financing portfolio prudently. This strategic move resulted in a substantial growth of the Bank's investment portfolio, surging from Rs. 179.74 billion in December 2022 to Rs. 314.08 billion in December 2023, marking a 74.7% increase in Investment portfolio. Consequently, the investment to deposit ratio (IDR) exhibited a significant growth, rising from 43.2% as of December 31, 2022 to 60.1% as of December 31, 2023.

The Bank exhibited controlled growth in its financing portfolio, recording a modest 14.3% increase compared to the end of 2022. Various challenges, including high policy rates, stringent regulatory measures on auto financing, and the absence of subsidized housing finance schemes for new cases, contributed to a noticeable decline in the Bank's consumer financing portfolio. As a result, the Bank's gross Advance to Deposit ratio (ADR) decreased to 48.6%, down from the 53% reported as at December 31, 2022.

Despite these challenges, the Bank is strategically focusing on increasing its funding to large corporate and commercial clients and capitalizing on the available financing opportunities. This shift in approach is aimed at sustaining a robust financing portfolio in the future. The Bank remains adaptive to market conditions and is proactively adjusting its strategies to navigate challenges while ensuring continued growth and stability.

A resilient capital foundation is imperative for upholding a robust asset portfolio. As of December 31, 2023, the Bank's Capital Adequacy Ratio (CAR) has attained an impressive 23.79%, showcasing a noteworthy surge from 17.92% recorded as at December 31, 2022, incorporating the payment of dividends of Rs. 2.75 per share during the current year. The substantial increase in profitability and strategic investments in zero/low-risk weighted assets notably contributed to this enhanced CAR. This growth underscores the Bank's unwavering commitment to maintaining a strong financial position and augmenting shareholder value.

Due to the expansion of our overall balance sheet and the rise in the policy rate, the Bank witnessed an impressive

97% growth in net spread earned during 2023 compared to the previous year. However, in the midst of the country's heightened inflation cycle, the Bank experienced a 37.3% increase in overall operating expenses. This uptick in operating cost is attributed to the strategic expansion with the opening of new branches and an increase in headcount, particularly on the business side.

The net provision against financings and investments saw a 67.6% increase in 2023. This increase is driven by factors such as fresh classifications, discounting of FSV (Forced Sale Value) benefit considered against previously classified financings, incremental general provision, and provision against investment in unquoted securities, reflecting Bank's prudent approach to provisioning. While the Bank remains committed to efforts aimed at recovery the classified portfolio, it maintains a vigilant approach to monitoring the overall health of financing portfolio.

In response to the current economic conditions, the Bank has proactively allocated an additional general provision of Rs. 1.5 billion during 2023, leading to an improved coverage ratio of 104.2%. This strategic decision underscores our commitment to prudent risk management and the maintenance of financial resilience in the face of evolving economic challenges.

Bank's fee and commission income registered a significant increase of 24.5% as compared to last year as a result of increase in fee earned through ADC services and trade commission income.

*Alhamdulillah!* The Bank has achieved an impressive 149.4% increase in its profit before tax for the year ended December 31, 2023, compared to the previous year. This remarkable success is attributed to the Bank's comprehensive strategy, which involved optimizing the CASA mix, fostering growth in low-risk weighted financing portfolios, prioritizing fee-based income, and purposefully expanding the investment portfolio. Consequently, the profit after tax reached Rs. 11.04 billion, reflecting a substantial increase of 148.8%.

## 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

During the year 2023, the Group witnessed a substantial 34.3% increase in its total assets. This notable enhancement in the Group's financial position was primarily propelled by investment in GoP Ijarah Sukuks. Demonstrating exceptional performance, the Group attained a post-tax profit of Rs. 10.6 billion, showcasing an impressive 136.6% surge as compared to the previous year. This outstanding accomplishment is attributed to the augmentation of earning assets, the growth of profit-bearing liabilities, and the increase in policy rates. After assessing the value-in-use, the Group has recorded an adequate provision against its investment in associate.

### Dividend to Shareholders

The Board of Directors have recommended final payment of cash dividend of Re. 1 per share (10%) for the year ended December 31, 2023, subject to approval of the shareholders in the upcoming Annual General Meeting, bringing the total cash dividend for the year to Rs. 2.75 per share. The Board had earlier declared and paid an interim cash dividend of Rs. 1.75 per share (17.5%) for the year 2023.

### Future Strategy

Over the past couple of years, BankIslami has witnessed remarkable growth in both profitability and market presence. This success is attributed to the unwavering efforts of the Bank's dedicated employees, the trust placed by its customers in BankIslami's provision of authentic Shariah-compliant financial solutions, and crucially, the confidence of our shareholders. As a benchmark for continued success, the Bank has formulated a comprehensive long-term Strategic Business Plan covering the period from 2024 to 2026.

This strategic plan outlines various goals and Key Performance Indicators (KPIs) aimed at achieving accelerated growth in the deposit base, enhancing trade business volumes, expanding cash management services, improving the credit risk profile, fostering technological innovation, extending the Bank's digital footprint, increasing the branch network, and enhancing shareholders' value. Simultaneously, the plan prioritizes the development and nurturing of human capital, reinforcement of the brand image, maintenance of a healthy capital base, and the Bank's transformation into a customer-centric Islamic institution.

To ensure the plan remains dynamic and aligned with evolving circumstances, the goals are not only regularly monitored but any changes in business dynamics are also incorporated as part of feedforward control measures. This commitment to adaptability and continuous improvement underscores BankIslami's dedication to sustained growth and excellence.

### **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 firmly dedicated towards evaluating the performance of the organization while making sure that the Bank is advancing in accordance with its Strategic Business Plan. The Management on more frequent basis and the Board at least once a quarter, meets to assess the Bank's performance versus operating and financial budgets and the key performance indicators. While assessing the KPIs, the Board and the Management take into consideration various elements that may potentially affect the Bank's future performance, possibly requiring short-term modifications in its Strategic Plan and Budgeted targets. These factors include:

- Economic and political situation of the Country.
- Change in policy rate and its consequences on pricing of assets and liabilities of the Bank.
- Variation in exchange rates.
- Macroeconomic indicators.
- Changes in laws, regulation, rules, corporate taxation and accounting framework.
- Competitive landscape.
- Capital adequacy.
- Availability of Shariah compliant investment avenues.
- External risks connected to geo-political and law order situation.
- Technological disruptions.
- Social and environmental changes.
- Business continuity in times of crisis, natural disaster and political uncertainty.

### **Corporate Social Responsibility**

With its mission to "Save Humanity from Riba" while upholding Social Responsibility, BankIslami has consistently embraced Corporate Social Responsibility (CSR) as one of its core beliefs, serving as a vital force within the organization. As an Islamic Bank, its welfare activities extends across all segments of society, with a particular focus on the well-being of neglected sectors. This commitment underscores our dedication to creating a positive impact and aligns with its core mission of fostering financial solutions that adhere to ethical Islamic principles while contributing to the broader

welfare of humanity.

Following is a brief on the major CSR activities carried out during 2023:

1. One of the major CSR projects of BankIslami for 2023 is “BankIslami’s Rozgar Project” in which BankIslami has collaborated with different institutions with the objective of providing training to unskilled workforce and creating employment opportunities for them. Different activities were carried out in this regard:
  - The Bank has collaborated with Hunar Foundation, Memon Industrial & Technical Institute and Descon Technical Institute for imparting technical & industrial education to the unskilled labour and assisting in their foreign placements.
  - 35 candidates have been trained out of which 25 have been trained as Electrician Technician/ Hi-Tech fitter and have received employment opportunities at Saudi Arabia and Europe. Remaining 10 candidates are currently undergoing training and visa process.
  - BankIslami has collaborated with Indus Hospital and provided scholarships to 5 underprivileged students for the program ‘Diploma in Cardiac Nursing’. Upon completion of their diploma, the Bank will also assist the deserving candidates opting for abroad placement.
  - To generate employment for our talented yet under-utilized youth, the Bank has collaborated with IBA Karachi, Akhuwat, Saylani Welfare International Trust and Baitussalam Welfare Trust. In this phase, the Bank has focused facilitation of IT related trainings and courses in which the students will not only obtain invaluable learning but also practice and freelancing under industry experts. The courses being offered under the program are web designing, cyber security, web & app development, artificial intelligence, machine learning and digital marketing. Following are the main highlights of Bank’s participation:
    - o Sponsorship of 50 students enrolled in IBA Karachi for the first batch of “Digital Marketing” course under IBA Umeed Program.
    - o Sponsorship of 90 students enrolled in Akhuwat for Cyber Security course. BankIslami will also be providing job opportunities to the selected candidates.
    - o Financial support to Baitussalam Welfare for establishment of Baitussalam Tech Park for IT related trainings and courses.
    - o Financial support to Saylani Welfare International Trust for establishing Saylani Mass IT Training (SMIT) campus.
2. In continuation of its efforts for relief of flood affectees in the country, the Bank, through its Khair Housing Project (a CSR initiative under Islami Khair Current Account) facilitated and financed the construction of sixty five (65) homes during the year 2023.
3. The Bank has contributed for the establishment of a ‘Safe City Center’ in Mirpur, Azad Jammu & Kashmir. The Center is intended to be utilized for continuous monitoring of the city through CCTV in a bid to eradicate street crimes and control the law & order situation.

## 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 charity account. Charity disbursements made by the Bank are not only for the purpose of Shariah compliance but are also 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 21.3.1 to the unconsolidated financial statements. In addition, the Bank has also made contributions towards its product ‘Islami Khair Current Account’, where the Bank directed the contributed funds towards charitable purposes without any deduction from customers’ account.

## Customer Service and Complaint Management

Focusing on its Mission and Core Values, the Bank always strive for provision of Shariah compliant and customer focused solutions matching to their needs. The Bank not only values its customers and takes pride in ‘serving them the right way’ but also focuses on ‘Saving them from Riba’. 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 also 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 service and satisfaction. In order 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 levels and makes recommendations on carrying out research and analysis covering 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. Besides this, following new initiatives have also been taken:

- “CRU Hot Line – 1188” – It is a project where a separate hot line has been deployed in the Bank’s branches, these hot lines are easily accessible to customers through which customer can directly approach Complaint Resolution Unit (CRU) for any of their grievances
- “Voice of Customers” initiative was launched where customer’s voice is captured through following modes in order to improve the customer services:
  - o Transaction over the counter of 1 million or above: An immediate SMS is sent to customers for feedback who perform a transaction of Rs. 1 million or above. All the dissatisfied customers and those who do not respond are called immediately.
  - o Account Opening Survey: A monthly survey where experience of customers opened a new account is recorded to improve service quality.

During the year 77,486 complaints were received out of which 384 complaints received from regulatory end. 77,396 of the complaints are resolved. As a result, we successfully obtain average TAT of 4.5 days of complaint closure.

## Compliance



The Bank places paramount importance on cultivating a robust compliance culture, fostering an environment characterized by high ethical standards and unwavering adherence to regulatory frameworks. This commitment is ingrained across all echelons of the organization, ensuring the steadfast implementation of regulations, standards, and best practices.

Central to this endeavor is the Bank's dedicated Compliance Function, which assumes a pivotal role in safeguarding the Bank's operations within the bounds of the legal and regulatory landscape. Our commitment to comprehensive compliance encompasses adherence to a myriad of regulatory requirements, including Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT), Countering Proliferation Financing (CPF), and Trade-Based Money Laundering (TBML) frameworks. To address specific risks associated with CFT and TBML, specialized desks have been established, staffed by teams' adept at actively managing and mitigating these risks. In leveraging external expertise through subscriptions to reputable services, we bolster our due diligence efforts, effectively monitoring customer activities from AML/CFT/CPF perspectives and eliminating the risk of onboarding proscribed individuals.

The utilization of Regulatory Technology (RegTech) further strengthens our compliance efforts, facilitating adherence to local and international sanctions regimes, and enabling continuous monitoring of customer activities. Ensuring adherence to timely reporting requirements, our Compliance Function diligently complies with the Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS), and conducts reviews of Top 100 depositor requirements etc. Meticulous review and approval processes are applied to high-risk accounts, thereby safeguarding the Bank's financial integrity. Continuous support is extended to segments and branches through guidance and advisories on AML/CFT matters and local/international sanctions. Our commitment to regulatory compliance is reinforced through extensive country-wide training programs, equipping employees with the requisite knowledge to uphold regulatory standards.

The Bank prioritizes the safety and security of its clients and operations, making the dedicated Fraud Management Section a vital component of our Compliance Department. Driven by the core principles of operational integrity and stakeholder protection, our committed team plays a pivotal role in safeguarding against fraudulent activities. Our investigations leverage advanced analytical tools and techniques to meticulously uncover the nature and extent of fraudulent activities. Collaborative partnerships with Law Enforcement Agencies are key to this endeavor in suspect identification, and expedited case resolution. A proactive approach includes on-site investigations for high-severity cases and successful monetary recovery efforts. Our dedication to employee education manifests through nationwide training sessions on Fraud Mitigation, fostering heightened staff awareness and vigilance. Looking ahead, continuous improvement remains our steadfast pursuit. The Fraud Management Section's relentless pursuit of excellence underscores the Bank's commitment to operational integrity, client protection, and upholding the trust of all stakeholders.

### **Statement of Internal Controls**

The Board of Directors is wholly committed to upholding the highest standard of Corporate Governance and ensuring that an effective internal control system is in place to mitigate the risk of not achieving our business objectives. This system is implemented and monitored by an independent Audit Department that reports directly to the Board Audit Committee. The Board is pleased to endorse the management's statement of internal control, including their evaluation of Internal Control over Financial Reporting presented 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 a CAR at 23.79% as at December 31, 2023, well above the regulatory threshold 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, 2023, 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 45 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 February 28, 2024 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, 2023, amounted to Rs. 1,650 million and Rs. 400 million, 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:

- Shariah Excellence
- Meritocracy
- Team Work
- Innovation
- People Centric

The requirements of the Listed Companies Code of Corporate Governance Regulation, 2019 (CCG) issued by Securities and Exchange Commission of Pakistan (SECP) relevant for the year ended 31 December 2023 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 Code of Corporate Governance (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:	3
(ii) Non-executive Directors:	4
(iii) Executive Director:	1
(a) Female Director:	1
(b) Male Directors:	7

\* Names of Directors of the Bank have been mentioned in the corporate information section of this 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 already 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 Human Resource & Remuneration Committee (BHR&RC) 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 and other MRTs and MRCs is disclosed in note 41 of the unconsolidated financial statements.

## Performance Evaluation Mechanism for the Board

The Bank has developed a formal and effective mechanism for annual performance evaluation of the Board as a whole, its Committees, the Chairman, Individual Directors and the President & CEO in line with the regulatory requirements. This activity is performed annually, whereas, the same is undertaken by an external independent evaluator at least every three years.

The Board performs (in-house every year and through external evaluator once in every three years) performance evaluation of the Board, the Chairman and Individual Directors, the President & CEO and Board's Committees in compliance with the Corporate Governance Regulatory Framework issued by State Bank of Pakistan and as required under the Listed Companies (Code of Corporate Governance) Regulations, 2019. The evaluation is conducted covering areas, particularly in respect to its composition, expertise, effective risk management, adequate system of internal controls and audit function. Based on the assessment results, areas of strength and improvement were identified followed by discussion on performance improvement plans with each individual Board member.

### Performance Evaluation through External Independent Evaluator:

In order to bring objectivity to the Board's annual performance evaluation process, external evaluator assessments are separately carried out by the Bank once in every three years. For the year 2023, the Bank has engaged services of Grant Thornton Anjum Rahman as an Independent External Evaluator.

## 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, one of the Director is exempt from the requirement. 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 re-appointment of KPMG Taseer Hadi & Co., Chartered Accountants, as statutory auditors for the year ending December 31, 2024. 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 elevated the long-term entity rating of BankIslami to "AA-" and maintained the short-term rating at "A1", with a stable outlook. PACRA has also elevated the credit rating of the Bank's unsecured, subordinated and listed Additional Tier-1 Sukuk issue of Rs. 2 billion to '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 25.3.1 to the financial statements.

## Acknowledgements

The Board wishes to formally express its profound gratitude to the State Bank of Pakistan for their invaluable assistance and guidance. Additionally, we extend our appreciation to the Securities and Exchange Commission of Pakistan and other regulatory bodies for their unwavering support towards the Bank's endeavors. Our sincere gratitude goes out to our esteemed customers, valued business partners, and shareholders for their continuous loyalty and trust.

Furthermore, we would like to recognize the exceptional dedication, commitment, and tireless efforts exhibited by our management team and employees. Their contributions have been instrumental in propelling BankIslami to a prominent position within the broader banking sector and particularly in the Islamic Banking industry.

### On behalf of the Board,



**Rizwan Ata**  
President & Chief Executive Officer



**Suleman Lalani**  
Chairman of the Board of Directors

February 28, 2024



## قانونی چارہ جوئی

بینک مختلف مقدمات میں فریق ہے جو بینک نے دائر کئے ہیں یا مختلف فریقین کی طرف سے بینک کے خلاف دائر کئے گئے ہیں۔ بینک کو قانونی مشورے کی بنیاد پر اعتماد ہے کہ ان قانونی مقدمات 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 مالی گوشوارے کے نوٹ 25.3.1 میں درج ہیں۔

## اظہار تشکر

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

منجانب و حسب الحکم بورڈ



سلیمان لالانی

چیئرمین آف بورڈ آف ڈائریکٹرز



رضوان عطاء

صدر اور چیف ایگزیکٹو آفیسر

28 فروری، 2024

علیحدہ طور پر کارکردگی کا جائزہ لیتا ہے۔ سال 2023 کے لئے بینک نے Grant Thornton Anjum Rahman کی خدمات کو بطور آزاد بیرونی تشخیص کار حاصل کی ہیں۔

### ڈائریکٹرز کی تربیت

تاحال بورڈ کے آٹھ ڈائریکٹرز میں سے سات ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی ضرورت کے مطابق ڈائریکٹرز ٹریننگ پروگرام (DTP) کے تحت مطلوبہ سرٹیفیکیشن مکمل کر لی ہے۔ اس کے علاوہ بینک کے ایک ڈائریکٹر کو اس سے استثنیٰ حاصل ہے۔ تمام ڈائریکٹرز کارپوریٹ ادارے کے ڈائریکٹرز کے طور پر اپنے فرائض اور ذمہ داریوں سے آگاہ ہیں۔

### شیئر ہولڈنگ کا نمونہ

بینک پاکستان اسٹاک ایکس چینج لمیٹڈ میں لسٹڈ ہے۔ اس کی شیئر ہولڈنگ بشمول اس کے ڈائریکٹر اور ایگزیکٹوز کے پاس موجود حصص (اگر کوئی ہے) کا مفصل طریقہ / نمونہ اور زمرہ جات، سالانہ رپورٹ میں منسلک ہے۔

### آڈیٹرز

بینک کے موجودہ آڈیٹرز KPMG Taseer Hadi & Co. Chartered Accountants نے سبکدوش ہونے اور اہلیت کی بنا پر آئندہ سال کیلئے بینک کے قانونی آڈیٹرز کے طور پر اپنی خدمات دوبارہ پیش کرنے پر آمادگی ظاہر کی ہے۔ کوڈ آف کارپوریٹ گورننس کے تحت آڈٹ کمیٹی نے KPMG Taseer Hadi & Co. Chartered Accountants کی 31 دسمبر، 2024 کو ختم ہونے والے سال کیلئے قانونی طور پر دوبارہ تقرری کی سفارش کی ہے۔ یہ تقرری بینک کے حصص یافتگان کے آئندہ سالانہ عام اجلاس میں منظوری سے مشروط ہوگی۔

آڈٹ فرم نے تصدیق کی ہے کہ اسے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت اطمینان بخش درجہ بندی دی گئی ہے اور یہ کہ فرم اور اس کے تمام شرکات دار بین الاقوامی 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۔

### کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے مثبت نقطہ نظر کے ساتھ بینک اسلامی کی طویل المدت ادارہ جاتی ریٹنگ کو اپ گریڈ کر کے ”اے اے مائنس“ -AA کر دیا جبکہ قلیل مدتی ادارہ جاتی ریٹنگ ”اے ون“ -A1 برقرار رکھی ہے۔ PACRA نے بینک کے 2 بلین روپے کے غیر محفوظ، کم درجہ اور لسٹڈ اضافی ٹیئر 1 صکوک ایٹھویں کریڈیٹ ریٹنگ بڑھا کر اے A کر دی ہے۔

\* بینک کے ڈائریکٹرز کے نام اس رپورٹ کے کارپوریٹ انفارمیشن سیکشن میں بیان کیے گئے ہیں۔

### مشاہرہ کافریم ورک

چیئر مین، نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز بورڈ، کمیٹیوں اور سالانہ اجلاسوں میں شرکت کیلئے صرف فیس اور موزوں سفری، بورڈنگ اور لاجنگ اخراجات کے حقدار ہیں۔ بینک کے بورڈ اور کمیٹی کے اجلاسوں میں شرکت کیلئے ڈائریکٹرز کو معاوضہ بینک کی جانب سے بورڈ اور حصص یافتگان کی طرف سے بینک کے اجلاس عام میں منظور کردہ پیمانے کے مطابق کئے جاتے ہیں۔ حصص یافتگان نے بورڈ آف ڈائریکٹرز کیلئے باضابطہ معاوضے کی پالیسی کی منظوری دی ہے۔

اپنے ملازمین کیلئے معاوضہ کی پالیسی کے سلسلے میں بینک پیشہ ورانہ اور متعلقہ ملازمین کو راغب کرنے اور برقرار رکھنے کیلئے معاوضے کا ڈھانچہ پیش کرتا ہے جبکہ سالانہ کارکردگی کا جائزہ اور اس میں اضافہ اسی عمل پر مبنی ہے جو ”کارکردگی پر معاوضہ“ کے کلچر کی حوصلہ افزائی کرتا ہے۔ بورڈ کی انسانی وسائل اور معاوضہ کمیٹی (BHR & RC) ملازمین کو معاوضہ پیکیج کے سٹرکچر کے بارے میں بورڈ کو سفارش کرنے کی ذمہ دار ہے۔ بورڈ نے معاوضہ پالیسی کی منظوری دی ہے جو میٹرل رسک ٹیکرز (MRTs) اور میٹرل رسک کنٹرولرز (MRCs) کی نشاندہی کیلئے معیار کو وضع کرتا ہے۔

چیئر مین، صدر اسی ای او، نان ایگزیکٹو ڈائریکٹرز، اہم انتظامی عہدیدار اور دیگر MRTs اور MRCs کے معاوضہ کی تفصیلات غیر مربوط مالیاتی گوشواروں کے نوٹ 41 میں بیان کی گئی ہے۔

### بورڈ کیلئے کارکردگی کے جائزہ کا طریقہ کار

بینک نے ریگولیٹری تقاضوں کے مطابق بورڈ، اس کی کمیٹیوں، چیئر مین، انفرادی ڈائریکٹرز اور صدر اسی ای او کی سالانہ کارکردگی کی جانچ کیلئے ایک ضابطہ اور موثر طریقہ کار قائم کیا ہوا ہے۔ یہ سرگرمی ہر سال کی جاتی ہے، جبکہ کم از کم ہر تین سال میں بیرونی آزاد مشیر کی طرف سے کارکردگی کا جائزہ لیا جاتا ہے۔

بورڈ اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ کارپوریٹ گورننس ریگولیٹری فریم ورک اور سٹیکہولڈرز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تحت بورڈ، چیئر مین، انفرادی ڈائریکٹرز، صدر اسی ای او اور بورڈ کی کمیٹیوں کی کارکردگی کا جائزہ (ہر سال اندورنی جبکہ ہر تین سال میں بیرونی مشیر سے) لیتا ہے۔ اس عمل میں مہارت، موثر رسک مینجمنٹ، انٹرنل کنٹرولز اور آڈٹ فنکشن کے مناسب سسٹم کے مجموعہ کے تناظر میں جائزہ لیا جاتا ہے۔ جائزہ سے حاصل نتائج کی بنیاد پر بہتری کے شعبوں کی نشاندہی اور انفرادی بورڈ رکن کے ساتھ کارکردگی میں بہتری کیلئے بات چیت کی جاتی ہے۔

### بیرونی آزاد تشخص کار کے ذریعے کارکردگی کا جائزہ

بورڈ کی سالانہ کارکردگی کے جائزہ میں غیر جانبداری کو یقینی بنانے کیلئے بیرونی آزاد تشخص کار ہر تین سال میں ایک بار بینک کی طرف سے

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

۱۱۔ گزشتہ چھ سال کے اہم آپریٹنگ اور مالی اعداد و شمار

کارپوریٹ گورننس کے ضابطہ کی تعمیل

بینک کارپوریٹ گورننس کے بہتر طریقوں کی تعمیل کو اپنی اولین ترجیح سمجھتا ہے۔ ہمارا یہ نقطہ نظر ہے کہ کارپوریٹ گورننس میں بہتری ایک جاری عمل ہے۔ بورڈ اور انتظامیہ بینک کے کارپوریٹ اقدار کو بہتر بنا کر نافذ کرنے کیلئے کوشاں رہتے ہیں تاکہ بینک تمام حصہ داران بشمول حصص یافتگان اور صارفین کی توقعات پر پورا اتر جا سکے۔ بینک اسلامی ہر طریقہ میں بالخصوص صارفین اور ملازمین کے ساتھ معاملات طے کرنے میں شفافیت اور اہلیت کو یقینی بناتا ہے جس کا اظہار بینک کے مندرجہ ذیل بنیادی اقدار سے ہوتا ہے:

۔ شرعی اصولوں کی پاسداری

۔ اہلیت کی بالادستی

۔ ٹیم ورک

۔ جدت

۔ صارف پر مبنی خدمات

بینک نے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے جاری کردہ لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشن، 2019 (CCG) کے تقاضوں کی 31 دسمبر 2023 کو ختم ہونے والے سال کے لئے مناسب انداز میں تعمیل کی۔ اس سلسلے میں ایک بیان سالانہ رپورٹ کے ساتھ منسلک ہے۔

بورڈ کی تشکیل

CCG کے مطلوبہ تقاضوں اور بہترین طریقوں کے مطابق بینک کا بورڈ نان ایگزیکٹو اور آزاد ڈائریکٹرز پر مشتمل ہے۔ بورڈ میں ایک خاتون ڈائریکٹر کی بھی نمائندگی شامل ہے۔ بورڈ کی موجودہ تشکیل درج ذیل ہے۔

ڈائریکٹرز کی مجموعی تعداد \*8

تشکیل

3 (i) آزاد ڈائریکٹرز

4 (ii) نان ایگزیکٹو ڈائریکٹرز

1 (iii) ایگزیکٹو ڈائریکٹر

1 (اے) خاتون ڈائریکٹر

7 (بی) مرد ڈائریکٹرز

- گورننس ریگولیشنز 2019 (CCG) کے تحت اپنی ذمہ داری کا ادراک ہے۔ مندرجہ ذیل بیانات سے کارپوریٹ گورننس اور بہترین طرز عمل کے اعلیٰ ترین معیارات کو برقرار رکھنے کیلئے بورڈ کے عزم کا اظہار ہوتا ہے
- 1- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے امور کار، اس کی سرگرمیوں کے نتائج، زرفنڈ کی ترسیل، اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر پیش کرتے ہیں۔
  - 2- بینک کے اکاؤنٹ کی مناسب کتب برقرار رکھی گئی ہیں۔
  - 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے سوائے ان کے جن کو مالیاتی گوشواروں میں علیحدہ سے بیان کیا گیا ہے، اور شماریاتی تخمینے مناسب اور معقول فیصلے پر مبنی ہیں۔
  - 4- مالیاتی گوشواروں کی تیاری میں عالمی مالیاتی رپورٹنگ کے معیارات (IFRS)، جیسا کہ پاکستان میں قابل اطلاق ہیں پیروی کی گئی ہے اور ان سے کسی بھی انحراف کو مناسب انداز میں ظاہر اور واضح کیا گیا ہے۔
  - 5- داخلی کنٹرول کے نظام کو موثر انداز میں نافذ کیا گیا اور اس کا مسلسل جائزہ اور نگرانی کی جا رہی ہے۔
  - 6- بینک کو اپنے امور جاری رکھنے کی صلاحیت پر کسی قسم کا کوئی شبہ نہیں ہے۔
  - 7- سکوک یا قرض کے حوالے سے ایسی کوئی دستاویز نہیں ہے جن میں بینک نادہندہ ہو یا ممکنہ طور پر نادہندہ ہونے کا خدشہ ہو۔
  - 8- کارپوریٹ گورننس کے بہترین طریقوں میں سے مادی طور پر کوئی روگردانی نہیں ہوئی ہے۔
  - 9- چیئرمین اور بورڈ کے دیگر اراکین کی تقرری کی شرائط قابل اطلاق اور بہترین طریقوں کے مطابق ہیں اور بینک کے بہترین مفاد ہیں۔
  - 10- 31 دسمبر، 2023 تک بورڈ نے CCG کے تحت ڈائریکٹرز کی تربیت کے تناظر میں مکمل تعمیل کی ہے۔
  - 11- متعلقہ فریقین کے ساتھ لین دین طے کردہ فاصلے کی بنیاد پر کیا گیا تھا اور بینک کے عمومی کاروبار کے دوران انجام دیا گیا تھا۔ ان لین دین کی تفصیلات مالیاتی گوشواروں کے نوٹ 45 میں بیان کی گئی ہیں۔
  - 13- بینک کے مالیاتی گوشواروں کی پڑتال بینک کے آڈیٹرز KPMG Taseer Hadi & Co. Chartered Accountants نے بغیر اعتراض کی اور حصص یافتگان کو جاری کرنے کیلئے ان گوشواروں کی منظوری بورڈ نے 28 فروری، 2024 کو منعقد اپنے اجلاس میں دی ہے۔
  - 13- مالی سال کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ کے درمیان بینک کی مالی حالت کو متاثر کرنے والی کسی قسم کی مادی تبدیلیاں اور وعدے نہیں کئے گئے۔
  - 14- 31 دسمبر، 2023 تک غیر پڑتال شدہ کھاتوں کی بنیاد پر بینک کے پروویڈنٹ اور گریجویٹی فنڈز کی سرمایہ کاری کی مالیت بالترتیب 1,650 ملین روپے اور 400 ملین روپے ہے۔
  - 15- مندرجہ ذیل معلومات ڈائریکٹرز رپورٹ کے ساتھ بطور ضمیمہ منسلک ہیں۔



آپریشنل رسک مینجمنٹ فریم ورک کے دائرہ کار کو بڑھانے کیلئے تسلسل کے ساتھ کوششیں کی جاتی ہیں۔ بینک نے اندرونی آپریشنل رسک آگاہی پروگرام تشکیل دیا ہے جس کا مقصد خطرات سے آگاہی کے فروغ کیلئے تربیت کے ذریعے اسٹاف کے استعداد کار میں اضافہ اور ان میں خطرے سے پاک کلچر کو پروان چڑھانا ہے۔

بینک نے 31 دسمبر، 2023 تک CAR کو 23.79 فیصد پر برقرار رکھا جو 11.50 فیصد کے ریگولیٹری حد سے زیادہ ہے۔ بینک اپنے اثاثہ جات پورٹ فولیو کی رسک پروفائل کی احتیاط سے نگرانی اور انتظام کے ذریعے اپنی CAR کا انتظام کر رہا ہے۔

بینک اسلامی نے انفارمیشن اور ٹیکنالوجی کے حامل اپنے اثاثوں کی سیکورٹی کیلئے انتہائی موثر انفارمیشن سیکورٹی (IS) پروگرام اور گورننس ڈھانچہ قائم کیا ہوا ہے۔ حساس معلومات بشمول صارفین، شراکت داروں اور عملے کا ڈیٹا بینک کے سب سے زیادہ اہم اثاثے ہیں۔ بینک کے کاروبار کی مسابقتی نوعیت اور ڈیٹا کی اہمیت کو مد نظر رکھتے ہوئے رسک گروپ نے کاروبار اور ٹیکنالوجی کے اشتراک سے خطرے کو کم کرنے کیلئے ضروری اقدامات اٹھائے ہیں۔

### مالیاتی رپورٹنگ (ICFR) پر داخلی کنٹرول

بینک نے اندرونی کنٹرولز بشمول مالیاتی رپورٹنگ کنٹرول کی موثر کارکردگی کے جائزہ کیلئے اندرونی کنٹرولز کے حوالے سے اسٹیٹ بینک آف پاکستان (SBP) کی ہدایات پر سختی سے عمل درآمد کیا ہے۔ کنٹرول ڈیزائن میں خامیوں کا تجزیہ اور نشاندہی کردہ خامیوں کو دور کرنے کیلئے منصوبہ بندی کی تیاری کے ساتھ ساتھ بینک کے طریقوں اور کنٹرولز کو جامع دستاویزی شکل میں وضاحت سے بیان کیا گیا ہے۔ اس کے علاوہ بینک نے اہم کنٹرولز کی آپریٹنگ موثریت کو یقینی بنانے کیلئے ایک مینجمنٹ ٹیسٹنگ اور رپورٹنگ کا ایک جامع فریم ورک تیار کیا ہے جس نے کنٹرولز کے ڈیزائن میں خامیوں کو دور کیا ہے۔ مالیاتی رپورٹنگ (ICFR) پر داخلی کنٹرول روڈ میپ کی اطمینان بخش تکمیل کے بعد SBP نے سال 2017 میں بینک کو بیرونی آڈیٹرز کی طرف سے لانگ فارم رپورٹ (LFR) جمع کرانے سے مستثنیٰ قرار دیا۔

### سرمایہ کاری کا منصوبہ

بینک سرمایہ کاری کے حوالے سے منصوبہ بندی کو مشکل اقتصادی حالات میں سخت ریگولیٹری تقاضوں کی تعمیل اور بیرونی خطرات کو جذب کرنے کیلئے آپریٹنگ کیلئے لازمی جزو سمجھتا ہے۔ بینک کا یقین ہے کہ سرمایہ کے حوالے سے بہتر منصوبہ بندی سرمایہ کی محتاط سطح کے تعین کیلئے اہم ہے تاکہ اپنے اسٹریٹجک کاروباری منصوبے کو جاری اور بیرونی خطرات کو جذب کر سکے۔ اسی کی مناسبت سے بینک نے طویل المدتی افق پر SBP کی طرف سے مقرر کردہ پیل III اور MCR فریم ورک کے مطابق رہنے کے لئے ایک تعمیر سرمایہ کا منصوبہ ترتیب دیا ہے۔

کارپوریٹ اور مالی رپورٹنگ فریم ورک سے متعلق ڈائریکٹرز کا بیان

بورڈ آف ڈائریکٹرز کو سیکورٹیز اینڈ ایکس چینج کمیشن آف پاکستان (SECP) کی طرف سے جاری کردہ سیکورٹیز کوڈ آف کارپوریٹ



- انفارمیشن سیکورٹی
- سپیشل اثاثہ جات انتظام
- صارفین سے وصولی
- کریڈٹ ایڈمنسٹریشن

متعلقہ شعبہ کا تجربہ اور مہارت رکھنے والے سینئر مینجمنٹ سے وابستہ اراکین پر مشتمل خصوصی کمیٹیاں بورڈ کی طرف سے متعین کردہ حکمت عملی کے مطابق اپنے کام انجام دیتی ہیں تاکہ کم سے کم خطرات کو یقینی بنایا جاسکے۔ ان کمیٹیوں میں مندرجہ ذیل شامل ہیں:

1- مینجمنٹ کریڈٹ کمیٹی (MCC)

2- ایسٹ لائیبیلیٹی کمیٹی (ALCO)

MCC اس بات کو یقینی بناتی ہے کہ کریڈٹ رسک سرگرمیاں بورڈ کی منظور کردہ حکمت عملی، ریگولیٹری تقاضوں، رسک برداشت کرنے کی بینک کی اہلیت اور صنعت کے بہترین طریقوں کے مطابق ہیں۔ ALCO مارکیٹ، لیکویڈیٹی، ملک کو درپیش رسک کے خطرات، اثاثہ جات اور واجبات کی مدت تکمیل پر وفاق کا جائزہ لیتی ہے، قیمتوں کا تعین کرتی ہے اور طویل المدت اثاثہ جات اور معیار کے حصول کے تناظر میں محفوظ لیکویڈیٹی مینجمنٹ کے لئے فیصلہ کرتی ہے۔ پالیسیوں اور طریقہ کار کو زیادہ بہتر بنانے کیلئے ان میں ترامیم کی جاتی ہیں جس سے اثاثوں کے معیار میں مزید بہتری آئے گی۔

ایکویٹی، فارن ایکس چینج اور لیکویڈیٹی سے وابستہ خطرات کا مارکیٹ رسک شعبہ کی طرف سے مسلسل جائزہ لیا جاتا ہے۔ مارکیٹ رسک کی نگرانی اور انتظام کرنے کیلئے دباؤ کی جانچ اور حساس اقدامات کو بطور رسک مینجمنٹ ٹولز استعمال کیا جاتا ہے۔ بہتر طریقے سے وضع کردہ پالیسیوں اور طریقوں کے ذریعے اثاثوں کے معیار کو یقینی بنایا جاتا ہے۔ خطرے کے جامع تجزیہ اور پورٹ فولیو کے تنوع پر توجہ مرکوز کرتے ہوئے مالی اعانت میں اضافے کو یقینی بنایا جاتا ہے۔ بینک مارکیٹ رسک کے تجزیہ کے لئے رسک کی مالیت کا تخمینہ لگاتا ہے۔ کیش فلو، ریگولیٹری تقاضوں کو پورا کرنے اور مناسب لیکویڈیٹی اثاثوں کو برقرار رکھنے کے ذریعے لیکویڈیٹی مینجمنٹ یومیہ انجام دی جاتی ہے۔ کسی بھی ممکنہ لیکویڈیٹی رسک کا اندازہ لگانے کیلئے مختلف لیکویڈیٹی تناسب کی نگرانی کی جاتی ہے۔

ٹریڈری سے متعلق سرگرمیوں کی نگرانی کیلئے مارکیٹ اینڈ لیکویڈیٹی رسک شعبہ کے کردار کو مختلف محدود سٹرکچرنگ، ان کی نگرانی، رپورٹنگ اور نظام میں بہتری کے ذریعے مضبوط بنایا گیا ہے۔ نقصان کے اعداد و شمار کی رپورٹنگ، خطرے کی خود تشخیص اور کنٹرول، خطرات کے اہم اشاریوں کی بہتر کوریج، دستاویزات اور خطرے کی نشاندہی اور کم کرنے کے اقدامات کے ذریعے بینک کے طریقوں نے آپریشنل رسک مینجمنٹ کے فریم ورک میں مسلسل بہتری کا مظاہرہ کیا ہے۔

مسلسل معاونت فراہم کی جاتی ہے۔ ریگولیٹری معیارات کی تعمیل کے لئے ہماری وابستگی کو ملک بھر میں وسیع تر تربیتی پروگراموں کے ذریعہ تقویت ملتی ہے جو ملازمین کو ریگولیٹری معیارات کو برقرار رکھنے کے لئے ضروری علم سے آراستہ کرتے ہیں۔

بینک اپنے صارفین اور آپریشنز کی حفاظت اور سیکورٹی کو بہت زیادہ ترجیح دیتا ہے جس کیلئے بینک نے فراڈ مینجمنٹ سیکشن کو تعمیل کے شعبے کا ایک اہم حصہ بنایا ہے۔ آپریشنل سالمیت اور حصہ داروں کے تحفظ کے بنیادی اصولوں کے تحت ہماری سرشار ٹیم دھوکہ دہی پر مبنی سرگرمیوں سے تحفظ فراہم کرنے میں اہم کردار ادا کرتی ہے۔ دھوکہ دہی پر مبنی سرگرمیوں کی نوعیت کی تجزیاتی ٹولز اور طریقوں کے ذریعے احتیاط کے ساتھ نشاندہی کی جاتی ہے۔ مشکوک سرگرمیوں کی نشاندہی اور اور کیس حل کرنے میں قانون نافذ کرنے والے اداروں کے ساتھ شراکت داریاں اہم کردار ادا کرتی ہیں۔ فعال حکمت عملی میں بہت زیادہ حساس کیسز کیلئے آن سائٹ تحقیقات اور پیسوں کی کامیاب ریکوری کی کوششیں شامل ہیں۔ ملازمین کی تعلیم کے لئے ہماری لگن ملک بھر میں دھوکہ دہی کی روک تھام کے بارے میں تربیتی سیشنز کے ذریعے ظاہر ہوتی ہے جس سے عملے میں شعور اجاگر ہوتا ہے اور وہ انتہائی مہارت کے ساتھ کام انجام دیتے ہیں۔ مسلسل بہتری ہمارا مستقل حصول ہے۔ فراڈ مینجمنٹ سیکشن کی اعلیٰ کارکردگی کا مسلسل حصول بینک کے آپریشنل سالمیت، کلائنٹ کے تحفظ اور تمام اسٹیک ہولڈرز کے اعتماد کو برقرار رکھنے کے عزم کو ظاہر کرتا ہے۔

#### اندرونی کنٹرول کا بیان

بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کے اعلیٰ ترین معیارات کو برقرار رکھنے کیلئے مکمل طور پر پر عزم ہیں۔ بینک نے کاروباری مقاصد کے حصول میں رکاوٹ بننے والے خطرات کے خاتمے کیلئے اندرونی کنٹرول کا ایک موثر نظام قائم کیا ہوا ہے۔ ایک آزاد آڈٹ ڈیپارٹمنٹ کے ذریعے موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے جو براہ راست بورڈ آڈٹ کمیٹی کو رپورٹ کرتا ہے۔ بورڈ سالانہ رپورٹ میں پیش کردہ مالی معاملات پر اندرونی کنٹرول کا جائزہ سمیت انتظامیہ کے اندرونی کنٹرول کے بیان کی توثیق کرنے میں خوشی محسوس کرتا ہے۔

#### رسک مینجمنٹ فریم ورک

رسک مینجمنٹ کا مقصد معمول کی کاروباری سرگرمیوں کے دوران پیدا ہونے والی غیر یقینی صورتحال سے موثر انداز سے نمٹنا ہے۔ رسک مینجمنٹ بینکاری کاروبار کا ایک اہم جزو ہے جس کے ذریعے بینک اداروں سے وابستہ خطرات کو کم کر کے خطرات کے متعین پیرائے کے اندر رہتے ہوئے خطرات کو ایڈجسٹ کرنے کی کوشش کرتا ہے۔ رسک مینجمنٹ گروپ کے مندرجہ ذیل شعبے ہیں جن کی سربراہی سینئر ایگزیکٹوز کرتے ہیں جو گروپ ہیڈرسک مینجمنٹ کو رپورٹ کرتے ہیں۔

- کارپوریٹ کریڈٹ رسک مینجمنٹ

- کنزرویٹو کریڈٹ رسک مینجمنٹ

- انٹرپرائز رسک مینجمنٹ

- آپریشنل رسک اور اندرونی کنٹرول

ساتھ ان ہاٹ لائنز پر اپنی شکایات کے ازالے کیلئے کمپلیٹ ریزولیشن یونٹ (CRU) سے براہ راست رابطہ کر سکتے ہیں۔  
 - ”صارف کی آواز“ پروگرام کے تحت صارف کی آواز کو مندرجہ ذیل طریقوں سے محفوظ کیا جاتا ہے تاکہ کسٹمر سروسز کو بہتر بنایا جاسکے۔  
 - دس لاکھ یا اس سے زائد کی کاؤنٹر پرائز یکیشن: دس لاکھ یا زائد کی کاؤنٹر پرائز یکیشن کرنے والے صارفین کو فیڈ بیک کیلئے فوری طور پر SMS بھیجا جاتا ہے۔ غیر مطمئن صارفین اور ایسے تمام صارفین جو جواب نہیں دیتے انہیں فون کال کی جاتی ہے۔

اکاؤنٹ کھلوانے کا سروے

نئے اکاؤنٹ کھلوانے والے صارفین کے تجربے کیلئے ماہانہ سروے کیا جاتا ہے تاکہ خدمت کے معیار کو بہتر بنایا جاسکے۔  
 سال کے دوران 77,486 شکایات موصول ہوئیں جن میں سے 384 شکایات ریگولیٹری کے حوالے سے تھیں 77,396 شکایات نمٹا دی گئیں۔ نتیجتاً ہم نے شکایات کے ازالے کے لئے 4.5 ایام کی اوسط شرح کامیابی سے حاصل کی۔

تعمیل

بینک ریگولیٹری ضابطوں کی تعمیل کے ایک مضبوط کلچر کی تشکیل کو بہت زیادہ اہمیت دیتا ہے۔ بینک اعلیٰ اخلاقی معیارات اور ریگولیٹری فریم ورک کی غیر متزلزل تعمیل پر مبنی ماحول کے فروغ کیلئے کوشاں ہے۔ ادارے کے تمام شعبوں میں اس کا اطلاق کرتے ہوئے ضوابط، معیارات اور بہترین طرز عمل کے مستقل نفاذ کو یقینی بنایا جاتا ہے۔

بینک کا وقف کردہ تعمیل کا شعبہ قانونی اور ریگولیٹری تقاضوں کے تناظر میں بینک کے آپریشنز کو تحفظ فراہم کرنے میں اہم کردار ادا کرتا ہے۔ ہم ایٹنی منی لائڈنگ (AML)، دہشت گردی کی مالی اعانت (CFT)، جوہری ہتھیاروں کے پھیلاؤ میں مالی اعانت (CPF) اور تجارت پر مبنی منی لائڈنگ (TBML) فریم ورک سمیت متعدد ریگولیٹری تقاضوں کی تعمیل کے لئے پرعزم ہیں۔ سی ایف ٹی اور ٹی بی ایم ایل سے وابستہ مخصوص خطرات سے نمٹنے کیلئے خصوصی ڈیسک قائم کئے گئے جہاں عملہ ان خطرات سے نمٹنے کیلئے فعال انداز میں کام کر رہا ہے۔ معروف خدمات کی سبسکریپشنز کے ذریعے بیرونی ماہرین سے استفادہ کرتے ہوئے ہم مستعدی اور احتیاط کے ساتھ AML CPF/CFT/ سے وابستہ صارف کی سرگرمیوں کی موثر انداز میں نگرانی کرتے ہیں اور ممنوع سرگرمی میں ملوث افراد کے ساتھ روابط قائم کرنے کے خطرات کا خاتمہ کرتے ہیں۔

ریگولیٹری ٹیکنالوجی (Reg Tech) کا استعمال تعمیل کے حوالے سے ہماری کوششوں کو مزید تقویت دیتے ہوئے قومی اور عالمی پابندیوں کی پیروی میں سہولت دینے کے ساتھ ساتھ صارف کی سرگرمیوں کی مسلسل نگرانی کے قابل بناتا ہے۔ بروقت اطلاع کے حوالے سے تعمیل کو یقینی بناتے ہوئے ہمارے تعمیل کا شعبہ فارن اکاؤنٹ ٹیکس کمپلائنس ایکٹ (FATCA) اور کامن ریپورٹنگ اسٹینڈرڈ (CRS) پر محتاط انداز میں عمل کرتا ہے۔ بہت زیادہ خطرات والے اکاؤنٹس کا باریک بینی سے جائزہ اور منظوری کا طریقہ کار لاگو کیا جاتا ہے جس سے بینک کی مالی سالمیت کا تحفظ کیا جاسکے۔ CFT/AML کے معاملات اور مقامی اور عالمی پابندیوں پر رہنمائی اور مشوروں کے ذریعے برانچوں کو

منصفانہ نتائج فراہم کرتے ہیں۔ اسی طرح بینک نے صارف کے ساتھ منصفانہ سلوک (FTC) کو اپنے سروس کلچر کا ایک لازمی جزو بنایا ہے۔ ان ہی خطوط پر بینک نے ایک مضبوط کنزیومر پروٹیکشن فریم ورک بھی تشکیل دیا ہوا ہے۔

بینک نے صارفین کی ضروریات اور فوائد کو مد نظر رکھتے ہوئے مصنوعات اور خدمات کی تیاری، فروخت اور انتظام کو اپنا مقصد بنایا ہوا ہے۔ بینک اپنے صارفین کو ان کے اطمینان کیلئے اعلیٰ معیار کی خدمات فراہم کرنے کیلئے پرعزم ہے۔ اس مقصد کے حصول کیلئے بینک میں ایک آزاد سروس کوالٹی ڈیپارٹمنٹ موجود ہے۔ بینک اس بات کو یقینی بناتا ہے کہ صارفین کیلئے بینک کے تجربے کو مزید آسان، باسہولت اور تسلی بخش بنانے کیلئے باقاعدگی سے نئے اقدامات کئے جائیں۔ صارفین کے ساتھ براہ راست منسلک ہونے والے شعبہ جات کیلئے خدمت کے اہم اشاریوں کی تعمیل ضروری ہے جن کی سخت نگرانی کی جاتی ہے۔ صارفین کو اعلیٰ معیار کا تجربہ فراہم کرنے کیلئے بینک کا سروس کوالٹی ڈیپارٹمنٹ خدمت کے اہم اشاریوں اور شکایت کے انتظام کے حوالے سے اپنے عملے کو باقاعدگی سے تربیت فراہم کرتا ہے۔

سروس کے معیار کی مجموعی کارکردگی اور استعداد پر نظر رکھنے کے لئے بینک کی انتظامیہ نے CEO کی سربراہی میں سروس ایکسیلنس کمیٹی (SEC) تشکیل دی ہے۔ SEC سروس کوالٹی ڈیپارٹمنٹ کی طرف سے سفارش کردہ سروس کوالٹی کے مختلف معیارات کا جائزہ لینے کیلئے سہ ماہی بنیادوں پر اجلاس منعقد کرتی ہے۔ یہ کمیٹی ڈیپارٹمنٹ کی طرف سے تیار کردہ سروس کوالٹی پر مختلف رپورٹس کا جائزہ لیتی ہے اور بہتری کے شعبوں کی نشاندہی کرتی ہے تاکہ موجودہ طریقہ کار کو آسان بناتے ہوئے انہیں مضبوط بنایا جائے۔ کمیٹی صارفین اور دیگر حصہ داروں کی خدمات کی سطح میں بہتری کی تجویز دینے کے ساتھ ساتھ معیار کی یقین دہانیوں میں مسلسل بنیادوں پر تحقیق اور تجزیہ کرنے کی سفارشات بھی پیش کرتی ہے۔

### صارفین کی شکایات کا ازالہ

بینک اسلامی نے صارفین کی شکایات کے بروقت ازالہ کیلئے شکایات کے انتظام اور ازالے کا ایک مضبوط طریقہ کار نافذ کیا ہے جس کا مقصد شکایات اور صارفین کے مسائل کا بروقت ازالہ کیا جائے اور مستقبل میں اسی نوعیت کے مسائل کو دوبارہ رونما ہونے سے روکنا ہے۔ شکایات درج کرانے کیلئے مختلف ذرائع صارفین کیلئے دستیاب ہیں (برانچوں کے ذریعے، فون بینکنگ، ویب سائٹس، سوشل میڈیا، ای میل وغیرہ) اور صارفین کو ان ذرائع کے بارے میں ایس ایم ایس الرٹس اور ای ایم سکریٹس اور ویب سائٹ پر آویزاں بینرز کے ذریعے آگاہ کیا جاتا ہے۔ شکایات کے ازالے کے طریقہ کار کو اندراج، تصدیق اور عبوری جواب (جو بھی قابل اطلاق ہو) کے ذریعے شفاف رکھا جاتا ہے۔ بینک کے شکایات کے ازالے کے طریقے کار پر صارفین کی آراء حاصل کرنے کیلئے سالانہ بنیادوں پر سروے بھی کرائے جاتے ہیں۔ صارفین کو بینک کی طرف سے موصول ہونے والے جواب سے مطمئن نہ ہونے کی صورت میں بینکنگ محتسب سے بھی رابطہ کرنے کا اختیار بھی دیا جاتا ہے۔ اس کے علاوہ مندرجہ ذیل نئے اقدامات اٹھائے گئے ہیں:

”CRU ہاٹ لائن - 1188: اس منصوبے کے تحت بینک کی برانچوں میں ایک علیحدہ ہاٹ لائن مختص کی گئی ہے۔ صارفین آسانی کے



تحت طلب علم نہ صرف ہنریکھیں گے بلکہ انڈسٹری کے ماہرین کی نگرانی میں فری لاننگ کا عملی تجربہ بھی کریں گے۔ کورسز میں ویب ڈیزائننگ، سائبرسیکورٹی، ویب اور ایپ ڈویلپمنٹ، مصنوعی ذہانت، مشین لرننگ اور ڈیجیٹل مارکیٹنگ شامل ہے۔ بینک مندرجہ ذیل سہولت فراہم کرے گا۔

IBA امید پروگرام کے تحت "ڈیجیٹل مارکیٹنگ" کورس کے پہلے بیچ کے لئے آئی بی اے کراچی میں داخلہ لینے والے 50 طلباء کی سپانسرشپ

سائبرسیکورٹی کورس کیلئے اخوت میں داخلہ لینے والے 90 طلباء کیلئے سپانسرشپ۔ بینک اسلامی منتخب طلباء کو ملازمت کے مواقع فراہم کرے گا۔

آئی ٹی ٹریننگ اور کورسز کیلئے بیت السلام ٹیک پارک کے قیام کیلئے بیت السلام ویلفیئر کی مالی معاونت

سیلانی ماس آئی ٹی ٹریننگ (SMIT) کیلئے سیلانی ویلفیئر انٹرنیشنل ٹرسٹ کیلئے مالی معاونت

2۔ ملک میں سیلاب متاثرین کیلئے کوششوں کے تسلسل میں بینک اپنے خیر ہاؤسنگ پروجیکٹ (اسلامی خیر کرنٹ اکاؤنٹ کے تحت CSR سرگرمی) کے ذریعے سال 2023 کے دوران 65 گھروں کی تعمیر کیلئے مالی معاونت فراہم کی۔

3۔ بینک نے آزاد جموں و کشمیر کے شہر میرپور میں 'سیف سٹی سینٹر' کے قیام میں تعاون کیا ہے۔ اس مرکز کا مقصد سٹریٹ کرائمز کے خاتمے اور امن و امان کی صورتحال کو کنٹرول کرنے کے لئے CCTV کے ذریعے شہر کی مسلسل نگرانی کے لئے استعمال کرنا ہے۔

#### صدقہ اور عطیات

بینک کی جانب سے صدقہ خیرات کی ادائیگی اکاؤنٹ کے ذریعے تقسیم کی جاتی ہے۔ اکاؤنٹ کے ذرائع (الف) شرعی اصولوں کی عدم تعمیل سے حاصل ہونے والی آمدن (ب) منافع منقسمہ کی آمدنی کا ترکیب (ج) صارفین سے وصول کردہ تاخیر سے ادائیگی کے چارجز اور (د) قابل خیرات ادائیگی کرنے والے اکاؤنٹ پر حاصل کردہ منافع ہیں۔ بینک کی طرف سے کئے گئے خیراتی اخراجات نہ صرف شرعی تعمیل کے مقصد کے لئے ہیں بلکہ معاشرے میں ایک قیمتی اور مثبت اثر مرتب کرنے کے لئے بھی ہیں۔ خیرات کی رقم ان اداروں کو دی جاتی ہے جو عوامی فلاح و بہبود کے لئے کام کر رہے ہیں اور عوامی فلاح و بہبود کے حوالے سے ایک تاریخ رکھتے ہیں۔ بینک کی طرف سے تقسیم کی گئی خیرات کی رقم کی تفصیلات غیر مربوط مالیاتی گوشواروں کے نوٹ 21.3.1 میں درج ہے۔ اس کے علاوہ بینک اپنی مصنوعات اسلامی خیر کرنٹ اکاؤنٹ میں بھی حصہ ڈالتا ہے جہاں بینک صارف کے اکاؤنٹ سے کوئی کئے کے بغیر خیرات کے مقصد کیلئے فنڈ جمع کرتا ہے۔

#### صارف کے لئے خدمات اور شکایات کا نظام

اپنے مقصد اور بنیادی اقدار پر توجہ مرکوز کرتے ہوئے بینک شریعت اور صارفین کی ضروریات کے مطابق حل فراہم کرنے کیلئے ہمیشہ کوشاں رہتا ہے۔ بینک نہ صرف اپنے صارفین کو بہت زیادہ اہمیت دیتا ہے بلکہ ان کی صحیح طریقے سے خدمت کرنے پر فخر کرتے ہوئے انسانیت کو ربا سے بچانے پر اپنی توجہ مرکوز کرتا ہے۔ اس بات کو یقینی بنانے کیلئے ہم کھلے دل اور شفافیت کی بنیاد پر تسلسل کے ساتھ اپنے صارفین کو

۔ مسابقتی ماحول

۔ کیپٹل ایڈوکیسی

۔ شریعت کے مطابق سرمایہ کاری کیلئے دستیاب شعبہ جات

۔ جغرافیائی، سیاسی اور امن و امان کی صورت حال سے منسلک بیرونی خطرات

۔ ٹیکنالوجی میں تیکنیکی خلل

۔ سماجی اور ماحولیاتی تبدیلیاں

۔ بحران، قدرتی آفات اور سیاسی عدم استحکام میں کاروبار کا تسلسل

کارپوریٹ سماجی ذمہ داری

بینک اسلامی ”انسانیت کو رہا سے بچانے“ کے اپنے مشن پر کاربند ہے۔ بینک سماجی ذمہ داری کو اپنی بنیادی اقدار کا ایک لازمی جزو سمجھتا ہے۔ ایک اسلامی بینک کی حیثیت سے بینک نظر انداز کئے جانے والے شعبہ پر خصوصی توجہ کے ساتھ معاشرے کے تمام طبقات کیلئے فلاحی کام انجام دیتا ہے۔ یہ عزم معاشرے میں مثبت اثرات مرتب کرنے کے ہماری لگن کو واضح کرتا ہے اور مالہیاتی حل کے فروغ کیلئے بینک کے بنیادی ہدف سے ہم آہنگ ہے جو اخلاقی اسلامی اصولوں کی پاسداری کرتے ہوئے انسانیت کی وسیع تر فلاح و بہبود کے لئے اپنا کردار ادا کر رہا ہے۔

2023 کے دوران CSR کے تحت فلاحی سرگرمیوں کا خلاصہ

1- 2023 کیلئے بینک اسلامی کا سب سے بڑا CSR منصوبہ ”بینک اسلامی روزگار پراجیکٹ“ ہے جس کے تحت بینک اسلامی نے غیر ہنرمند افراد کو تربیت فراہم کرنے اور ان کے روزگار کے مواقع پیدا کرنے کیلئے مختلف اداروں کے ساتھ اشتراک کیا۔ اس حوالے سے مختلف سرگرمیاں انجام دی گئیں:

۔ بینک نے غیر ہنرمند افرادی قوت کو تکنیکی اور صنعتی تعلیم فراہم کرنے اور انہیں بیرون ملک ملازمت دلانے کیلئے ہنرفاؤنڈیشن، میمن انڈسٹریل اینڈ ٹیکنیکل انسٹی ٹیوٹ اور ڈیسکون ٹیکنیکل انسٹی ٹیوٹ کے ساتھ اشتراک کیا ہے۔

۔ 35 امیدواروں میں سے 25 کو الیکٹریشن ٹیکنیشن / ہائی ٹیک فٹر کے طور پر تربیت دی گئی ہے اور انہیں سعودی عرب اور یورپ میں ملازمت کے مواقع ملے ہیں۔ باقی 10 امیدوار اس وقت تربیت اور ویزا کے عمل سے گزر رہے ہیں۔

۔ بینک اسلامی نے 5 مستحق طالب علموں کو ”کارڈیک نرسنگ میں ڈپلومہ پروگرام کے تحت وظائف فراہم کرنے کیلئے انڈس ہسپتال کے ساتھ اشتراک کیا۔ ڈپلومہ کی تکمیل کے بعد بینک مستحق طلب علموں کو بیرون ملک ملازمت کے حصول میں مدد دے گا۔

۔ باصلاحیت نوجوانوں کیلئے روزگار پیدا کرنے کیلئے بینک نے IBA کراچی، اخوت، سیلانی ویلفیئر انٹرنیشنل ٹرسٹ اور بیت السلام ویلفیئر ٹرسٹ کے ساتھ شراکت داری قائم کی ہے۔ اس مرحلے میں بینک نے IT سے متعلق تربیت اور کورسز میں سہولت فراہم کی ہے جس کے



کے عبوری نقد منافع منقسمہ کا اعلان کیا تھا۔

## مستقبل کی حکمت عملی

گزشتہ چند سالوں سے بینک اسلامی نے منافع اور مارکیٹ میں موجودگی کے تناظر میں شاندار نمونگی ہے۔ یہ کامیابی بینک کے پر عزم ملازمین کی غیر متزلزل کوششوں، صارفین کا بینک اسلامی کی طرف سے اصولوں پر مبنی مستند مالیاتی حل کی فراہمی پر اعتماد اور سب سے اہم ہمارے حصص یافتگان کا اعتماد ہے۔ مسلسل کامیابی کے سفر کو جاری رکھنے کیلئے بینک نے 2024 سے 2026 کی مدت کیلئے طویل المدت اور جامع حکمت عملی اور کاروباری منصوبہ تشکیل دیا ہے۔

یہ حکمت عملی مختلف اہداف اور کارکردگی کے اہم اشاریے (KPIs) کا تعین کرتا ہے جس کا مقصد ڈیپازٹ بیس میں اضافہ کاروباری حجم کو بڑھانے، کیش مینجمنٹ سروسز میں توسیع، کریڈٹ رسک پروفائل میں بہتری، ٹیکنالوجی پر مبنی جدت کا فروغ، بینک کے ڈیجیٹل دائرہ کار میں توسیع، برانچ نیٹ ورک میں اضافہ اور حصص یافتگان کی قدر کو بڑھانا ہے۔ اس کے ساتھ ہی یہ منصوبہ انسانی سرمایہ کی ترقی، برانڈ امیج کو بہتر بنانے، صحت مند سرمایہ کی بنیاد کو برقرار رکھنے اور بینک کو صارف پر مبنی اسلامی مالیاتی ادارہ بننے کے لئے کوشاں ہے۔

منصوبے کو رواں رکھنے اور بدلتے ہوئے حالات سے ہم آہنگ کرنے کیلئے اہداف کی نہ صرف باقاعدگی سے نگرانی کی جا رہی ہے بلکہ کاروباری حکمت عملی میں کسی بھی قسم کی تبدیلیوں کو معیارات میں کمی کو کنٹرول کرنے کے اقدامات کے حصہ کے طور پر شامل کیا جاتا ہے۔ موافقت اور مسلسل بہتری کے لئے یہ عزم بینک اسلامی کی مستقل ترقی اور بہترین کارکردگی کے لئے لگن کو واضح کرتا ہے۔

## بینک کی مستقبل کی ترقی، کارکردگی اور صورتحال کو متاثر کرنے والے ممکنہ رجحانات اور عوامل

بینک کے بورڈ آف ڈائریکٹرز اور مینجمنٹ ادارے کی کارکردگی کا جائزہ لینے اور اس بات کو یقینی بنانے کیلئے پر عزم ہیں کہ بینک حکمت عملی اور کاروباری منصوبے کے مطابق آگے بڑھ رہا ہے۔ انتظامیہ متواتر اور بورڈ سے ماہی میں ایک با عملی اور مالی بجٹ اور کارکردگی کے اہم اشاریوں کے حوالے سے بینک کی کارکردگی کا جائزہ لینے کے لئے اجلاس منعقد کرتے ہیں۔ KPIs کا جائزہ لیتے ہوئے بورڈ اور انتظامیہ بینک کی مستقبل کی کارکردگی کو ممکنہ طور پر متاثر کرنے والے مختلف عوامل پر غور کرتے ہیں جس کیلئے حکمت عملی اور بجٹ اہداف میں قلیل مدت کیلئے تبدیلیوں کی ضرورت پڑ سکتی ہے۔ ان میں مندرجہ ذیل عوامل شامل ہیں:

۔ ملک کی اقتصادی اور سیاسی صورتحال

۔ پالیسی ریٹ میں تبدیلی اور بینک کے اثاثوں کی قیمت اور واجبات پر اس کے اثرات

۔ ایکس چینج ریٹس میں تغیرات

۔ میکرو اکنامک اشاریے

۔ قوانین، ضوابط، قواعد، کارپوریٹ محصولات اور اکاؤنٹنگ فریم ورک میں تبدیلیاں

موجودہ معاشی حالات کے رد عمل میں بینک نے 2023 کے دوران 1.5 بلین روپے کے اضافی عمومی پروویژنز مختص کئے ہیں جس کی وجہ سے کوریج ریشو بہتر ہو کر 104.2 فیصد ہو گیا ہے۔ یہ اسٹریٹیجک فیصلہ بڑھتے ہوئے اقتصادی چیلنجز کے تناظر میں محتاط رسک مینجمنٹ اور مالیاتی چک برقرار رکھنے کے ہمارے عزم کو واضح کرتا ہے۔

بینک کی فیس اور کمیشن سے حاصل ہونے والی آمدنی میں گزشتہ سال کے مقابلے میں 24.5 فیصد اضافہ ہوا جس کی بنیادی وجہ ADC سرورسز اور تجارتی کمیشن سے حاصل ہونے والی آمدن ہے۔

الحمد للہ بینک نے گزشتہ سال کی اسی مدت کے مقابلے میں 31 دسمبر، 2023 کو ختم ہونے والے سال کیلئے قبل از محصول منافع میں 149.4 فیصد اضافہ حاصل کیا ہے جو بینک کے بہترین CASA کس کے حصول، کم خطرے والے فنانسنگ پورٹ فولیو میں نمو کے فروغ، فیس پر مبنی آمدنی کو ترجیح اور سرمایہ کاری پورٹ فولیو میں توسیع کی جامع حکمت کا نتیجہ ہے۔ نتیجتاً بینک کا بعد از محصول منافع 148.8 فیصد اضافہ کے ساتھ 11.04 بلین روپے پر پہنچ گیا ہے۔

گروپ کے نتائج

بنیادی سرگرمیاں

گروپ کی بنیادی کاروباری سرگرمیاں مندرجہ ذیل ہیں:

- بینک اسلامی لمیٹڈ (ہولڈنگ کمپنی) - شیڈولڈ اسلامی بینک

- شکر گنج فوڈ پروڈکٹس لمیٹڈ (ایسوسی ایٹ) - فوڈ پروڈکٹس کی مینوفیکچرنگ، تیاری اور فروخت

گروپ کی مالی کارکردگی

سال 2023 کے دوران گروپ کے کل اثاثوں میں 34.3 فیصد کا نمایاں اضافہ ہوا۔ گروپ کی مالی پوزیشن میں قابل غور اضافہ کی وجہ حکومتی اجارہ صلوک میں سرمایہ کاری ہے۔ گروپ نے غیر معمولی کارکردگی کا مظاہرہ کرتے ہوئے 10.6 ارب روپے کا بعد از محصول منافع حاصل کیا جو گزشتہ سال کی اسی مدت کے مقابلے میں 136.6 فیصد کے شاندار اضافہ کو ظاہر کرتا ہے۔ اس شاندار کارکردگی کی وجہ کمائی والے اثاثوں میں اضافے، منافع پر مبنی واجبات اور پالیسی کی شرح میں اضافہ ہے۔ کیش فلوی کی موجودہ قدر کے جائزہ کے بعد گروپ نے ایسوسی ایٹس میں اپنی سرمایہ کاری کے عوض مناسب پروویژنرز ریکارڈ کیا۔

حصص یافتگان کیلئے منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 31 دسمبر، 2023 کو ختم ہونے والے سال کیلئے ایک روپے فی حصص (10 فیصد) کے حتمی نقد منافع منقسمہ کی ادائیگی کی سفارش کی ہے جو کہ حصص یافتگان کے ہونے والے آئندہ سالانہ اجلاس عام میں منظوری سے مشروط ہے۔ جس سے سال کا کل نقد منافع منقسمہ 2.75 روپے فی حصص ہو جائے گا۔ اس سے قبل بورڈ نے سال 2023 کیلئے 1.75 روپے فی حصص (17.5 فیصد)

سال 2023 کے دوران غیر یقینی اور مشکل اقتصادی حالات کے باوجود بینک نے اپنی مالیاتی پورٹ فولیو میں اضافہ کرتے ہوئے حکومتی اجارہ صکوک میں سرمایہ مختص کیا۔ نتیجتاً بینک کا سرمایہ کاری پورٹ فولیو دسمبر 2022 میں 179.74 بلین روپے سے بڑھ کر دسمبر، 2023 میں 314.08 بلین روپے ہو گیا جو 74.7 فیصد کے غیر معمولی اضافہ کو ظاہر کرتا ہے۔ سرمایہ کاری اور ڈیپازٹ کے درمیان تناسب (IDR) 31 دسمبر 2022 کے 43.2 فیصد سے بڑھ کر 31 ستمبر، 2023 تک 60.1 فیصد ہو گیا۔

بینک نے فنانشنگ پورٹ فولیو میں منظم نمو کا مظاہرہ کیا جس میں سال 2022 کے اختتام کے مقابلے میں 14.3 فیصد کا معمولی اضافہ ہوا۔ پالیسی ریٹ کی بلند شرح، آٹو فنانشنگ پر سخت ریگولیٹری اقدامات اور نئے کیسز کیلئے رعایتی ہاؤسنگ فنانس سکیموں کی عدم موجودگی جیسی مشکلات کے باعث بینک کے کنزیومر فنانشنگ پورٹ فولیو میں واضح کمی ہوئی۔ نتیجتاً بینک کا ایڈوانسز اور ڈیپازٹ کے درمیان مجموعی تناسب (ADR) کم ہو کر 48.6 فیصد رہا جبکہ 31 دسمبر 2022 کو یہ 53 فیصد تھا۔

ان مشکلات کے باوجود بینک بڑھتے ہوئے مضبوط فنانشنگ پورٹ فولیو کو برقرار رکھنے کے مقصد کے ساتھ بڑے کارپوریٹ اور کمرشل کلائنٹس کو سرمایہ کی فراہمی اور دستیاب مالیاتی مواقع سے فائدہ اٹھانے پر توجہ مرکوز کر رہا ہے۔ حکمت عملی میں تبدیلی کا مقصد مستقبل میں مضبوط فنانشنگ پورٹ فولیو برقرار رکھنا ہے۔ بینک مارکیٹ کے حالات کے مطابق خود کو ڈھالنے کے لئے ہمیشہ تیار ہے اور مسلسل ترقی اور استحکام کو یقینی بناتے ہوئے مشکلات سے نبرد آزما ہونے کیلئے اپنی حکمت عملی میں محتاط طریقے سے تبدیلیاں کر رہا ہے۔

مستحکم کیپٹل بیس مستحکم اثاثہ جات کو برقرار رکھنے کیلئے بنیاد فراہم کرتا ہے۔ 31 ستمبر، 2023 تک بینک کا موزوں سرمائے کا تناسب (CAR) 23.79 فیصد ریکارڈ کیا گیا جو 31 دسمبر، 2022 کے 17.92 فیصد سے نمایاں اضافہ ظاہر کرتا ہے۔ باوجود اس کے موجودہ سال کے دوران 2.75 فی حصص کے حساب سے نقد منافع منقسمہ کی ادائیگی کی گئی۔ منافع میں مضبوط نمو اور صفر/کم خطرے والے اثاثوں میں سرمایہ کاری نے خاص طور پر CAR کو بہتر بنانے میں اہم کردار ادا کیا۔ یہ نمو مضبوط مالیاتی پوزیشن کو برقرار رکھنے اور حصص یافتگان کی قدر بڑھانے کے لیے بینک کے عزم کو نمایاں کرتی ہے۔

مجموعی بیلنس شیٹ میں نمو اور پالیسی ریٹ میں اضافہ کے باعث بینک کی حاصل کردہ صافی آمدنی میں گزشتہ سال کی مدت کے مقابلے میں 97 فیصد اضافہ ہوا ہے۔ ملک میں جاری مہنگائی کی بلند شرح، بینک کی طرف سے نئی برانچیں کھولنے اور ملازمین کی تعداد میں اضافہ سے بینک کے مجموعی عملیاتی اخراجات 37.3 فیصد بڑھ گئے۔

فنانسنگ اور سرمایہ کاری کے عوض صافی پروویژنز 2023 میں 67.6 فیصد بڑھے جس کی وجوہات میں تازہ ترین درجہ بندیوں، گزشتہ غیر فعال فنانشنگ کیلئے FSV ہینڈل کی رعایت، عمومی پروویژنز میں اضافہ اور غیر حوالہ شدہ سیکورٹیز میں سرمایہ کاری کے لئے پروویژنز شامل ہیں جو پروویژنگ کے حوالے سے بینک کی محتاط حکمت عملی کا مظہر ہے۔ ایک طرف بینک کی انتظامیہ غیر فعال پورٹ فولیو سے بحالی کیلئے اپنی کوششیں جاری رکھے گی اور دوسری طرف مجموعی فنانشنگ پورٹ فولیو کی فعال انداز میں نگرانی بھی جاری رکھے گی۔

تغیرات	2022 روپے ہزار میں	2023 روپے ہزار میں	منافع اور اخراجات کے اہم اعداد و شمار
100.1 فیصد	46,345,194	92,756,237	حاصل کردہ منافع / آمدن
102.6 فیصد	25,942,829	52,572,505	خرچ کردہ منافع / آمدن
97 فیصد	20,402,365	40,183,732	حاصل کردہ صافی آمدن
24.5 فیصد	1,459,365	1,816,904	فیس اور کمیشن سے حاصل آمدن
37.3 فیصد	11,773,169	16,159,656	آپریٹنگ اخراجات
123.5 فیصد	12,040,606	26,914,852	پروویژنز سے قبل آپریٹنگ منافع
149.4 فیصد	8,228,112	20,523,397	قبل از محصول منافع
148.8 فیصد	4,439,635	11,045,099	بعد از محصول منافع
148.8 فیصد	4.0043	9.9622	فی حصص آمدن (روپے میں)
	887,927	2,209,020	قانونی ریزرو میں منتقلی

الحمد للہ سال 2022 کے اختتام کے مقابلے میں بینک کے ڈیپازٹس میں 25.6 فیصد کا نمایاں اضافہ ہوا۔ یہ نمو خاص طور پر ٹرم ڈیپازٹس میں قابل ذکر ہے جو کہ سال بہ سال کی بنیاد پر 43.5 فیصد، سیونگ ڈیپازٹس میں 20.8 فیصد اور کرنٹ ڈیپازٹس میں 14.3 فیصد کے نمایاں اضافے کو ظاہر کرتی ہے۔

بینک نے گزشتہ پانچ سال سے کرنٹ اکاؤنٹ اور سیونگز اکاؤنٹ (CASA) مگس کو 60 فیصد یا اس سے زیادہ پر مسلسل برقرار رکھا جو مستحکم اور متوازن فنڈنگ سٹرکچر کا عکاس ہے۔ بینک کی متنوع پروڈکٹ اور مارکیٹ کی مخصوص ضروریات کو موثر انداز میں پورا کرنے کے حوالے سے حکمت عملی کی بنیاد پر مجموعی ڈیپازٹس میں اضافہ ہوا۔

اسی حکمت عملی کے تحت بینک نے پالیسی ریٹ کی بلند ترین شرح کی وجہ سے بڑھتی ہوئی طلب کے پیش نظر ٹرم ڈیپازٹس کی پرکشش پیش کش کو دوبارہ متعارف کروایا۔ اس کے علاوہ خواتین کیلئے ان کی مرضی کے مطابق مصنوعات متعارف کروائیں جن میں ترجیحی بینکنگ مراکز کا قیام، کیش مینجمنٹ اور ایمپلائئی بینکنگ سروسز شامل ہیں۔ برانچ نیٹ ورک میں توسیع بینک کے ترقی کے اسٹریٹجک منصوبہ کا حصہ ہے تاکہ صارفین کی زیادہ سے زیادہ رسائی ہو اور مارکیٹ میں موجودگی میں اضافہ ہو۔ ان اقدامات نے بینک کی پائیدار ترقی اور مارکیٹ میں اہمیت میں مجموعی کردار ادا کیا ہے۔



## نمایاں لین دین

اگست 2023 میں بینک کے سپانسر شیئر ہولڈر بے ایس بینک نے اپنے شیئر ہولڈنگ کو 7.79 فیصد سے بڑھا کر 75.12 فیصد کر دیا جس سے بینک بے ایس گروپ کا ذیلی ادارہ اور حصہ بن گیا۔ سرمایہ کاری اور مالیاتی خدمات فراہم کرنے والے بڑے اور معروف گروپ کا حصہ ہونے کی حیثیت سے بینک کم لاگتوں پر مبنی خدمات، آمدن بڑھانے کے مواقع اور عالمی سطح پر رسائی سے فائدہ اٹھائے گا۔

- اسٹریٹجک کاروباری منصوبہ کو آگے بڑھانے کیلئے بینک نے 60 اضافی برانچوں کا افتتاح کر کے اپنے دائرہ کار کو وسیع کر دیا۔ بینک کی کل 440 برانچز ہو گئی ہیں جن میں 60 ذیلی برانچیں شامل ہیں۔ بینک ترقی کی اپنی رفتار برقرار رکھنے کیلئے پرعزم ہے اور بیلنس شیٹ میں اضافہ کیلئے اپنے نیٹ ورک میں مزید توسیع کرے گا۔

- سال 2023 کے دوران PACRA نے بینک کی طویل مدتی کریڈٹ ریٹنگ کو اپ گریڈ کر کے AA- کر دیا۔ یہ کامیابی بینک کی مضبوط کاروباری حکمت عملی، خطرات کم کرنے کیلئے فعال اقدامات اور معزز صارفین کی طرف سے بینک پر اعتماد کو واضح کرتی ہے۔

- سال کے دوران بینک نے اپنے نصب العین اور مقصد کو از سر نو تشکیل کیا۔

- نصب العین: اسلامی مالیاتی نظام کی بنیاد پر عالمی اقتصادی اور خوشحالی کا فروغ

- مقصد: اسلامی اصولوں کے مطابق صارف پر مبنی جدید مالیاتی حل فراہم کر کے انسانیت کو ربا سے بچانا اور سماجی ذمہ داری کو انجام دیتے ہوئے سٹیک ہولڈرز کیلئے قدر پیدا کرنا

## مالی کارکردگی کا جائزہ

31 دسمبر، 2023 کو ختم ہونے والے سال کیلئے اہم مالیاتی نکات درج ذیل ہیں

تغییرات	2022 روپے ہزار میں	2023 روپے ہزار میں	بیلنس شیٹ کے اہم اعداد و شمار
ڈیپازٹس	415,911,942	522,540,925	25.6 فیصد
ایف آئی (FI's) پر واجب الادا	21,052,256	60,659,056	188.1 فیصد
فنانسنگ اور متعلقہ اثاثہ جات۔ صافی	201,328,442	230,194,288	14.3 فیصد
سرمایہ کاری۔ صافی	179,741,488	314,083,872	74.7 فیصد
صافی اثاثہ جات	26,450,401	36,465,918	37.9 فیصد

متوقع مثبت اقتصادی ترقی کو مد نظر رکھتے ہوئے مانیٹری پالیسی کمیٹی (MPC) نے پالیسی ریٹ کو تبدیل نہ کرتے ہوئے 22 فیصد پر برقرار رکھا ہے۔ کاروباری اداروں کے اعتماد میں بہتری، مستحکم مالی حکمت عملی اور دسمبر میں کرنٹ اکاؤنٹ میں 397 بلین امریکی ڈالر کے سرپلس اور آئی ایم ایف کے ساتھ اسٹیٹڈ بانی معاہدہ کے تحت 700 بلین ڈالر کی قسط کی وجہ سے غیر ملکی زرمبادلہ کے ذخائر میں اضافہ جیسی بڑی پیش رفتوں کا مشاہدہ کیا گیا۔ اسٹیٹ بینک آف پاکستان اور ملک کے مجموعی ذخائر 9 فروری، 2024 تک بلترتیب 8.1 بلین اور 13.1 بلین ڈالر رہے جبکہ مالی سال 2023 کے اختتام پر یہ ذخائر بلترتیب 4.4 بلین ڈالر اور 4.7 بلین ڈالر تھے۔ مذکورہ بالا پیش رفتوں کے مثبت اثرات کم دکھائی دے رہے ہیں جس کی وجہ تو انسانی کی قیمتوں میں ایڈجسٹمنٹ اور بالخصوص نومبر 2023 کے بعد سے بحیرہ احمر کے خطے میں بڑھتے ہوئے جغرافیائی اور سیاسی تناؤ جس کی وجہ سے عالمی فریٹ چارجز میں اضافہ اور اجناس کی قیمتوں میں خطرہ پیدا ہو رہا ہے۔ ان پیش رفتوں اور مہنگائی کی شرح میں بہت زیادہ اضافہ کا جائزہ لیتے ہوئے مانیٹری پالیسی کمیٹی (MPC) نے توقع ظاہر کی ہے کہ مالی سال 2024 میں مہنگائی کی شرح 23 فیصد سے 25 فیصد تک رہے گی جبکہ کمی کارجمان مالی سال 2025 میں بھی جاری رہنے کی توقع ہے۔

(ماخذ: ایس بی پی مانیٹری پالیسی اسٹیٹمنٹ، ورلڈ بینک پاکستان ڈویلپمنٹ اپ ڈیٹ اور نیوز رپورٹس)

### بینکنگ انڈسٹری کا جائزہ

سال 2023 میں پاکستان میں بینکنگ سیکٹر نے لچک اور عزم کا مظاہرہ کرتے ہوئے مشکل معاشی حالات کے باوجود ترقی کی۔ ملکی مالیاتی شعبہ کو سخت حالات کا سامنا تھا اور مہنگائی کی زیادہ شرح اور طویل غیر یقینی صورتحال کی بدولت آپریٹنگ ماحول دباؤ کا شکار رہا، اس کے باوجود بینکنگ سیکٹر نے اثاثوں میں 29.5 فیصد کا نمایاں اضافہ حاصل کیا جس کی بنیادی وجہ حکومتی سیکورٹیز میں سرمایہ کاری ہے۔ اس کے علاوہ ڈیپازٹس میں 24.2 فیصد کا مستحکم اضافہ دیکھنے کو ملا جس کی بنیادی وجہ بینکوں کی طرف سے ڈیپازٹس پر زیادہ منافع کی پیش کش تھا۔ 2023 میں بینکنگ شعبہ کے ایڈوانسز میں 3 فیصد کا معمولی اضافہ ہوا۔ اس سے نجی شعبہ کے ایڈوانسز میں کمی کا اظہار ہوتا ہے جبکہ سرکاری شعبہ نے بالخصوص کموڈٹی فنانس آپریشنز کیلئے اضافی فنانسنگ حاصل کی۔ اثاثوں کے معیار کے اشاریے میں معمولی کمی ظاہر ہوئی۔ غیر فعال قرضے (NPLs) سے کل قرضوں کا تناسب 31 دسمبر 2023 کے اختتام تک 7.3 فیصد کے مقابلے میں 31 دسمبر، 2023 کے اختتام تک 7.6 فیصد تک پہنچ گیا۔ بینکوں نے اپنی آمدن میں سے پروویژننگ کی رقم زیادہ مختص کر کے اس کا انتظام کیا۔

بینکوں کے منافع کے اشاریوں نے نمایاں بہتری دکھائی۔ بینکنگ انڈسٹری کے اثاثوں پر قبل از ٹیکس منافع 2022 میں 2.1 فیصد کے مقابلے میں بہتر ہو کر 2023 میں 3.3 فیصد ہو گیا۔ بینکنگ شعبہ کا کپٹل ایڈووکیسی ریشو (CAR) 2023 کے اختتام تک بہتر ہو کر 19.7 فیصد ہو گیا جبکہ 2022 میں یہ شرح 17 فیصد تھی۔ دیوالیہ نہ ہونے کے حوالے سے اشاریے مزید بہتر ہو گئے جس سے بینکنگ شعبہ کو شدید ممکنہ خطرات کو برداشت کرنے کی صلاحیت میں اضافہ ہوا۔

(ماخذ: ایس بی پی - اقتصادی ڈیٹا اور اشاعت)



## ڈائریکٹرز کی رپورٹ

### معزز اراکین

بورڈ کی جانب سے ہم 31 دسمبر 2023 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 شیڈیول اسلامی کمرشل بینک کے طور پر کام کرتا ہے۔ 31 دسمبر، 2023 تک بینک 440 برانچوں بشمول 60 ذیلی برانچوں کے ساتھ اپنے معزز صارفین کو شریعت کے مطابق مالی مصنوعات فراہم کر رہا ہے جن میں کارپوریٹ اور کمرشل فنانشنگ، ایس ایم ای اور زرعی فنانشنگ، کنزیومر فنانشنگ، ٹریڈ فنانس، ریٹیل بینکنگ، انویسٹمنٹ بینکنگ، ٹریڈری سروسز، ڈیجیٹل ڈیپوزیٹری چینلز، کیش مینجمنٹ، ایمپلائئی بینکنگ سروسز اور ویلٹھ مینجمنٹ سروسز شامل ہیں۔

### معیشت اور صنعت کا جائزہ

#### معیشت کا مختصر جائزہ

مالی سال 2023 میں پاکستان کی معیشت سست روی کا شکار رہی۔ مالی سال 2022 میں 6.17 فیصد نمو کے بعد پاکستان کی حقیقی جی ڈی پی 0.17 فیصد تک سکڑنے کا اندازہ ہے۔ معاشی ترقی میں کمی کی وجوہات میں ملکی اور غیر ملکی حالات، جیسا کہ 2022 کے سیلاب، درآمدات اور کیپٹل فلو پر پابندیاں، سخت مالیاتی پالیسیاں، ملکی سیاسی عدم استحکام، عالمی اجناس کی قیمتوں میں اضافہ اور سخت عالمی مالیاتی حالات شامل ہیں۔ مالی سال 2024 کی پہلی ششماہی میں معاشی صورتحال مالی سال 2023 کے چیلنجز کے مقابلے میں بتدریج بہتر ہوئی جو مجموعی معاشی سرگرمی کی بحالی کا سبب بنا۔ حالانکہ پاکستان میں اقتصادی سرگرمی مستحکم ہو چکی ہے اس کے باوجود آؤٹ لک مبہم ہے جس کا انحصار پالیسیوں کے بہتر نفاذ پر ہے۔ سخت مالیاتی پالیسیوں، محدود مالی حالات اور کمزور عالمی تجارت اور سرمایہ کاریوں کے باعث عالمی معاشی نمو 2024 میں سست رہنے کی توقع ہے۔ اقتصادی آؤٹ لک کو لاحق خطرات میں مشرق وسطیٰ میں جاری تنازعہ کے باعث اجناس مارکیٹ میں خلل، بڑھتے ہوئے قرض اور قرض اخراجات کے درمیان مالیاتی دباؤ، افراط زر میں مسلسل اضافہ، چین میں توقع سے زیادہ کمزور اقتصادی سرگرمی اور موسمیاتی تبدیلی سے ہونے والی آفات شامل ہیں۔ عالمی بینک کا عالمی معاشی جائزہ (جنوری 2024) کے مطابق عالمی معاشی نمو 2023 میں 2.6 سے کم ہو کر 2024 میں 2.4 رہنے کی توقع ہے جبکہ 2025 میں یہ نمو 2.7 فیصد رہے گی۔

آئی ایم ایف کے مطابق پاکستان کی مالی سال 2024 کیلئے جی ڈی پی کی شرح نمو 2.5 فیصد جبکہ عالمی بینک اور ایشیائی ترقیاتی بینک (اے ڈی بی) کے مطابق بلترتیب 1.7 فیصد اور 1.9 فیصد رہنے کی توقع ہے تاہم پائیدار ترقی کا انحصار کاروبار کرنے کے حوالے سے اعتماد کی بلند سطح، سیاسی استحکام، اقتصادی ایڈجسٹمنٹ پروگرام کے نفاذ، درآمدات میں نرمی، موزوں موسمی حالات اور عام انتخابات 2024 کے بعد حکومت کی ہموار منتقلی پر ہے۔

## Annexure to Director's 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	As at January 01, 2023	As at May 10, 2023 (i.e. at the date of election)	Shares Purchased/ (Sold) during the Period	As at December 31, 2023
Mr. Suleman Lalani	Chairman	-	200,647	*(114,384)	86,263
Mrs. Shamsa Suleman (Spouse of Mr. Suleman Lalani)		-	73,997	*(42,434)	31,563
Mr. Akhtar Abbas	Director	-	500	-	500
Mr. Ali Hussain	Director	219,893,560	-	*(102,640,072)	117,253,488
Ms. Iffat Zehra Mankani	Director	-	500	-	500
Mr. Haider Ali Hilaly	Director	91,000	-	** (60,000)	31,000
Mr. Sulaiman Sadruddin Mehdi	Director	1,000	-	-	1,000
Mr. Syed Ali Hasham	Director	501	-	-	501
Mr. Aasim Saleem	Executive	92,400	-	*(52,934)	39,466

\*Shares sold under the public offer made by JS Bank Limited pursuant to Takeover Law/Regulations.

\*\* On June 26, 2023, Mr. Haider Ali Hilaly had sold 60,000 shares of the Bank.

- As at January 01, 2023, Directors of the Bank namely Dr. Amjad Waheed was holding 550 shares of the Bank, Dr. Lalarukh Ejaz was holding 500 shares and Mr. Tasnim-ul-Haq Farooqui was holding 500 shares of the Bank, they were retired on May 10, 2023. During the period from January 01, 2023 to May 10, 2023, no sale / purchase were made by them in Bank's shares.

# Achievements and New Initiatives

## Distribution

Year 2023 was a remarkable year for the Bank where it crossed Rs.500 billion landmark and closed deposit base at Rs.522 billion with a healthy growth rate of 25.6%. Beefing up field force, on-boarding freelance Business Professionals and hiring sales staff from rural areas along with right proposition of branch network, launching of new products and active marketing campaigns had been instrumental in enhancing the Bank's low-cost deposit.

Besides focusing on generating low-cost deposit, tapping new market segments remained the Bank's focus. In this respect, the Bank has increased its footfall in Digital Service Centres. Besides this, the Bank has also focused on enhancing its Priority Banking segment focusing on provision of personalized Shariah-compliant financial solutions to its valued customers paving way to maintain key relationships as a source for healthy deposit base. The Bank has been honoured by the Ministry of Religious Affairs (MORA), to collect Hajj applications and secured 9th position in the industry.

## Corporate Banking

Corporate Banking (CBG) pursued organic growth and expanded its penetration in major areas such as Trade, Corporate and Commercial Financing, Cash Management and Employee Banking. CBG's customer base continued to expand throughout 2023, solidifying its presence within key business segments.

In the year 2023, CBG demonstrably strengthened its position in the export trade arena. The Bank's commitment to increasing its share of export-related business yielded a significant 38% growth in this segment. This expansion helped improve the Bank's import-export mix to a more balanced 56:44 ratio compared to the previous year's 72:28. Notably, CBG achieved this progress even amidst monetary restrictions.

## Investment Banking

Investment banking played a key role in boosting the Bank's bottom line in 2023. Fee income, financing income, and float income were generated through various successful transactions, including syndicated financing, project finance, structured finance, and capital market activities. Notably, the Investment Banking department arranged six transactions for reputable clients like Masood Spinning Mills Ltd. and OBS Pharma. Additionally, the department has secured a multi-billion deal pipeline for future participation in syndicate transactions and infrastructure project financing.

Further bolstering its capabilities, the Bank secured a five-year appointment as Joint Financial Advisor (JFA) for the issuance of various Shariah-compliant instruments throughout 2023. This included advising the Government of Pakistan (GoP) on issuing fixed and floating-rate Sukuk.

The Bank's Ehad Sukuk-II, an Additional Tier 1 (ADT-1) eligible sukuk, has successfully been subscribed. The issue, with a total value of Rs. 1 billion, including a pre-IPO portion of Rs. 850 million, will strengthen the Bank's capital structure and enabling further business growth.

## Cash Management

In today's dynamic financial landscape, digitalization is paramount. Recognizing this, BankIslami's Cash Management Department actively drives efficiency, enhanced customer experience, and sustainable growth through transformative initiatives. Aligning with the State Bank of Pakistan's digitalization efforts and leveraging solutions like Raast, BankIslami facilitates seamless digital payments, promoting financial inclusivity and accessibility across corporate and business segments.

Year 2023 experienced significant strides. This was evident in various accomplishments throughout the year. Notably successful acquisition of new multi hundred Cash Management mandates during the year, is a testament to the trust and confidence clients placed in our services. Additionally, the department's digital platform demonstrated

remarkable scalability and efficiency, processing over 1.1 million transactions through Bank. Moreover, their ability to drive sustainable revenue was underscored by generating handsome float income, while simultaneously offering value-added services. These achievements not only reflect the department's proficiency but also its unwavering commitment to delivering exceptional results.

Looking ahead, the Bank remains committed to transforming Cash Management into comprehensive Transaction Banking services. They aim to empower customers with tailor-made solutions, greater control, and convenience, paving the way for sustained growth and success. The Bank's unwavering dedication to customer-centricity, digital excellence, strategic partnerships, and stakeholder value creation positions them to lead the way towards a more connected, efficient, and inclusive banking ecosystem.

### **Employee Banking**

Employee Banking (EB) services saw impressive growth during the year, with a 330% increase in new-to-bank (NTB) payroll accounts compared to the previous year. This surge reflects the trust of both employees and employers, as well as our corporate clients. We on-boarded over 500 new companies, expanding our client base and reinforcing our position as a trusted financial partner. With total portfolio exceeding 5% of total Bank accounts, our services are relied upon by corporate and business customers for their banking needs.

Our commitment to Shariah-compliant and innovative solutions has resonated across all customer segments. Looking ahead, we are dedicated to sustaining momentum and enhancing our EB services. Planned initiatives include introducing a Digital Asaan Account for EB Payroll, adding Takaful features for account holders, establishing a Dedicated Corporate Service Desk, and implementing a Complaint Resolution System. With a focus on customer-centricity and innovation, we aim to drive financial inclusion and sustainable growth in the future.

### **SME Banking**

Throughout the year, the SME Banking department demonstrated consistent growth, particularly in acquiring new-to-bank (NTB) customers, facilitated by targeted direct marketing initiatives. Notably, the utilization of the export-based financing product "Export Sahulat Finance" led to approved funded arrangements with a noteworthy addition to the funded disbursed portfolio. Moreover, the department significantly contributed to the Bank's trade business, achieving a milestone of contributing around 37% export-related trade transactions. In line with enhancing its service offerings, the Bank introduced programs for Commodity Finance, focusing initially on rice and later other crops.

### **Consumer Finance**

Despite a challenging consumer financing landscape, the Bank has prioritized customer satisfaction through several key initiatives. Which include discounted rates, tailored offerings for valued and potential customers, fixed-profit pricing, strategic alliances with major auto manufacturers for enhanced and fast-paced auto-financing service. Furthermore, the Bank embarked on a digitization journey to streamline auto-financing processes. Moreover, the Bank has also automated the loan approval procedure for Muskun Financing, which will reduce transaction turn-around time significantly. These initiatives demonstrate the Bank's commitment to innovation and customer-centricity, providing a smoother and more efficient experience for both individual and business clients.

### **Marketing**

Throughout the year, the Bank embarked on several noteworthy initiatives, demonstrating strategic prowess and a commitment to engaging with its audience effectively. Among the highlights was the re-launch of "One Touch Banking," strategically aligned with the Pakistan Super League (PSL) to leverage its impact. Leveraging diverse marketing channels such as television commercials, digital platforms, billboards, and branding on red buses during PSL matches, the Bank successfully connected with cricket enthusiasts and raised awareness about One Touch Banking.

In line with its commitment to community engagement, the Bank assumed the role of exclusive banking partner for the Eat Festival across Karachi, Lahore, and Islamabad. Additionally, the Bank launched a patriotic Independence Day campaign titled “Yeh Tarana Dua Rakhna,” which received extensive coverage on television, radio, and digital platforms, resonating strongly with the audience.

Lastly, Bank’s 19% TDR deposit campaign, themed “Mehngai Say Na Ghabrana, Halal Munafa Mahana,” was strategically promoted through radio, print, digital media, and red bus branding, demonstrating the Bank’s dedication to offering competitive and appealing financial products to its clientele.

## **Mashal Banking**

Under the umbrella of BankIslami Mashal Women Banking, the Bank introduced the Mashal Asaan Account, an exclusive deposit product tailored for the female population of Pakistan. This account, requiring only a CNIC for opening, caters to women from all walks-of-life and offers a range of attractive features. Additionally, to facilitate access to financing for women entrepreneurs, Bank launched Mashal Business Finance, a low-cost financing facility operating under the State Bank of Pakistan’s subsidized scheme. The Bank intends to expand its product offerings based on gender-specific insights to better address the unique financial requirements of its female clientele.

Notably, BankIslami achieved its yearly targets under the State Bank of Pakistan’s Banking on Equality (BOE) policy. As of December 31, 2023, the Bank’s women employee ratio stood at 11%, marking a significant increase in female employment by 49%. Concurrently, the number of female active accounts saw a notable rise of 40% in the year 2023.

In a bid to create women-friendly branches, BankIslami established Women Customer Facilitation Desks at 262 touch points and provided gender sensitivity training to 70% of its staff. Furthermore, the Bank conducted Mashal Talks, comprising online and onsite financial education and literacy programs covering topics such as financial wellness, digital banking, and entrepreneurship. Additionally, the Mashal Women Banking web page underwent a revamp to enhance user experience and accessibility.

In its commitment to social responsibility, BankIslami undertook various initiatives during PINKtober to raise breast cancer awareness. These activities included awareness sessions for female employees and customers, along with offering discounts on diagnostic tests through debit cards. Staff members also wore pink ribbons throughout the month in solidarity with the cause.

## **Shariah**

In 2023, Products & Shariah Structuring department provided crucial support to all business units, ensuring Shariah-compliant solutions for client financing and deposit needs. Notably, the Bank closed a unique syndicate transaction for brand acquisition and received the IFN Award in the ‘Musharakah’ category for a deal in the textile sector. Additionally, BankIslami played a pivotal role in the development of the Islamic Capital Market and provided Shariah Technical Services to a renowned Asset Management company, resulting in substantial fee income.

Islamic Banking awareness initiatives were a key focus, with collaborations with academic institutions such as the University of Lahore and IoBM, and conducting seminars and workshops at various educational institutions across Pakistan. The Bank also organized online workshops and launched a free-of-cost online workshop series titled “Learn Islamic Banking with BankIslami,” aiming to educate the public about Islamic banking concepts and products.

In an effort to spread Islamic awareness among differently abled persons, Bank conducted awareness seminars in sign language and released informative videos on Shariah governance practices. Under the Deen Connect program, the Bank conducted workshops, courses, and webinars to propagate teachings of Islam, covering topics such as Quranic Arabic, Tajweed, and Islamic finance.

On the corporate social responsibility front, Bank embarked on several initiatives, including the BankIslami’s Rozgar

Project aimed at providing training and employment opportunities to unskilled workers. The Bank also contributed to disaster relief efforts, facilitated the construction of homes for flood affectees, and supported the establishment of a Safe City Center in Mirpur, Azad Jammu & Kashmir.

## Risk Management

In pursuit of a paperless environment, the Corporate Credit Department launched the Electronic-FOAS (e-FOAS) system in June 2023 for initiating credit proposals. The department digitized Inter Office Memorandum (IOM) procedures, launched in January 2024, to improve turnaround times and achieve paperless operations.

Aligned with sustainability goals, the State Bank of Pakistan established the Green Banking Office, with a designated Green Banking Officer overseeing environmental risk management and policy development. The Bank introduced green initiatives such as e-advertisements, solar energy systems in over 150 branches, and a shuttle service to reduce carbon emissions from commuting, reflecting its commitment to sustainability.

In operational risk management, various initiatives were undertaken to enhance awareness and streamline processes. Operational Risk Coordinators/ Champions (ORCs) were appointed in each department, with specific responsibilities outlined to facilitate operational risk activities. Training sessions were conducted for ORCs and mid-tier management to bolster awareness, supplemented by video tutorials and quizzes accessible through the HR learning portal.

## Information Technology

The Information Technology at BankIslami remains dedicated to enhancing the Bank's service level standard with enhanced cybersecurity posture through various initiatives. This includes strengthening existing IT and information security controls, conducting internal security and risk assessment.

The Bank has launched during the year first of its kind Debit Card in Pakistan for IT Exporters & Freelancers in conjunction with State Bank of Pakistan's EPB initiatives. The Bank's initiative has received an overwhelming response in the market. The Bank entered into an agreement with one of the largest Bill Payment aggregator where the Bank can not only leveraging from their expertise to generate revenue but will also facilitate its customers. RAAST is Pakistan's first free instant payment platform developed by SBP. The Bank stood 2nd in the industry in terms of transaction conversion. Further, the Bank became the first bank to implement P2P QR Codes for merchant payments at their outlets.

Digital landscape of banking transactions has witnessed unprecedented growth during a last decade, where satisfaction of tech savvy customers is one of the key success factors. The Bank has ensured during the year, to make its mobile app/ internet banking services up during the year and succeeded to achieve uptime of 98% with digital transactions increased by 85% and user growth in user base by 162%.



# 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, management is continuously introducing improvements in internal control system to ensure 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 lines of authority and responsibility have been established in order to ascertain accountability and maintain an 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 ensure 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, projection of current evaluations with respect to its effectiveness for 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 documenting and benchmarking existing internal processes and controls relating to financial reporting. These process and controls are reviewed and updated periodically.

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, now the Bank's Internal Audit Department annually assesses the efficacy of the ICFR and presents its report to the Board Audit Committee for review.

Based on the results of the ongoing evaluation of internal controls carried out during the year, the Management considers that in general, 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.

The Board of Directors duly endorses above management's evaluation of the internal control system.

#### For and On Behalf of the Board



Rizwan Ata  
President & CEO

Date: February 28, 2024

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

## For the year ended December 31, 2023

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:

<b>i)</b>	<b>Independent Directors</b>
	1- Mr. Akhtar Abbas
	2- Mr. Haider Ali Hilaly
	3- Mr. Sulaiman Sadruddin Mehdi
<b>ii)</b>	<b>Non-executive Directors</b>
	1- Mr. Suleman Lalani
	2- Mr. Ali Hussain
	3- Ms. Iffat Zehra Mankani
	4- Mr. Syed Ali Hasham
<b>iii)</b>	<b>Executive Director</b>
	1- Mr. Rizwan Ata, President & Chief Executive Officer *
<b>iv)</b>	<b>Female Director</b>
	1- Ms. Iffat Zehra Mankani

Note: The board of directors was elected effective from May 10, 2023.

\* Appointed as President & CEO effective from September 29, 2023 in place of Mr. Syed Amir Ali.

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. During the year, the Board of Directors has approved revised vision and mission statements of 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 these 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 have a formal policy and transparent procedures for remuneration of directors in accordance with SBP's Corporate Governance Regulatory Framework, Act and the Regulations.
9. The Board has arranged Directors' Training Program for Mr. Akhtar Abbas, Independent Director, and Mr. Rizwan Ata, President & Chief Executive Officer, during the year. Further, Mr. Suleman Lalani, Ms. Iffat Zehra Mankani, Mr. Haider Ali Hilaly, Mr. Sulaiman Sadruddin Mehdi and Mr. Syed Ali Hasham have already attained Directors training program certification. Moreover, Mr. Ali Hussain meets the requirements of exemption under the Regulations.
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:

Board Audit Committee:

**Chairperson**

Mr. Haider Ali Hilaly

**Members**

Ms. Iffat Zehra Mankani

Mr. Sulaiman Sadruddin Mehdi

Mr. Syed Ali Hasham

Board Human Resource & Remuneration Committee

**Chairperson**

Mr. Akhtar Abbas

**Members**

Mr. Suleman Lalani

Ms. Iffat Zehra Mankani

Mr. Syed Ali Hasham

Board Risk Management Committee

**Chairperson**

Ms. Iffat Zehra Mankani

**Members**

Mr. Sulaiman Sadruddin Mehdi

Mr. Syed Ali Hasham

Mr. Rizwan Ata, President & CEO

Board Information Technology (IT) Committee

**Chairperson**

Mr. Haider Ali Hilaly

**Members**

Mr. Suleman Lalani

Mr. Akhtar Abbas

Mr. Rizwan Ata, President & CEO

Note: Subsequent to election of Directors and after receipt of SBP clearance, the Sub-Committees of the Board were re-constituted in the board meeting of the Bank held on July 25, 2023.

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:

Board Audit Committee	Quarterly
Board Human Resource & Remuneration Committee	Half Yearly
Board I.T Committee *	Quarterly
Board Risk Management Committee *	Quarterly

\* The Terms of Reference of the Committees were revised on October 4, 2023. Accordingly, the meetings of these Committees will be held on quarterly basis.

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.



Rizwan Ata  
President & Chief Executive Officer



Suleman Lalani  
Chairman

Date: February 28, 2024



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Chartered Accountants  
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## INDEPENDENT AUDITOR'S 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 2023 in accordance with the requirements of Regulation No. 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.

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 2023.

**Date: 4 March 2024**

**Karachi**

**UDIN: CR202310106eZLhygWjP**



**KPMG Taseer Hadi & Co.  
Chartered Accountants**



# Shariah Supervisory Board Report - 2023

## BankIslami Pakistan Limited

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، و الصلاة والسلام على سيد الأنبياء و المرسلين، و  
على آله و أصحابه أجمعين، و بعد

All thanks and praise to the Almighty Allah, with Whose aid BankIslami successfully concluded the year 2023 in the face of a volatile economy. While redefining its vision, BankIslami has embarked on a commendable journey towards fostering global economic prosperity. We endorse the institution's commitment to its redefined core values, emphasizing 'innovation,' 'meritocracy,' 'teamwork,' 'people-centricity,' and 'Shariah excellence.' We believe that with these principles, the Bank will continue to pursue its mission of saving humanity from Riba.

The Shariah Supervisory Board hereby presents its Annual Report on the affairs of BankIslami for the year ended December 31, 2023.

The Shariah Supervisory Board (SSB) convened four quarterly meetings during the year to review and approve various matters including product and service innovations, conceptual developments, transactions and associated Shariah considerations. Additionally, two meetings were also held with the Board of Directors to discuss the Shariah Compliance environment of the Bank. The Shariah Compliance Department maintained close coordination with the SSB for seeking Shariah based guidance and rulings on different issues, which allowed it to provide timely responses and solutions for business and other support functions of the Bank.

### Shariah Compliance

The Shariah Supervisory Board is assisted by the Shariah Compliance Department (SCD) in developing a comprehensive Shariah Compliance framework for all areas of operations, and in ensuring adherence to it through the Bank's management.

Shariah compliance is maintained and strengthened by SCD through a continuous process of designing, implementing and monitoring the necessary internal Shariah controls. In this endeavor, different Shariah review activities were carried out through the year and various process improvements were introduced, and guidelines / instructions issued under the guidance of the Shariah Board.

In order to strengthen and ensure Shariah compliance, the roles and significance of different departments with respect to execution and submission of various transaction documents were further defined by SCD. Moreover, the process for renewal of Transaction Fact sheets (TFS) and obtaining Shariah approval thereon

#### Shariah Guidelines in respect of the following processes were issued during the year:

- Renewal of Transaction Fact Sheet
- Submission of Documents to Credit Administration Department (CAD) & Centralized Trade Finance (CTF)
- Deposit of Dividend Warrants at BankIslami Counters
- Issuance of Letter of Credit (Charter Party)
- Islamic Banking Education Initiatives for the Bank's Staff
- Shariah Self-Review Checklist for Branches
- Instructions regarding submission of Delivery Documents to CAD & CTF in Istisna & Salam Transactions

was simplified and made more convenient for the stakeholders.

An important initiative taken during the year to manage Shariah non-compliance risks was the development and issuance of Shariah review checklists for the staff executing different stages of financing transactions, with the goal that self-review will allow for timely identification and rectification of any potential non-compliance by the process owners.

SCD continued to monitor the Bank's operational activities during the year by reviewing more than 2,500 cases including TFS, bank guarantee drafts and agreements. Monitoring of the different stages of execution of financing transactions involving delivery of goods, etc. was also carried out through video calling and physical client visits, in order to ensure that the instructions of SSB were complied with throughout the transactions.

SCD also performed extensive post-execution Shariah Review of different functions and operations during the year. Furthermore, regular reviews of the Pool Management function were carried out throughout the year, in line with regulatory requirements.

In pursuance of the aim to provide innovative, Shariah compliant solutions and simplify procedures, product manuals and policy and procedural documents prepared or revised during the year, including any new financing facilities being launched were reviewed wherein it was ensured that potential Shariah non-compliance risks were thoroughly identified and appropriately addressed in these documents.

In addition to the above, the SSB was assisted by SCD in reviewing and approving the Bank's marketing materials for the year, including social media posts, sponsorship content and marketing collaterals.

The SSB also determined corrective actions on reports issued by SCD, Internal and External Shariah Audit Reports and SBP Inspection Reports.

### **Shariah Compliance at the Branch Level**

Our branches are the representatives of Islamic Banking for customers and public at large, due to which Shariah compliance and satisfactory Shariah knowledge is especially important at the branch level. Accordingly, the team conducted sample based 'Shariah Review and Knowledge Assessment' of branches across the country to ensure that a strong Shariah compliance environment was maintained at the branch level.

In order to further strengthen the level of compliance with regulatory and SSB guidelines by branches, and improve the Islamic banking knowledge of branch staff, a branch-specific Risk Control and Self-Assessment (RCSA) document capturing Shariah Non-Compliance risks and actions to mitigate them was disseminated among the branches, while also implementing a self-review system and circulating an Islamic Banking learning plan, to be executed by branches on an ongoing basis. Shariah knowledge assessment has also been included in the promotion criteria for the Branch Manager and Area Manager positions.

SCD also formed an alliance with the Service Quality (SQ) team during the year, in order to effectively increase the coverage of Shariah review of branches.

The Shariah Supervisory Board commends the commitment of the Board of Directors to strengthen the Shariah Compliance environment of the Bank and appreciates the Management on providing the utmost support to SCD in discharging its responsibilities.

## Shariah Structuring and Advisory

The Shariah team continued to provide Shariah Structuring support to all business units, enabling them to cater to the financing needs of clients in a Shariah compliant manner. Research activities carried out in this respect included visits to different Corporate & SME clients, enabling the team to keep abreast with the latest industry practices and to understand the peculiarities of different businesses.

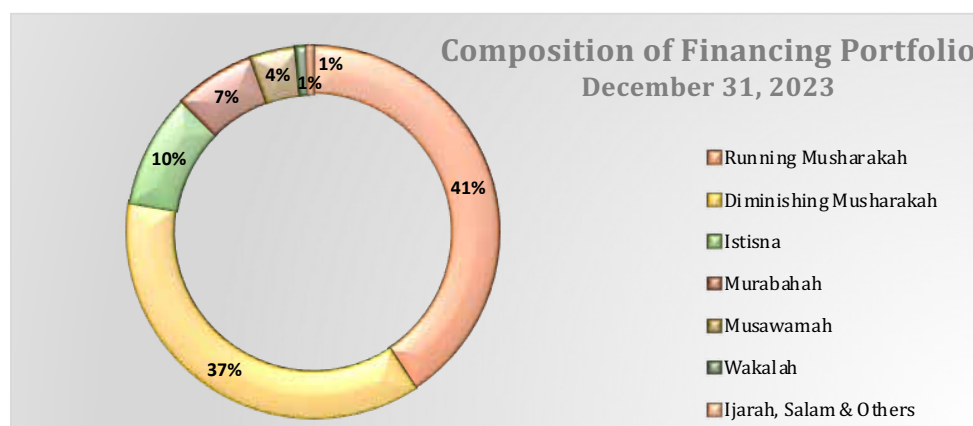
BankIslami was awarded the IFN Award in the 'Musharakah' category in respect of a deal in the textile sector, in 2023.

In the domain of Investment Banking, the Bank notably closed a unique syndicate transaction for brand acquisition, having royalty payments added against intangible assets.

The Bank also continued to play its role in the development of the Islamic Capital Market by acting as Shariah Structuring Bank in Islamic Commercial Papers and Sukuk transactions, notably the first Shariah Compliant Zero Coupon 1 year GOP Ijarah Sukuk as a Joint Financial Advisor (JFA) of Ministry of Finance, Government of Pakistan. In addition to the above, the Shariah team contributed to various working groups constituted by the State Bank of Pakistan for transformation of the banking sector into Islamic, during the year.

## Composition of Financing Portfolio

The Bank used a variety of Islamic modes to provide financing to its customers during the year. As at December 31, 2023 the financing portfolio comprised of products based on Running Musharakah (41%), Diminishing Musharakah (37%), Istisna (10%), Murabahah (7%), Musawamah (4%), Wakalah (1%), Ijarah (0.2%), Salam and other modes of financing (0.29%), as illustrated by the following diagram:



## Shariah Training and Development

In order to ensure exposure of the Bank's staff to developments in the field of Islamic Banking, they were apprised of the AAOIFI Shariah Standards adopted by SBP and hence applicable on the Islamic Banking practice in Pakistan, as relevant to their domains.

During the year, more than 160 training sessions (classroom and online) of Islamic Banking concepts were conducted in various cities with more than 3,700 participants having attended these sessions. These sessions also included

specific Shariah training of staff, arranged to effectively manage the operational Shariah Non-Compliance Risk (SNCR) related to their roles.

The Certified Islamic Corporate Banker (CICB) and Certified Islamic Retail Banker (CIRB) programs continued in 2023, providing new batches of participants with the thorough learning experience, along with certificates accredited by the Institute of Business Management (IoBM) and monetary incentives.

A Memorandum of Understanding was signed with the Institute of Bankers Pakistan, marking the commencement of the “360 Degree Learning & Professional Development of Branch Staff” via the Branch Management Development Program, the content for which was developed by SCD.

SCD also took an initiative to arrange training sessions by renowned Shariah Scholar & Industry practitioner for the management tier, with the aim of aligning employees’ mindset with the philosophies of Islamic Banking and Customer Service.

Training sessions arranged for the Shariah Supervisory Board (SSB) members during the year included, among others, a session on “Understanding and Responding to the Economists’ Critique of Islamic Banking”, while an orientation session on the Shariah Governance Framework was also conducted for the Board of Directors, by the SSB.

A unique session titled “Mukaalma” was also arranged for the HoDs, where their questions regarding the philosophy, products, practices and critique of Islamic Banking were answered by a panel comprising the SSB members of the Bank.

### **Islamic Banking Awareness Related Initiatives**

In line with the Bank’s mission of saving humanity from Riba, a number of awareness initiatives were carried out by the Bank, the details of which are as follows:

#### **Collaboration with Academia**

BankIslami and University of Lahore (UOL) executed a Memorandum of Understanding (MOU) for the development of Islamic Banking related courses, programs and certification, including UOL’s flagship program ‘Post Graduate Diploma in Islamic Banking’.

In continuation of its efforts to forge meaningful partnerships with the academia, BankIslami collaborated with the Center for Islamic Business & Finance, IoBM for a workshop on “Islamic Trade Finance - A Practical Approach”.

BankIslami collaborated with the Centre for Excellence in Islamic Finance (CEIF) IMSciences, Peshawar to conduct Islamic Banking awareness seminars at difference institutions including University of Science & Technology - Bannu, Abdul Wali Khan University Mardan, Jamia Darul Uloom Haqqania (Akora Khattak), University of Malakand, FATA University, Jamia Darul Uloom Arabia Gujrat (Mardan), University of Chitral, etc. and also participated as a “Knowledge Partner” at the seventh Islamic Banking and Finance Summer School, organized by CEIF IMSciences, Peshawar.

Sessions were also organized at educational institutions for women, such as Madrasa Muslim Educational Center, Peshawar and Shaheed Benazir Bhutto Women University.

## Islamic Banking Awareness for the General Public

Islamic Banking Awareness seminars were conducted in different institutions including Hamdard University, Sukkur IBA University, Iqra University, Indus Hospital School of Nursing and Midwifery, COMSATS University, Riphah International University, Fatima Jinnah Women University, NED University, COMSATS University, UIT University, GIFT University, etc.

Islamic Banking awareness sessions were also conducted in several rural areas for the promotion of Islamic Banking and Agriculture related products & services. These events were held in areas such as Matiari, Tangwani, Badin, Mehar, Kandhkot, Dadu, Chuhar Jamali, Ghotki, Sanghar, etc.

A free of cost online workshop series titled “Learn Islamic Banking with BankIslami” was conducted during the period. The series, comprising of ten (10) workshops, targeted to provide understanding of basic Islamic Banking concepts and the details of products offered by BankIslami.

In continuation of the Bank’s efforts to spread Islamic awareness across the masses, a booklet on “Zakat” was published, providing readers with comprehensive information pertaining to this important pillar of Islam.

## Awareness Initiatives for Differently-abled Persons

Islamic Banking awareness seminars in Sign Language were conducted for the differently-abled community in various cities in collaboration with Hamdard University and Deaf Reach School & College Rashidabad. These sessions were unique in the sense that the audience comprised of differently-abled persons, and received a very positive response from the audience. BankIslami remains the only Islamic Bank in Pakistan to have organized such awareness seminars in Sign language for the public over last few years.

As a part of an ongoing video series, a Sign Language video titled “Shariah Governance Framework” was released on social media. The video, with English subtitles and Urdu voice-over, explained the structure of Shariah Governance System practiced in the local Islamic banking industry.

## Deen Connect Program

Under this prominent initiative for promoting Islamic awareness, the Bank has consistently organized a wide range of workshops, courses and webinars with the goal of disseminating the teachings of Islam, free-of-cost. A summary of Deen Connect sessions successfully conducted during the year is as follows:

- One batch each of the “Quranic Arabic” and “Quranic Tajweed” course;
- Online Summer Camp for students under the theme “Basic Fahm-e-Deen”, teaching a brief biography of Holy Prophet (S.A.W.), and recitation, translation and short Tafseer of Quranic verses routinely recited in Namaz;
- A series of thirty (30) daily videos titled “Maali Muamlat ke Sharayi Ahkam”, with Shariah Scholars of BankIslami discussing the Shariah aspects of different practices prevalent in the market - released on social media and aired on the TV channel “Express News” during Sehri and Iftar transmissions in the holy month of Ramadan;
- Online workshops on different topics such as Istiqbaal-e-Ramadan, Islamic Law of Inheritance, Tarjuma and Short

Tafseer, Paigham-e-Hadith, The Event of Meraj, Understanding of Zakat, Zuhijjah and Qurbani: Importance and Rulings, Importance of Hajj, Family Business, and women specific Islamic awareness sessions, etc.

### Charity

The Bank received an amount of Rs. 48.08 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. 6.1 million was declared as Shariah non-compliant and accordingly set aside for charitable purposes.

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. 0.24 million was also credited to the Charity account.

Disbursement during the year from the Charity fund amounted to Rs. 32.3 million, and all charity disbursements were reviewed and approved by the SSB. Detail of charity disbursed to various institutions is available in the notes to the annual financial statements.

### Recommendations/Suggestions

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

1. In pursuance of SBP's strategic goal of promoting inclusive and sustainable access to financial services, we would encourage research and development for formulating climate resilient and sustainable financing offerings, so that Islamic banks can also contribute to the global efforts of mitigating the adverse impacts of climate change.
2. We encourage the adoption of more bank-wide Green Banking practices.
3. Completion of the automation plan of certain processes in the Pool Management and Credit Administration functions should be expedited.
4. The efforts to train staff on Shariah aspects and SNCR relating to their specific roles should continue in the future and more functions should be brought into this ambit, such as Agri, SME, etc.
5. An intermediate level of the CIRB program should be launched, so that a greater number of the branch banking staff can benefit from it.
6. In light of the State Bank of Pakistan's strategic goal of transforming to a Shariah-compliant banking system, the scope of the Bank's Islamic Banking awareness initiatives and activities should be expanded with the objective of sensitizing the masses about Riba and increasing their understanding of the significance of an Islamic economic system.
7. We recommend regular roll-out of the Madrassah Graduate Training program, for the Bank to benefit from the knowledge of Shariah scholars in more operational areas, along with the providing the scholars a platform to train towards becoming well-rounded professionals.



## 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:

1. The Bank has complied with Shariah rules and principles in the light of Fatawa, rulings and guidelines issued by the Shariah Board.
2. 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.
3. The Bank has a comprehensive mechanism in place to ensure Shariah compliance in their overall operations.
4. 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.
5. The Bank has complied with the SBP's instructions on profit and loss distribution and pool management.
6. The Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.
7. 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 conclude this report with our best wishes for the continued success of the Islamic finance industry.



**Mufti Javed Ahmad**  
Resident Shariah Board Member

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**Mufti Muhammad Husain Khaleel Khail**  
Member, Shariah Supervisory Board

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**Mufti Syed Hussain Ahmed**  
Member, Shariah Supervisory Board

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**Mufti Irshad Ahmad Aijaz**  
Chairman, Shariah Supervisory Board

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7. شرعی ضوابط کے نفاذ اور ان کی تعمیل کے حوالے سے عملے، انتظامیہ اور بورڈ آف ڈائریکٹرز میں آگاہی، قابلیت اور جستجو قابل اطمینان ہے، تاہم بینک انتظامیہ کو ان میں اضافے کے اقدامات جاری رکھنے چاہئیں۔

ہم اسلامک فنانس انڈسٹری کی مسلسل کامیابی کے لئے نیک تمناؤں اور بہترین خواہشات کے ساتھ اس رپورٹ کا اختتام کرتے ہیں۔

و صَلَّى اللهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ



مفتی محمد حسین خلیل خلیل  
رکن، مجلس امور شرعیہ



مفتی جاويد احمد  
مقیم رکن، مجلس امور شرعیہ



مفتی ارشاد احمد انوار  
سربراہ، مجلس امور شرعیہ



مفتی سید حسین احمد  
رکن، مجلس امور شرعیہ

4. عملے کو ان کے متعلقہ کاموں کے شرعی پہلو اور ان میں موجود شرعی عدم تعمیل کے خطرات کے حوالے سے تربیت دینے کی کوششیں مستقبل میں بھی جاری رہنی چاہئیں اور اس کا دائرہ بڑھا کر مزید شعبوں جیسے شعبہ زرعی تمویل (Agri. Finance) اور چھوٹے و متوسط کاروباروں کی تمویل کے شعبے (SME) وغیرہ کو شامل کرنا چاہیے۔

5. CIRB پروگرام کا انٹرمیڈیٹ لیول شروع کیا جائے تاکہ برانچ بینکنگ سٹاف کی زیادہ سے زیادہ تعداد اس سے مستفید ہو سکے۔

6. اسٹیٹ بینک آف پاکستان کی طرف سے ملک کے بینکاری نظام کو شریعت کے مطابق تبدیل کرنے کے طویل مدتی ہدف کو سامنے رکھتے ہوئے عوام الناس کو سود کے بارے میں آگاہ کرنے اور اسلامی معاشی نظام کی اہمیت کے بارے میں ان کے فہم میں اضافے کی خاطر، بینک کے "اسلامی بینکاری آگاہی" کے اقدامات اور سرگرمیوں کا دائرہ وسیع کیا جانا چاہئے۔

7. ہم مدرسہ گریجویٹ ٹریننگ پروگرام کو مستقل بنیادوں پر جاری رکھنے کی تجویز دیتے ہیں، تاکہ بینک زیادہ عملی شعبوں میں شریعہ اسکالرز کے علم سے مستفید ہو سکے، اس کے ساتھ ساتھ اسکالرز کو ایک پلیٹ فارم بھی فراہم کیا جاسکے تاکہ وہ مکمل اور جامع پیشہ ور افراد بننے کی تربیت حاصل کر سکیں۔

## نتیجہ بحث

داخلی شرعی آڈٹ، بیرونی شرعی آڈٹ اور وقتاً فوقتاً کی جانے والی مختلف شرعی تعمیل کی جانچ پڑتال کی رپورٹس کی بنیاد اور ہماری معلومات کے مطابق، ہماری رائے ہے کہ:

1. بینک نے مجلس امور شریعہ کے جاری کردہ فتاویٰ، احکام اور رہنما ہدایات کی روشنی میں شرعی قوانین اور اصولوں پر عمل کیا ہے۔
2. بینک نے مجلس امور شریعہ کی جاری کردہ ہدایات کی روشنی میں اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ ہدایات، ضوابط اور احکامات پر عمل کیا ہے۔
3. بینک کے پاس اپنے تمام امور میں شرعی اصولوں پر عمل درآمد یقینی بنانے کے لیے ایک جامع طریقہ کار موجود ہے۔
4. ناجائز طریقوں سے حاصل ہونے والی آمدنی کا تعین کر کے اسے خیراتی اکاؤنٹ میں جمع کروانے کے عمل کو یقینی بنانے کے لیے شرعی ہدایات کے مطابق بینک کے پاس ایک جامع نظام موجود ہے۔ نیز اس غیر شرعی آمدن کے صحیح مصرف کو بھی یقینی بنانا جاتا ہے۔
5. بینک نے منافع اور نقصان کی تقسیم اور پول مینجمنٹ سے متعلق اسٹیٹ بینک کی ہدایات پر عمل کیا ہے۔
6. اپنے فرائض کو مؤثر انداز میں ادا کرنے کے لیے مجلس امور شریعہ کو بہترین اور کافی وسائل (معلومات) فراہم کیے گئے ہیں۔

میں بینک اسلامی کے شریعہ اسکالرز نے مارکیٹ میں رائج مختلف مالی معاملات کے شرعی پہلوؤں پر روزانہ کی بنیاد پر بات کی۔ ان ویڈیوز کو سحری اور افطار ٹرانسمیشن کے دوران ٹی وی چینل "ایکسپریس نیوز" پر بھی نشر کیا گیا۔

- مختلف موضوعات پر آن لائن ورکشاپس منعقد کی گئیں، جن میں استقبال رمضان، اسلامی قانون وراثت، ترجمہ و مختصر تفسیر، پیغام حدیث، واقعہ معراج، زکوٰۃ، ذوالحجہ اور قربانی: اہمیت و احکام، حج کی اہمیت، فیملی بزنس اور خواتین کے لیے مخصوص اسلامی آگاہی کے سیشن وغیرہ شامل ہیں۔

## خیرات

بینک نے ادا نیگیوں میں تاخیر پر سال کے دوران صارفین سے 48.08 ملین روپے خیرات کی مد میں وصول کیے۔ اور اس رقم کو خیراتی کھاتے میں جمع کر دیا گیا۔

سال کے دوران 6.1 ملین روپے کی آمدن کو شریعت کے مطابق نہ ہونے کی وجہ سے خیراتی مقاصد کے لیے الگ کیا گیا۔

یہ بات قابل ذکر ہے کہ چونکہ خیراتی رقوم بینک میں منافع بخش کھاتوں میں رکھی جاتی ہیں، اس لیے اس پر 0.24 ملین کا ہونے والا نفع بھی خیراتی اکاؤنٹ میں ڈال دیا گیا۔

خیراتی کھاتوں سے سال کے دوران 32.3 ملین روپے تقسیم کیے گئے۔ مجلس امور شریعہ نے تمام خیراتی ادا نیگیوں کا جائزہ لینے کے بعد انہیں منظور کیا۔ مختلف اداروں کو تقسیم کی جانے والی خیرات کی تفصیلات بینک کی سالانہ مالیاتی رپورٹ کے نوٹس میں دستیاب ہیں۔

## تجاویز

شرعی جائزوں کی رپورٹس کے مشاہدے اور بینک کے دیگر متعلقہ افراد سے موصول ہونے والی آراء کی بنیاد پر ہم مندرجہ ذیل تجاویز پیش کرتے ہیں:

1. مالیاتی سہولیات تک مکمل اور مستقل رسائی کو فروغ دینے کے لئے اسٹیٹ بینک کے طویل مدتی ہدف کو دیکھتے ہوئے، ہم ماحول دوست اور پائیدار فنانسنگ کی مصنوعات کی تشکیل کے لئے تحقیق اور ترقی کی حوصلہ افزائی کرتے ہیں، تاکہ اسلامی بینک بھی موسمیاتی تبدیلی کے منفی اثرات کو کم کرنے کی عالمی کوششوں میں اپنا حصہ ڈال سکیں۔

2. ہم بینک کی سطح پر مزید گرین بینکنگ کے طریقوں کو اپنانے کی حوصلہ افزائی کرتے ہیں۔

3. پول منجمنٹ اور کریڈٹ ایڈمنسٹریشن کے بعض کاموں کی خود کاری (Automation) کے منصوبے کی تعمیل میں تیزی لائی جانی چاہئے۔

کے لئے نشستیں منعقد کی گئیں۔

### عوام الناس کے لئے اسلامی بینکاری کی آگاہی

ہمدرد یونیورسٹی، سکھر آئی بی اے یونیورسٹی، اقراء یونیورسٹی، انڈس ہسپتال اسکول آف نرسنگ اینڈ ڈاکٹری، کامیسٹس یونیورسٹی، رفاہ انٹرنیشنل یونیورسٹی، فاطمہ جناح ویمن یونیورسٹی، این ای ڈی یونیورسٹی، یو آئی ٹی یونیورسٹی، گفٹ یونیورسٹی سمیت مختلف اداروں میں اسلامی بینکاری کی آگاہی کے لئے سیمینار منعقد کیے گئے۔

اسلامی بینکاری اور زراعت سے متعلق مصنوعات اور خدمات کے فروغ کے لئے متعدد دیہی علاقوں میں اسلامی بینکاری کی آگاہی کے لیے نشستوں کا بھی انعقاد کیا گیا۔ یہ نشستیں ٹیاری، تنگوانی، بدین، میہڑ، کندھ کوٹ، دادو، چوہڑ جمالی، گھوٹکی، ساگھڑ وغیرہ جیسے علاقوں میں منعقد ہوئیں۔

اس دوران "بینک اسلامی کے ساتھ اسلامی بینکاری سیکھیں" کے عنوان سے ایک مفت آن لائن ورکشاپ سیریز کا انعقاد کیا گیا۔ دس ورکشاپس پر مشتمل اس سیریز کا مقصد اسلامی بینکاری کے بنیادی تصورات اور بینک اسلامی کی جانب سے پیش کردہ مصنوعات کی تفصیلات کو سمجھانا تھا۔ عوام میں اسلامی تعلیمات کی آگاہی پھیلانے کے لئے بینک کی کاوشوں کو جاری رکھتے ہوئے "زکوٰۃ" پر ایک کتابچہ شائع کیا گیا، جس میں قارئین کو اسلام کے اس اہم ستون کے بارے میں جامع معلومات فراہم کی گئیں۔

### معذور افراد (PWDs) کے لئے آگاہی کے اقدامات

ہمدرد یونیورسٹی اور ڈیف ریج اسکول اینڈ کالج راشد آباد کے تعاون سے مختلف شہروں میں خالصتاً سماعت سے محروم افراد کے لئے اشاروں کی زبان میں اسلامی بینکاری کی آگاہی کی منفرد نشستیں منعقد کی گئیں، جن پر شرکاء کی طرف سے بہت مثبت رد عمل ملا۔ بینک اسلامی پاکستان کا واحد اسلامی بینک ہے جس نے عوام کے لئے اشاروں کی زبان میں اس طرح کے اسلامی بینکاری کے آگاہی سیمینار منعقد کیے ہیں۔ پچھلے سالوں سے رواں ویڈیو سیریز کے تحت "شریعیہ گورننس فریم ورک" کے عنوان پر اشاروں کی زبان میں ایک ویڈیو سوشل میڈیا پر جاری کی گئی۔ انگریزی زبان میں وضاحتی بیان اور اردو آواز کے ساتھ ویڈیو میں مقامی اسلامی بینکاری صنعت میں رائج شریعیہ گورننس سسٹم کے ڈھانچے کی وضاحت کی گئی ہے۔

### دین کنیکٹ اسلامی آگاہی پروگرام

اسلامی تعلیمات کو فروغ دینے کے اس نمایاں پروگرام کے تحت، بینک نے مسلسل وسیع پیمانے پر ورکشاپس، کورسز اور ویڈیوز کا انعقاد کیا ہے جس کا مقصد بلا معاوضہ اسلامی تعلیمات کو فروغ دینا تھا۔ اس سال کے دوران کامیابی سے منعقد ہونے والے دین کنیکٹ سیشنز کا خلاصہ درج ذیل ہے:

- "قرآنی عربی" اور "قرآنی تجوید" کورس کا ایک ایک سچ کمل ہوا۔
- طلباء کے لئے آن لائن سمر کیپ "بنیادی فہم دین" منعقد کیا گیا، جس میں آنحضرت ﷺ کی مختصر سیرت، تجوید، ترجمہ اور منتخب قرآنی سورتوں کی مختصر تفسیر کی تعلیم دی گئی۔
- رمضان المبارک کے مقدس مہینے میں "مالی معاملات کے شرعی احکام" کے عنوان سے تیس (30) ویڈیوز کا ایک سلسلہ شائع ہوا، جس

سرٹیفائیڈ اسلامک کارپوریٹ بینکر (CICB) اور سرٹیفائیڈ اسلامک ریٹیل بینکر (CIRB) پروگرام 2023 میں بھی جاری رہے، جس میں نئے شرکاء کو سیکھنے کا مکمل تجربہ فراہم کرنے کے ساتھ ساتھ انسٹی ٹیوٹ آف بزنس مینجمنٹ (IoBM) سے تسلیم شدہ سرٹیفکیٹ اور مالی انعام بھی دیئے گئے۔

انسٹی ٹیوٹ آف بینکرز پاکستان کے ساتھ ایک مفاہمتی یادداشت پر دستخط کیے گئے جس کے تحت برانچ مینجمنٹ ڈیولپمنٹ پروگرام کے ذریعے "360 ڈگری لرننگ اینڈ پرو فیشنل ڈیولپمنٹ آف برانچ اسٹاف" کا آغاز ہوا جس کے لیے شعبہ تعلیمی امور شرعیہ نے مواد فراہم کیا۔

شعبہ تعلیمی امور شرعیہ نے ملازمین کی ذہنیت کو اسلامی بینکاری اور کسٹمر سروس کے فلسفے سے ہم آہنگ کرنے کے مقصد سے مینجمنٹ کے لئے اسلامک بینکنگ انڈسٹری سے تعلق رکھنے والے معروف عالم دین کے سیشنز کا اہتمام کیا۔

سال کے دوران مجلس امور شرعیہ کے ممبران کے لئے اسلامی بینکاری کے بارے میں معاشی ماہرین کی تنقید اور ان کے جواب کے موضوع پر ایک تربیتی سیشن کا اہتمام کیا گیا، جبکہ مجلس امور شرعیہ کی جانب سے بورڈ آف ڈائریکٹرز کے لئے شریعہ گورننس فریم ورک پر ایک تعارفی نشست کا بھی انعقاد کیا گیا تھا۔ اس کے علاوہ شعبوں کے سربراہان کے لئے "مکالمہ" کے عنوان سے ایک منفرد سیشن منعقد کیا گیا، جہاں بینک کے مجلس امور شرعیہ کے اراکین پر مشتمل پینل نے اسلامی بینکاری کے فلسفے، مصنوعات، طریقہ کار اور تنقید کے بارے میں شرکاء کے سوالات کے جوابات دیئے۔

### اسلامی بینکاری سے متعلق آگاہی کے اقدامات

انسانیت کو باسے بچانے کے بینک کے مشن کو آگے بڑھاتے ہوئے بینک نے آگاہی کے متعدد اقدامات کیے گئے، جن کی تفصیلات درج ذیل ہیں:

#### تعلیمی شعبہ کے ساتھ اشتراک

بینک اسلامی اور یونیورسٹی آف لاہور نے اسلامی بینکاری سے متعلق کورسز، پروگرامز اور سرٹیفیکیشن کے لئے مفاہمت کی یادداشت پر دستخط کیے، جس میں یونیورسٹی آف لاہور کا نمایاں پروگرام 'پوسٹ گریجویٹ ڈپلومہ ان اسلامک بینکنگ' بھی شامل ہے۔

تعلیمی اداروں کے ساتھ شراکت داری قائم کرنے کی کوششوں کے تسلسل میں بینک اسلامی نے سینٹر فار اسلامک بزنس اینڈ فنانس، IoBM کے ساتھ "اسلامک ٹریڈ فنانس - ایک عملی نقطہ نظر" کے موضوع پر ایک ورکشاپ کا اہتمام کیا۔

بینک اسلامی نے سینٹر فار ایکسیلنس ان اسلامک فنانس (CEIF) آئی ایم سائنسز، پشاور کے ساتھ مل کر یونیورسٹی آف سائنس اینڈ ٹیکنالوجی بنوں، عبدالولی خان یونیورسٹی مردان، جامعہ دارالعلوم حقانیہ (اکوڑہ خٹک)، یونیورسٹی آف مالکنڈ، فائنا یونیورسٹی، جامعہ دارالعلوم عربیہ گجرات (مردان)، یونیورسٹی آف چترال وغیرہ میں اسلامی بینکاری کے آگاہی سیمینار منعقد کیے اور ساتویں اسلامی بینکاری سمر اسکول اینڈ پروڈکٹ ایکسپو میں "نانچ پارٹنر" کے طور پر بھی حصہ لیا۔

مدرسہ مسلم ایجوکیشنل سینٹر پشاور اور شہید بے نظیر بھٹو ویمن یونیورسٹی جیسے تعلیمی اداروں میں خواتین کے لیے بھی اسلامی بینکاری کی آگاہی



بینک اسلامی کو 2023 میں ٹیکسٹائل کے شعبے میں ایک معاہدے کے سلسلے میں "مشارکہ" کیٹیگری میں IFN Award سے نوازا گیا۔

بینک اسلامک کمرشل پیپر ز اور صکوک ٹرانزیکشنز کی شرعی تشکیل کی خدمات کی انجام دہی کرتے ہوئے اسلامی سرمایہ کاری مارکیٹ کی ترقی میں بھی اپنا کردار ادا کرتا رہا، جس میں خاص طور پر وزارت خزانہ (حکومت پاکستان) کے مشترکہ مالیاتی مشیر کی حیثیت سے پہلا شرعی اصولوں کے مطابق زیر و کوپن ایک سالہ گورنمنٹ آف پاکستان کے اجارہ صکوک شامل ہیں۔ اس کے علاوہ شریعہ ٹیم نے سال کے دوران اسلامی بینکاری کی ترقی اور توسیع کے لئے اسٹیٹ بینک آف پاکستان کی جانب سے تشکیل دیئے گئے مختلف ورکنگ گروپس کی سرگرمیوں میں بھی حصہ لیا۔

## تمویلی مجموعے کی ترکیب

بینک نے اپنے صارفین کو تمویل فراہم کرنے کے لیے مختلف اسلامی طریقے اختیار کئے۔ 31 دسمبر 2023ء تک تمویلی مجموعے میں رنگ مشارکہ (41%)، شرکت متناقصہ (37%)، استصناع (10%)، مرابحہ (7%)، مساومہ (4%)، وکالہ (1%)، اجارہ (0.2%)، سلم اور تمویل کے دیگر طریقوں (0.29%) پر مبنی مصنوعات شامل ہیں۔ اس کی وضاحت درج ذیل خاکہ سے ہوتی ہے:



## تعلیم و تربیت

سال کے دوران بینک کے عملے کی اسلامی بینکاری کے شعبے میں ہونے والی پیش رفت سے آگاہی کو یقینی بنانے کے لئے انہیں اسٹیٹ بینک کی جانب سے پاکستان میں نافذ العمل "AAOIFI" شرعی معیارات جو کہ ان کے کام کے دائرہ کار سے متعلق ہیں، کے بارے میں آگاہ کیا گیا۔

سال کے دوران مختلف شہروں میں اسلامی بینکاری کے بنیادی تصورات کے 160 سے زائد تربیتی نشستیں (کلاس روم اور آن لائن) منعقد کی گئیں جن میں 3,700 سے زائد شرکاء نے شرکت کی۔ ان نشستوں میں مختلف شعبوں کے عملے کی شرعی تربیت بھی شامل تھی، جس کا انتظام ان کے کام سے متعلق شرعی عدم تعمیل کے خطرات کو مؤثر طریقے سے نمٹنے کے لئے کیا گیا تھا۔

شرعی جائزہ کے علاوہ مجلس امورِ شرعیہ نے شعبہ تعمیل امورِ شرعیہ کی جانب سے جاری کردہ شرعی جائزے کی رپورٹس، اندرونی اور بیرونی شریعہ آڈٹ رپورٹس اور اسٹیٹ بینک آف پاکستان کی انسپکشن رپورٹس پر بھی اصلاحی اقدامات کا تعین کیا۔

### برانچ کی سطح پر شرعی اصولوں کی تعمیل

ہماری برانچیں صارفین اور عوام الناس کے لئے اسلامی بینکاری کی نمائندہ ہیں، جس کی وجہ سے برانچ کی سطح پر شرعی اصولوں کی تعمیل اور تسلی بخش حد تک ان سے آگاہی خاص طور پر اہم ہیں۔ چنانچہ سال کے دوران ملک بھر کی منتخب برانچوں اور برانچ کے عملے کی اسلامک فنانس کے حوالے سے معلومات کا جائزہ لیا گیا تاکہ برانچ کی سطح پر شرعی اصولوں کی تعمیل کا مضبوط نظام برقرار رکھا جاسکے۔

برانچوں کی جانب سے انتظامی ہدایات اور مجلس امورِ شرعیہ کی جاری کردہ ہدایات پر عمل درآمد کو مزید مضبوط بنانے اور برانچ کے عملے کی اسلامی بینکاری سے متعلق معلومات کو بہتر بنانے کے لیے برانچ کے لیے مخصوص خطرات اور اس کی خود احتسابی دستاویز کو برانچوں میں تقسیم کیا گیا، جس میں شرعی عدم تعمیل کے خطرات کی نشاندہی کے ساتھ ان کو کم کرنے کے اقدامات کا احاطہ کیا گیا ہے۔ اس کے ساتھ ساتھ ایک خود احتسابی کے نظام کا نفاذ اور اسلامی بینکاری سیکھنے کا لائحہ عمل بھی جاری کیا گیا ہے۔ جن پر برانچ کی جانب سے مستقل طور پر عمل درآمد کیا جائے گا۔ برانچ نیچر اور ایریا نیچر کے عہدوں کے لئے ترقی کے معیار میں متعلقہ شرعی اصولوں کے علم کے جائزے کو بھی شامل کیا گیا ہے۔

شعبہ تعمیل امورِ شرعیہ نے سال کے دوران سروس کوالٹی کی ٹیم کے ساتھ ایک باہمی اتحاد بھی تشکیل دیا، تاکہ برانچوں کے شرعی جائزے کے طریقہ کار کو مؤثر طریقے سے وسیع کیا جاسکے۔

مجلس امورِ شرعیہ بینک کے شرعی تعمیل کے ماحول کو مزید مضبوط بنانے کے لیے بورڈ آف ڈائریکٹرز کے عزم کو سراہتی ہے اور شعبہ تعمیل امورِ شرعیہ کو اپنی ذمہ داریوں کی انجام دہی میں بھرپور تعاون فراہم کرنے پر انتظامیہ کو داد دیتی ہے۔

### شرعی تشکیل اور مشاورت

شعبہ تعمیل امورِ شرعیہ اور شعبہ مصنوعات و تشکیل امورِ شرعیہ نے بینک کے تمام شعبوں کے کاروباری معاملات کی شرعی تشکیل میں معاونت جاری رکھی تاکہ وہ شرعی اصولوں کے مطابق گاہکوں کی مالی ضروریات کو پورا کر سکیں۔ اس سلسلے میں کی جانے والی تحقیقی سرگرمیوں میں مختلف کمپنیز اور چھوٹے کاروباری کلائنٹس کے کاروبار کے دورے شامل تھے، جس سے ٹیم کو جدید صنعتی طریقوں سے باخبر رہنے اور مختلف کاروباروں کی خصوصیات کو سمجھنے میں مدد ملی۔

انویسٹمنٹ بینکنگ کے شعبے میں بینک نے ایک منفرد طرز کا اجتماعی تمویلی معاملہ انجام دیا جس میں خاص طور پر ایک برانڈ خرید کر غیر حسی اثاثوں کے مقابلہ میں رائلٹی کی ادائیگی شامل کرنا ایک نمایاں خصوصیت تھی۔

طریقہ ہائے کار میں بہتری لائی گئی اور مجلس امور شرعیہ کی رہنمائی میں متعدد ہدایات بھی جاری کی گئیں۔

امور شرعیہ کی تعمیل کو مضبوط اور یقینی بنانے کے لئے، شعبہ تعمیل امور شرعیہ نے مالی معاملات کے مختلف دستاویزات کی تیاری، ان کو پر کروانے اور جمع کروانے کے سلسلے میں مختلف شعبوں کے انفرادی کردار اور اہمیت کو مزید وضاحت کے ساتھ بیان کیا۔ مزید برآں، ٹرانزیکشن فیکٹ شیٹ اور اس پر شعبہ تعمیل امور شرعیہ کی منظوری حاصل کرنے کے عمل کو آسان بنایا گیا، جس کی وجہ سے اسٹیک ہولڈرز کے لئے بھی مزید سہولت پیدا ہو گئی۔

سال کے دوران مندرجہ ذیل سرگرمیوں کے لیے شرعی ہدایات جاری کی گئیں:

- صارفین کے معاملات کی تفصیلات پر مشتمل دستاویز ٹرانزیکشن فیکٹ شیٹ کی تجدید
- کریڈٹ ایڈمنسٹریشن ڈپارٹمنٹ اور سنٹرلائزڈ ٹریڈ فنانس کو دستاویزات جمع کروانے کا طریقہ کار
- بینک اسلامی کاؤنٹرز پر ڈیوڈنڈ وارنٹ جمع کروانا
- لیٹر آف کریڈٹ (چارٹر پارٹی) کا اجراء
- بینک کے عملے کے لئے اسلامی بینکاری سے متعلق تعلیمی اقدامات
- برانچوں کے لئے شریعہ خود احتسابی کا عمل
- استصناع اور سلم ٹرانزیکشنز میں کریڈٹ ایڈمنسٹریشن ڈپارٹمنٹ اور سنٹرلائزڈ ٹریڈ فنانس کو ڈیپلوری دستاویزات جمع کرانے سے متعلق ہدایات

شرعی اصولوں کی عدم تعمیل کے خطرات سے نمٹنے کے لئے سال کے دوران ایک اہم قدم اٹھایا گیا، جس میں تمویلی معاملات کے مختلف مراحل کو انجام دینے والے عملے کے لئے شرعی جائزہ کی چیک لسٹ کی تیاری اور اس کا اجراء شامل ہے، اس کا مقصد عملے کی جانب سے خود جائزہ لے کر کسی بھی ممکنہ شرعی اصول کی عدم تعمیل کی بروقت تشخیص اور اصلاح کرنا ہے۔

شعبہ تعمیل امور شرعیہ نے سال بھر صارفین کے معاملات کی تفصیلات پر مشتمل دستاویز (ٹرانزیکشن فیکٹ شیٹ)، بینک گارنٹی کے مسودات اور معاہدوں سمیت 2,500 سے زیادہ معاملات کا شرعی جائزہ لیتے ہوئے بینک کے کاموں کی شرعی نگرانی جاری رکھی۔ ویڈیو کانگ اور کلائنٹ سے بالمشافہ ملاقات کے ذریعے تمویلی معاملات کی انجام دہی کے مختلف مراحل کی نگرانی بھی کی گئی تاکہ اس بات کو یقینی بنایا جاسکے کہ مجلس امور شرعیہ کی ہدایات پر پورے ٹرانزیکشن کے دوران عمل کیا گیا۔

شعبہ تعمیل امور شرعیہ نے سال کے دوران مختلف امور اور آپریشنز کا بعد از تعمیل بھی جامع شرعی جائزہ جاری رکھا۔ مزید برآں، اسٹیٹ بینک کی ہدایات کے مطابق پول مینجمنٹ کے کام کا باقاعدگی سے پورے سال جائزہ لیا جاتا رہا۔

شرعی اصولوں کے مطابق جدید حل فراہم کرنے اور طریقہ کار کو آسان بنانے کے مقاصد کے تحت سال کے دوران تیار کردہ یا نظر ثانی شدہ مصنوعات اور ان کے طریقہ کار کی دستاویزات، جن میں نئی تمویلی سہولیات بھی شامل تھیں، کا جائزہ لیا گیا اور اس بات کو یقینی بنایا گیا کہ ان دستاویزات میں ممکنہ شرعی عدم تعمیل کے خطرات کی مکمل نشاندہی کی جائے اور مناسب طریقے سے انہیں حل کیا جائے۔

مذکورہ بالا کاموں کے علاوہ شعبہ تعمیل امور شرعیہ نے سال کے دوران بینک کے مارکیٹنگ مواد کا جائزہ لینے اور منظوری دینے میں مجلس امور شرعیہ کی معاونت کی، جس میں سوشل میڈیا پوسٹس، اسپانسرشپ اور مارکیٹنگ کے مواد شامل ہیں۔

## مجلس شرعی کی رپورٹ برائے سال 2023ء

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الحمد لله رب العالمين، و الصلاة و السلام على سيد الانبياء و المرسلين، و  
على آله و أصحابه أجمعين، و بعد

اللہ سبحانہ و تعالیٰ کا شکر ہے جس کے فضل و کرم سے بینک اسلامی نے ایک غیر مستحکم معیشت کا مقابلہ کرتے ہوئے 2023ء کا سال کامیابی سے مکمل کیا۔ اپنے طویل مدتی اہداف کو از سر نو بیان کرتے ہوئے بینک اسلامی نے عالمی اقتصادی خوشحالی کو فروغ دینے کی جانب ایک قابل تعریف سفر کا آغاز کیا۔ ہم ادارے کے اس عزم کی توثیق کرتے ہیں جس میں اس نے اپنے بنیادی اقدار کی تشکیل نو کرتے ہوئے اس میں جدت، میرٹ کی فوقیت، ٹیم ورک، افراد کو مرکزی حیثیت حاصل ہونا اور اعلیٰ شرعی مہارت کو شامل کیا ہے، ہم یقین رکھتے ہیں کہ ان اصولوں پر عمل پیرا ہو کر بینک انسانیت کو سود سے بچانے کے اپنے مشن کو جاری رکھے گا۔

مجلس امور شرعیہ 31 دسمبر 2023ء کو اختتام پذیر ہونے والے سال کے لئے بینک اسلامی کے امور پر اپنی سالانہ رپورٹ پیش کرتی ہے۔

مجلس امور شرعیہ نے سال کے دوران چار سہ ماہی اجلاس منعقد کیے جن میں مصنوعات اور خدمات میں جدت، تمویلی بنیادوں میں مضبوطی، معاملات اور ان سے متعلقہ شرعی امور سمیت مختلف امور کا جائزہ لیا اور منظوری دی۔ مزید برآں، بینک کے شریعت سے ہم آہنگ ماحول پر تبادلہ خیال کرنے کے لئے دو نشستیں بورڈ آف ڈائریکٹرز کے ساتھ بھی منعقد ہوئیں۔ شعبہ تعمیل امور شرعیہ نے مختلف امور پر شرعی رہنمائی اور فیصلے حاصل کرنے کے لئے مجلس امور شرعیہ کے ساتھ قریبی رابطہ برقرار رکھا، جس کی بدولت اسے بینک کے کاروباری اور دیگر معاون شعبہ جات کو پیش آمدہ مسائل کا بروقت حل فراہم کرنا ممکن ہوا۔

### تعمیل امور شرعیہ

شعبہ تعمیل امور شرعیہ بینک کی تمام سرگرمیوں کے لیے شریعت کے اصولوں پر مبنی ایک جامع نظام تیار کرنے میں مجلس امور شرعیہ کی معاونت کرتا ہے اور بینک انتظامیہ کے ذریعے اس کے نفاذ کو یقینی بناتا ہے۔

اہم داخلی شرعی پابندیوں کا تعین، ان کے نفاذ اور نگرانی کے مستقل عمل کے ذریعے شعبہ تعمیل امور شرعیہ بینک کے معاملات میں امور شرعیہ کی پاسداری کو یقینی بنانے کے ساتھ ساتھ مزید بہتری لاتا ہے۔ اس سلسلے میں سال بھر مختلف شرعی جائزے سرانجام دیئے گئے، متعدد

# Charity Fund, Corporate Social Responsibility and Sustainability Report

## Our Philosophy

Following its mission of 'Saving Humanity from Riba' while upholding Social Responsibility, BankIslami has always embraced Corporate Social Responsibility (CSR) as one of its core beliefs that consistently replenishes the heart of the organization. Being an Islamic bank, the scope of our welfare activities includes all segments of society with a special focus towards the well-being of the neglected sectors of the society.

## Charity Fund

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. The amount given by the customers in the Charity Fund against their delays is utilized by BankIslami, as a Trustee, for charitable and social welfare purposes. During the year 2023, BankIslami disbursed Rs. 32.3 Mn from the Charity Fund.

## CSR & Sustainable Development Activities

CSR is a self-regulating business model that helps a company in being socially accountable to itself, its stakeholders, and the public. BankIslami has launched several initiatives in this regard.

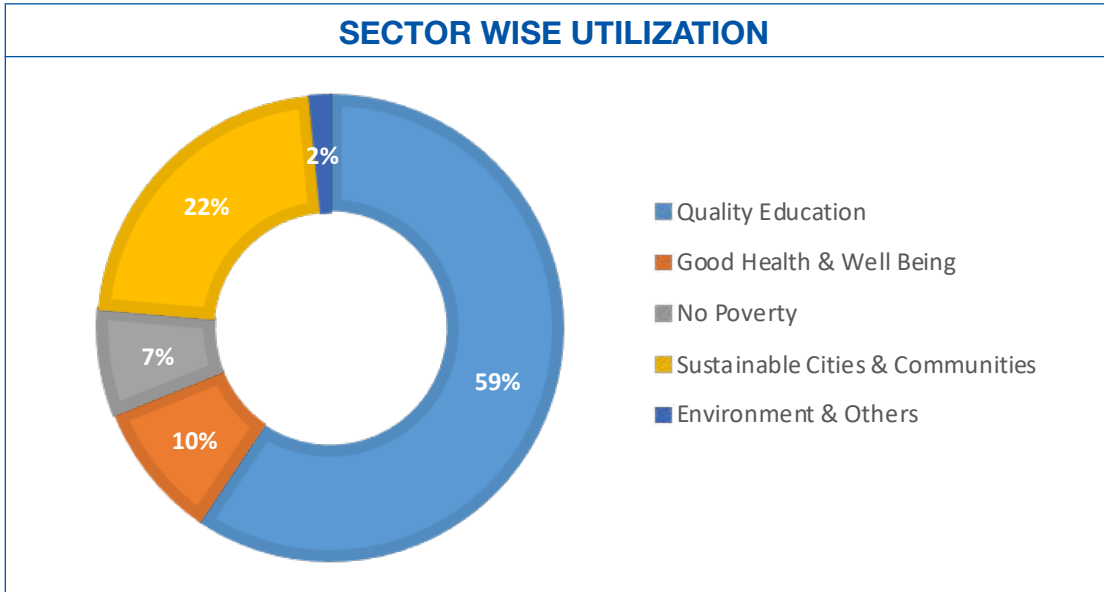


One of the major CSR initiatives of BankIslami is the 'Islami Khair Current Account' product which is a Shariah compliant deposit account that provides the ease of doing all banking transactions. In addition to providing other facilities and features of a current account, BankIslami pays an amount equal to 1% of the average deposit amount to charitable causes, without any deduction from the customers' accounts. During the year, BankIslami disbursed Rs. 25.6 Mn from the Islami Khair Current Account CSR Fund.

Overall, BankIslami disbursed **Rs. 57.9 Mn** (from Charity Fund and Islami Khair Current Account CSR Fund) during the year for different charitable and social welfare purposes. The funds were utilized to provide assistance to renowned charitable institutions working primarily in the areas of employment generation, education, healthcare, poverty alleviation and rehabilitation of flood affectees. BankIslami had a special focus towards collaborating with different institutions with the objective of providing training to unskilled workforce and creating employment opportunities for them. A detailed account of the activities is provided in this report.



Following is a breakup of the utilization of funds by BankIslami during the year 2023:



Furthermore, BankIslami remains committed to the implementation of the UN Sustainable Development Goals (SDGs) through business and CSR activities. Our aim is to develop a healthy and sustainable financial ecosystem which has a positive and lasting impact on environmental, social and global dimensions.



Following are some activities under the SDGs carried out by BankIslami throughout the year:

### Employment Generation Activities



To bring an economic impact, reduce unemployment and generate foreign remittance for the country, BankIslami initiated its 'Employment Generation (Rozgar) Project' in 2023 which aimed at creating job opportunities for the underprivileged youth. To achieve this purpose, BankIslami collaborated with a number of institutions.

BankIslami partnered with The Hunar Foundation, Memon Industrial and Technical Institute, Descon Technical Institute and Indus Hospital & Health Network, to train underprivileged individuals in skills such as nursing, welding, fitting, plumbing and electrician with the purpose of placement in foreign countries. This initiative has resulted in a number of candidates securing jobs in foreign countries, allowing them to earn foreign currency and remit to their families in Pakistan.





In a progressive move towards youth empowerment and fostering economic growth, BankIslami also collaborated with Institute of Business Administration (IBA), Karachi to introduce a groundbreaking Digital Certification program. The program aims to educate and empower young, under-privileged individuals with essential technical skills, enabling them to contribute to the betterment of their families & society and at the same time bringing in much-needed foreign exchange in the country.



Additionally, keeping in view the importance of Tech/IT based courses and their role in securing job opportunities and doing freelancing, BankIslami partnered with Akhuwat to provide IT related technical education to deserving students and creating employment opportunities for them. BankIslami not only provided financial support to under-privileged candidates but also gave input on the course content, monitored the progress of the students and will be providing job opportunities to the top scoring candidates.

BankIslami has collaborated with Saylani Welfare to establish an IT training campus where training on the latest software technology will be provided to the less privileged youth. BankIslami has also assisted Baitussalam Welfare Trust in the establishment of Tech Park which aims to empower the youth and provide them with modern IT skills.

Furthermore, BankIslami partnered with Hum Mashal-e-Rah to provide vocational training to Persons with Disabilities (PWDs) in order to make them employable and financially independent.

## Flood Rehabilitation Activities



The country faced one of the biggest and deadliest crises of the decade in the form of flash floods in 2022. In continuation of its efforts for disaster relief of flood affectees and focusing on the rehabilitation phase, BankIslami, through its Khair Housing Project (a CSR initiative under Islami Khair Current Account) facilitated and financed the construction of 65 homes during 2023. This flood rehabilitation activity supported the affected families to recover from the flood destruction and provided them a shelter to call home.



## Gender Equality



BankIslami has a comprehensive gender mainstreaming Banking and Equality (BOE) policy which serves as a guideline for enhancing women's financial inclusion as client and as employee. There has been a continuous improvement in the ratio of women in BankIslami's workforce. As of December 31, 2023, the women employee ratio was 11% with an increase of 49% over last one year. 70% of the Bank's staff underwent Gender Sensitivity training to become mindful of gender bias, gender stereotyping and gender interaction practices with respect to Pakistani society.

To improve women customer experience, 'Women Customer Facilitation Desks' have been set up at 262 touch points i.e. Branches, Digital Service Centers, Phone Banking, and Consumer Contact Center. Trained Women Champions/Women Facilitation Officers are placed at these desks, to give careful attention to women customers and effectively facilitate them with regards to Bank's products and services.

'Mashal Talks - Financial Education and Literacy programs' were conducted during the year to enhance the financial knowledge of women. Online and onsite talks were conducted to educate women on financial wellness, digital banking and entrepreneurship.



### BankIslami Mashal – Women Banking



BankIslami Mashal - Women Banking initiative aims to fulfill the unique financial needs and banking requirements of the underserved women population. The Bank has introduced a bank account 'Mashal Asaan Account', exclusively for women. Unique features such as a 50% discount on annual fees of debit card are bundled in this deposit product. To improve access to financing for women entrepreneurs, the Bank also introduced 'Mashal Business Finance' which is a low-cost financing facility for women business owners under the SBP subsidized scheme.



### Initiatives for Differently-Abled Persons

BankIslami's management is committed to inclusivity and is hopeful of contributing further (in effort and resources) in reaching out to all segments of society. In addition to providing donations to organizations catering to Persons with Disabilities (PWDs), BankIslami has taken the following initiatives:

- In an effort to make the branches more inclusive, BankIslami, in another unique initiative, launched the Tarjuman Call Center during the year. The Call Center aims to facilitate the hearing-impaired customers visiting the branches by virtually connecting them to an interpreter, ensuring seamless service. This is a dedicated facility to cater to the unique needs of the differently-abled persons.
- Islamic Finance Video series in Sign language, that contains English voice-over along with Urdu subtitles, has been made available on social media. The unique Video series aims at spreading awareness of Islamic Banking concepts and products among the differently-abled persons.



- BankIslami is the only Islamic Bank to have launched its Islamic Banking booklets in Braille format (in both Urdu and English languages).
- A number of Islamic Banking Awareness seminars in Sign Language were organized by BankIslami. BankIslami is the only Islamic bank to conduct such seminars in Sign language for Persons with Disabilities. The seminars were attended and appreciated by deaf individuals, further emphasizing the bank's commitment to making its services accessible to everyone in the country.



## Commitment to Spread Education & Islamic Banking Awareness



Pakistan being a developing country faces a low literacy rate. Education is deemed the backbone of any nation because it plays a fundamental role in shaping individuals and societies. Being committed to the betterment of society and taking it as a responsibility, the Bank has taken the following initiatives:

### 1. Financial Support to Charitable Organizations

Considering the significance of spreading of education, BankIslami engaged with multiple organizations which are working in education and provided financial support to specially those students who cannot afford education expenses. Owing to its importance, education has been allotted the largest portion of the Charity and CSR Funds.



### 2. Awareness Sessions on Islamic Banking & Finance

Islamic Banking Awareness seminars were conducted in different institutions all over the country e.g. Sukkur IBA University, Shaheed Benazir Bhutto Women University, University of Chitral, Indus Hospital School of Nursing and Midwifery, University of Malakand, FATA University, Jamia Darul Uloom Haqqania (Akora Khattak), FATA University, NED University, Iqra University, Hamdard University, Jamia Darul Uloom Arabia Gujrat (Mardan), etc.





BankIslami is the only Islamic Bank to have made available **Islamic Banking booklets in 11 languages** i.e. Urdu, English, Sindhi, Pashto, Punjabi, Balochi, Arabic, Persian, Saraiki, Hindko and Brahui. This is a first of a kind initiative by any Bank in Pakistan to have introduced such booklets in different languages. These booklets, which are available at BankIslami's website, aim at raising awareness about basic Islamic Banking concepts and dispelling different misconceptions about it.

An online workshop series titled "Learn Islamic Banking with BankIslami" was conducted during the year. The series, comprising of 10 workshops, aimed to provide understanding of basic Islamic Banking concepts and the details of products offered by BankIslami.

### 3. Deen Connect

Under this flagship Islamic Awareness program, the Bank conducted a number of workshops, courses and webinars including women-exclusive workshops. During the year, one batch each of 'Quranic Arabic' and 'Quranic Tajweed' courses was completed.

A series of daily videos was launched in the holy month of Ramadan titled 'Maali Muaamlat ka Sharayi Ahkaam' in which Shariah aspects of different prevalent practices were presented by Shariah Scholars of the Bank.



In continuation of Bank's efforts to spread Islamic awareness across the masses, a Zakat booklet was launched and made available on the Bank's website, which provided readers with comprehensive information pertaining to this important pillar of Islam.

### 4. Collaboration with Academia

BankIslami continued its efforts to forge meaningful partnerships with the academia to spread Islamic Banking related awareness and education. BankIslami collaborated with University of Lahore for the development of Islamic Banking related courses, programs and certifications. BankIslami also partnered with Centre for Excellence in Islamic Finance (CEIF) – IMSciences, Peshawar and the Centre for Islamic Business & Finance, Institute of Business Management to conduct Islamic Banking awareness sessions for the public.



## Decent Work & Economic Growth



BankIslami has always taken keen interest in the well-being of its employees as well as the community. Following are the highlights of the actions the Bank has taken in this virtue:

- ‘Mentorship Program’ in which the senior executives of the Bank engage with the staff to guide and support them in navigating career paths, overcome challenges and realize their full potential.
- Enhanced Medical facilities for employees’ parents.
- ‘Employee Education Assistance Program’ which offers learning opportunities to the staff by providing financial assistance for enrollment in IBP Superior Qualification (ISQ) from Institute of Bankers Pakistan (IBP).
- ‘Employee Children Education Assistance Program’ for undergraduate dependent and unmarried children of employees for programs like MBBS, Engineering, and Business Administration, etc.
- Dedicated medical staff for consultation physically for Karachi & Lahore, while employees residing in other cities can avail the facility via Tele-Consultation.
- Increase in Maternity leaves from 60 days to 90 days.
- Encashment aid for 3 years to the family in case of demise of the employee.
- A ballot-based Hajj scheme where staff gets the everlasting opportunity to perform Hajj along with a family member.
- Maaawan Fund through which employees are provided sufficient financial aid.
- To facilitate and provide comfort to its workforce, the Bank offers a subsidized shuttle service for convenient commutation.



## Sustainable Cities & Communities



BankIslami offers Islami Khair Current Account which not only facilitates regular banking needs but also aims to fulfill the intention of philanthropy and benevolence of account holders. The Bank donates 1% p.a. of total average deposit amount in this account to deserving charitable organizations and welfare projects. The initiative is taken to give back to society and provide our contribution for the well-being of people.



## Climate Action



Environmental change is real and poses a global threat. Keeping in view the utmost importance for reducing emission of CO2 and to facilitate the employees, BankIslami offers subsidized Shuttle service that not only provides its workforce convenience and comfort but also helps the city in reducing emission of gases and extra vehicles on roads.

## Affordable & Clean Energy



In line with the State Bank of Pakistan's vision for the promotion of Green Financing, BankIslami is among the most active banks in extending Green financing to its customers. The Bank has made disbursements under SBP's Islamic Finance Facility for Renewable Energy (IFRE) to cater not only the financing needs but also provide affordable energy solutions. Similarly, the Bank's Agri department is engaged in second and third tier cities, and villages where Solar Financing is being provided for tube-wells, warehouses, etc.

## Clean Water & Sanitation



Access to clean water is a fundamental human right and essential for public health. BankIslami collaborated with Sahil Welfare Association to install solar panel based water filtration plants in schools located on the coastal belt, where the population mostly comprises of fishermen. This ensures provision of clean water in schools, which are providing free education to the under-privileged students.

## Peace, Justice and Strong Institutions



BankIslami contributed for the establishment of a 'Safe City Center' in Mirpur, Azad Jammu & Kashmir. The Center is intended to be utilized for continuous monitoring of the city through CCTV in a bid to eradicate street crimes and control the law & order situation.

**Overall, BankIslami remains committed to welfare and development of society and continues its progress towards achievement of the United Nation's 17 Sustainable Development Goals. We pray and commit to continue and improve upon our progress for becoming a fully SDGs compliant organization.**



# Deen Connect Program



As one of the leading Islamic banks, BankIslami views Islamic banking not just as a business but 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 has 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 the general public.

The initiative comprises of online courses, webinars, workshops, 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 courses and an overwhelming number of participants completed these courses and received participation certificates.
- A series of daily videos was launched in the holy month of Ramadan titled “Maali Muamlat ke Sharayi Ahkam” in which Shariah aspects of different prevailing practices in the market were presented by Shariah Scholars of BankIslami. Thirty episodes were released during the period. These videos were released on social media pages of the Bank and also aired on the TV channel “Express News” during Sehri and Iftar transmissions.
- Online workshops were conducted on different topics such as Istiqbaal-e-Ramadan, Islamic Law of Inheritance, Paigham-e-Hadith, The event of Meraj, Women specific Islamic awareness sessions, Understanding of Zakat, Zulhijjah and Qurbani : Importance and Rulings, Importance of Hajj, Family Business, etc.
- In continuation of the Bank’s efforts to spread Islamic awareness across the masses, a “Zakat Booklet” was launched and made available on Bank’s website, providing readers with comprehensive information pertaining to this important pillar of Islam.

All in all, the “Deen Connect” program provides 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 2023, 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 43 branches which have been audited by us and notes to the financial statements, including material accounting policy information 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 2023 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.

### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated 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><b>Provision against Islamic financing, related assets and advances (Refer Note 12.16)</b></p>	
	<p>The Bank's Islamic financing portfolio includes fund-based and non-funded financing facilities. The portfolio includes corporate financing to several public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</p> <p>As per the Bank's accounting policy (refer note 7.4.14 to the unconsolidated 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 non performing loans on the basis of time-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of provision against Islamic financing related assets and advances, therefore, involve use of management's judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers' repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment,</p>	<p>Our audit procedures to verify provision against Islamic financing related assets and advances, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Assessed 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 financing;</li> <li>• 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"> <li>- 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</li> <li>- 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.</li> </ul> </li> <li>• 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 PRRs;</li> </ul>



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S.No.	Key Audit Matters	How the matter was addressed in our audit
	<p>we identified provision against Islamic financing related assets and advances as a significant area of audit judgment and a key audit matter.</p>	<ul style="list-style-type: none"> <li>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.</li> </ul>
2.	<p><b>Valuation of investments</b> (Refer note 11 to the financial statements)</p>	
	<p>The carrying value of investments held by the Bank amounted to Rs. 314,083 million, which constitutes 48% of the Bank's total assets as at 31 December 2023.</p> <p>The significant portion of the investments comprise of Federal Government shariah compliant securities and Non-Government shariah compliant securities.</p> <p>Investments are carried at 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 unconsolidated financial statements.</p>	<p>Our audit procedures to verify valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>Assessed the design and tested the operating effectiveness of key controls established by the Bank to determine valuation of investments;</li> <li>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 and prolonged decline in fair value of listed equity investments for impairment;</li> <li>Checked that the valuation of unquoted securities are in accordance with criteria prescribed under the Prudential Regulations;</li> <li>Involved our internal valuation specialists to review and evaluate the valuation of unquoted debt securities;</li> <li>Obtained independent confirmations for verifying the existence of the investment portfolio as at 31 December 2023 and reconciled it with the books and records of the Bank. Where such confirmations were not available, alternate procedures were performed;</li> </ul>



S.No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>Assessed the appropriateness and adequacy of the disclosure made in the unconsolidated financial statement.</li> </ul>
3.	<b>Impairment testing of goodwill</b>	
	<p>As at 31 December 2023, 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 unconsolidated 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"> <li>Evaluated the model used in determining the value in use as well as assessing the discount rate used;</li> <li>Compared the cash flow forecasts to approved budgets and other relevant market and economic information, as well as testing the underlying calculations;</li> <li>Involved our internal valuation specialists to review and evaluate management's key assumptions used in impairment calculations;</li> <li>Performed sensitivity analyses around the key assumptions used in the models;</li> <li>Assessed the adequacy of the related disclosures in the financial statements in accordance with the applicable financial reporting framework.</li> </ul>



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### **Information other than the Unconsolidated and Consolidated Financial Statements and Auditors' Reports 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 unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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.

### **Auditor's 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





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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.
- 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;



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- 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 and returns;
  - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
  - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty percent of the total Islamic financing, related assets and advances of the Bank.

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

**Date: 4 March 2024**

**Karachi**

**UDIN: AR202310106Xa0YQkqKo**



**KPMG Taseer Hadi & Co.  
Chartered Accountants**

# Unconsolidated Statement of Financial Position

As at December 31, 2023

	Note	2023	2022
----- Rupees in '000 -----			
<b>ASSETS</b>			
Cash and balances with treasury banks	8	41,287,071	39,972,702
Balances with other banks	9	1,373,974	2,045,955
Due from financial institutions - net	10	16,502,138	23,878,183
Investments - net	11	314,083,872	179,741,488
Islamic financing, related assets and advances - net	12	230,194,288	201,328,442
Fixed assets	13	16,139,569	14,189,370
Intangible assets	14	3,619,485	3,261,569
Deferred tax assets	15	235,534	3,338,805
Other assets - net	16	31,429,965	19,482,598
<b>Total Assets</b>		<b>654,865,896</b>	487,239,112
<b>LIABILITIES</b>			
Bills payable	17	5,125,177	3,530,929
Due to financial institutions	18	60,659,056	21,052,256
Deposits and other accounts	19	522,540,925	415,911,942
Subordinated sukuk	20	2,850,000	2,850,000
Deferred tax liabilities		-	-
Other liabilities	21	27,224,820	17,443,584
		<b>618,399,978</b>	460,788,711
<b>NET ASSETS</b>		<b>36,465,918</b>	26,450,401
<b>REPRESENTED BY</b>			
Share capital - net	22	11,007,991	11,007,991
Reserves	23	4,800,111	2,591,091
Surplus on revaluation of assets - net of tax	24	4,662,090	2,768,287
Unappropriated profit		15,995,726	10,083,032
		<b>36,465,918</b>	26,450,401
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

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

  
President /  
Chief Executive Officer

  
Chief Financial Officer

  
Chairman

  
Director

  
Director

# Unconsolidated Profit and Loss Account

For the year ended December 31, 2023

	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees -----
Profit / return earned	26	92,756,237	46,345,194
Profit / return expensed	27	52,572,505	25,942,829
Net Profit / return		40,183,732	20,402,365
<b>OTHER INCOME</b>			
Fee and commission income	28	1,816,904	1,459,365
Dividend income		68,545	25,754
Foreign exchange income		913,314	1,349,757
Gain on securities - net	29	272,015	80,092
Other income - net	30	239,819	683,888
Total other income		3,310,597	3,598,856
Total Income		43,494,329	24,001,221
<b>OTHER EXPENSES</b>			
Operating expenses	31	16,159,656	11,773,169
Workers' Welfare Fund		410,468	164,562
Other charges	32	9,353	22,884
Total other expenses		16,579,477	11,960,615
<b>Profit before provisions</b>		26,914,852	12,040,606
Provisions and write offs - net	33	6,391,455	3,812,494
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		20,523,397	8,228,112
Taxation	34	9,478,298	3,788,477
<b>PROFIT AFTER TAXATION</b>		11,045,099	4,439,635
----- Rupees -----			
<b>Basic / Diluted earnings per share</b>	35	9.9622	4.0043

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



President /  
Chief Executive Officer



Chief Financial Officer



Chairman



Director



Director

# Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2023

	Note	2023	2022
		----- Rupees in '000 -----	
<b>Profit after taxation for the year</b>		<b>11,045,099</b>	4,439,635
<b>Other Comprehensive Income / (Loss)</b>			
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>			
Movement in surplus on revaluation of investments - net of tax		<b>2,075,026</b>	(258,080)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>			
Re-measurement gain / (loss) on defined benefit obligations - net of tax	39.8.2	<b>(33,459)</b>	26,694
Movement in surplus on revaluation of fixed assets - net of tax		<b>(19,163)</b>	(224,541)
Movement in surplus on revaluation of non-banking assets - net of tax		<b>(3,052)</b>	(44,509)
		<b>(55,674)</b>	(242,356)
<b>Total comprehensive income</b>		<b>13,064,451</b>	<b>3,939,199</b>

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

  
President /  
Chief Executive Officer

  
Chief Financial Officer

  
Chairman

  
Director

  
Director

# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Share capital	Discount on issue of shares	Statutory reserve*	Surplus on revaluation of		Unappropriated profit	Total
				Investments	Fixed / Non-Banking assets		
----- Rupees in '000 -----							
<b>Balance as at December 31, 2021</b>	11,087,033	(79,042)	1,703,164	1,389,336	2,075,001	6,335,710	22,511,202
Profit after taxation for the year	-	-	-	-	-	4,439,635	4,439,635
Other comprehensive income / (loss) - net of tax	-	-	-	(258,080)	(269,050)	26,694	(500,436)
	-	-	-	(258,080)	(269,050)	4,466,329	3,939,199
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(117,819)	117,819	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	2,658	(2,658)	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	(10,412)	10,412	-
Transfer from surplus on revaluation of non-banking assets on sale to unappropriated profit - net of tax	-	-	-	-	(43,347)	43,347	-
Transfer to statutory reserve	-	-	887,927	-	-	(887,927)	-
<b>Balance as at December 31, 2022</b>	11,087,033	(79,042)	2,591,091	1,131,256	1,637,031	10,083,032	26,450,401
Profit after taxation for the year	-	-	-	-	-	11,045,099	11,045,099
Other comprehensive income / (loss) - net of tax	-	-	-	2,075,026	(22,215)	(33,459)	2,019,352
	-	-	-	2,075,026	(22,215)	11,011,640	13,064,451
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(126,782)	126,782	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	(168)	168	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	(32,058)	32,058	-
Transfer to statutory reserve	-	-	2,209,020	-	-	(2,209,020)	-
<b>Transactions with owners, recorded directly in equity</b>							
Final Cash dividend to shareholders for the year 2022 @ Re. 1.00 per share	-	-	-	-	-	(1,108,703)	(1,108,703)
First Interim cash dividend to shareholders for the year 2023 @ Rs. 1.75 per share	-	-	-	-	-	(1,940,231)	(1,940,231)
<b>Balance as at December 31, 2023</b>	<b>11,087,033</b>	<b>(79,042)</b>	<b>4,800,111</b>	<b>3,206,282</b>	<b>1,455,808</b>	<b>15,995,726</b>	<b>36,465,918</b>

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

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



President /  
Chief Executive Officer



Chief Financial Officer



Chairman



Director



Director



# Unconsolidated Cash Flow Statement

For the year ended December 31, 2023

	Note	2023	2022
----- Rupees in '000 -----			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		20,523,397	8,228,112
Less: Dividend income		(68,545)	(25,754)
		20,454,852	8,202,358
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation on fixed assets	13.2	1,034,230	966,054
Depreciation on non-banking assets	16.1.1	2,302	3,159
Depreciation on right-of-use assets	13.2	895,640	866,824
Amortization	14	143,729	91,176
Depreciation on operating Ijarah assets	12.14	18,627	62,963
Amortisation of lease liability against right of use assets	27	925,699	441,540
Provisions and write offs - net	33	6,391,455	3,812,494
Charge for defined benefit plan	39.8	210,989	175,548
Gain on sale of fixed assets	30	(39,967)	(19,587)
Gain on sale of non-banking assets	30	-	(208,967)
		9,582,704	6,191,204
		30,037,556	14,393,562
<b>Decrease / (increase) in operating assets</b>			
Due from financial institutions		7,379,285	11,070,422
Islamic financing and related assets and advances - net		(33,712,619)	(24,026,498)
Other assets (excluding advance taxation)		(10,127,955)	(931,938)
		(36,461,289)	(13,888,014)
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		1,594,248	46,719
Due to financial institutions		39,606,800	(141,076)
Deposits and other accounts		106,628,983	71,123,986
Other liabilities (excluding current taxation)		8,406,686	692,665
		156,236,717	71,722,294
		149,812,984	72,227,842
Contributions to defined benefit plan	39.7	(150,000)	-
Income tax paid		(7,974,057)	(1,285,270)
<b>Net cash generated from operating activities</b>		141,688,927	70,942,572
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(133,474,647)	(55,162,320)
Dividends received		68,545	25,754
Payment of Ijarah (lease) liability against right-of-use assets		(1,797,604)	(1,216,855)
Investments in fixed assets		(3,062,519)	(1,571,487)
Investments in intangible assets		(501,646)	(176,565)
Proceeds from sale of fixed assets		568,667	83,258
<b>Net cash used in investing activities</b>		(138,199,204)	(58,018,215)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(2,847,335)	-
Proceeds from issuance of subordinated sukuk		-	850,000
<b>Net cash generated from financing activities</b>		(2,847,335)	850,000
<b>Increase / (decrease) in cash and cash equivalents</b>		642,388	13,774,357
Cash and cash equivalents at the beginning of the year		42,018,657	28,244,300
<b>Cash and cash equivalents at the end of the year</b>	37	42,661,045	42,018,657

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

  
President /  
Chief Executive Officer

  
Chief Financial Officer

  
Chairman

  
Director

  
Director

# Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended December 31, 2023

## 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 440 branches including 60 sub-branches as at December 31, 2023 (2022: 380 branches including 80 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 upgraded the Bank's long-term rating to 'AA-' and maintained short-term rating at 'A1' with a positive outlook.

On August 18, 2023, JS Bank Limited increased its shareholding in the Bank from 7.79% to 50.24% by acquiring shares from existing shareholders of the Bank through Share Purchase Agreement (SPA), effectively making BankIslami Pakistan Limited a subsidiary of JS Bank Limited. The shareholding in the Bank was further increased to 75.12% on August 25, 2023 by way of acquiring Bank's shares through a public offer.

## 2 BASIS OF PRESENTATION

- 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.

3.3 Further, as per SBP's BPRD circular no. 07 of 2023, IFRS 9 'Financial Instruments' is applicable for all banks effective from January 1, 2024. However, an option of early adoption of the standard has been made permissible.

3.4 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly 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 01, 2023 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.

The Bank has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. These amendments neither resulted in any changes to the accounting policies nor impacted the accounting policies' information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The information disclosed in Note 7 contains material accounting policies as assessed to be in line with the amendments.

#### 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, 2024:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current and application of materiality to disclosure of accounting policies - Amendments to IAS 1	January 01, 2024
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2024
Lease liability in a sale and leaseback - Amendments to IFRS 16	January 01, 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized
- Amendments to IAS 21- Lack of Exchangeability	January 01, 2025

## 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 & 21).
- (f) Staff retirement benefits (notes 7.11 and 39).
- (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 34).
- (j) Estimation of other provisions and contingent liabilities (notes 7.19, 25 and 33).

Estimates and judgements 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 39 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 MATERIAL ACCOUNTING POLICIES**

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

### **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 Musharakah**

In Musharakah, the Bank invests / accepts in the Shariah compliant business pools of / from 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 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) Subsidiaries

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 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 ordered 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 ordered), 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 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 an 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 customer's 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 and unclaimed profit above ceiling (if any).

#### 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.

The surplus arising on revaluation is credited to other comprehensive income. However, the increase shall be recognised in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account. The deficit arising on a particular property as a result of a revaluation is recognised in profit and loss account as an impairment. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets Account" to unappropriated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year. Gains or losses on disposal of assets are included in the profit and loss account currently, except for the related surplus on revaluation of fixed assets (net of deferred tax) which is transferred directly to equity.

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. All expenditure connected with specific assets incurred during installation and construction / development period are carried under this head. These are transferred to specific assets as and when assets become available for use.

### **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 ljarah (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.

#### **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 IAS 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 cost to sell. Subsequent gain in fair value less cost 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 subordinated 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, 2023.

Amounts arising as a result of remeasurements, representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are 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 / Tijarah 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 had been operating as a conventional bank in Pakistan. Keeping in view Shariah compliance, under the directives of the Shariah Board of the Bank, any income accruing on conventional products is being credited to the Charity Payable account after deduction of any actual costs incurred on recovery, as approved by 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 derecognition 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 Off-setting 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 Mudarabah 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 Mudarabah, Musharakah 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 manage returns of high net worth depositors and Government institutions. 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 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 segments 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 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the date of Statement of Financial Position are considered as non-adjusting events and are recorded as a liability in the financial statements in the year in which these are approved by the directors / shareholders as appropriate. Furthermore, the surplus on revaluation of fixed assets, including non-banking assets acquired in satisfaction of claims, is not available for the distribution of dividends to the shareholders.

## 7.24 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 March 03, 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 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 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 41 to these unconsolidated 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 2023 was 20 percent (2022: 20), while the deferral period is set at three years (2022: 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.

## 7.25 IFRS 9 - 'Financial Instruments'

The State Bank of Pakistan (SBP) vide its BPRD Circular No. 03 dated July 05, 2022 has provided detailed instructions (the Application Instructions) on implementation of IFRS 9 (the Standard) to ensure smooth and consistent implementation of the standard across banks. Further, SBP has directed via BPRD Circular Letter No. 7 of 2023 dated 13 April 2023, IFRS 9 Financial Instruments that the Application Instructions will be effective for periods beginning on or after January 1, 2024 for all banks.

The forthcoming Standard will replace the existing guidance outlined in IAS 39, bringing forth updated directives on financial instrument classification and measurement. Notably, it marks a shift from an incurred loss to an Expected Credit Loss (ECL) model for impairment calculation. Additionally, the new Standard will

implement new hedge accounting requirements and incorporate additional requirements, such as enhanced disclosures on risk exposures and amendments to fair value measurement principles, while retaining the recognition and de-recognition guidelines from IAS 39.

The Bank will adopt the standard in its entirety effective January 1, 2024 with modified retrospective approach for restatement i.e. comparative figures will not be restated on the initial application of the standard, instead, the cumulative impact will be recorded as an adjustment to equity at the beginning of the accounting period. During the year the management of the Bank continued to perform parallel run assessments for the standard IFRS 9 taking into account the SBP's Application Instructions. The assessments were based on available information that existed at respective parallel run reporting cut-offs and were subject to change that could arise from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of the Standard. The Bank expects an increase in the loss allowance having impact on its equity. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts for the Bank are discussed below:

### **Classification and measurement**

The Standard elaborates the classification and measurement of financial assets, contingent upon their management (the entity's business model) and contractual cash flow characteristics. SPPI criteria ensure that financial assets meet the contractual cash flow characteristics of principal and interest payments only, crucial for their classification as basic lending instruments under IFRS 9. Assets failing SPPI criteria must be measured at fair value through profit or loss ('FVTPL') irrespective of the holding business model. The Bank's analysis of the standard's initial impact on its financial assets considers these factors:

#### **Equity Securities**

Equity instruments are generally measured as FVTPL unless the Bank elects for FVOCI at initial recognition for equity instruments that are not held for trading.

For equity shares currently held as available-for-sale (AFS) with surplus / deficit recorded in OCI, the Bank may elect these equity shares as FVOCI. However, in accordance with requirements of the Standard, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on de-recognition of these securities.

For those equity shares currently held as AFS with gains and losses recorded in OCI for which FVOCI election is not made, will be measured at FVTPL, with marked to market impacts recorded in profit and loss account for future periods. The surplus/ deficit related to these securities currently presented in equity, will be reclassified to retained earnings, with no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measured at fair value under the Standard.

#### **Shariah Compliant Debt securities and Islamic Financing and related assets**

Those debt securities that are currently classified as AFS and pass the SPPI test, shall be measured at FVOCI under the Standard as the Bank's business model is to hold the assets to collect contractual cash flows and sell those investment. Debt securities currently classified as HTM and and Islamic financing assets which pass the SPPI test shall be measured at amortized cost under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows.

Certain debt instruments that do not meet the SPPI criteria shall be measured at FVTPL regardless of the business model in which they are held.

For certain debt securities which are currently classified as AFS and the Bank has decided to designate the same under the Held to Collect Business Model with the intention to collect the future cash flows on initial recognition as permitted under the standard, the mark to market gain/(loss) pertaining to these securities will

be reversed from the Surplus / deficit and adjusted against the book value of securities at initial recognition. This will have an impact on the overall retained earnings which will be consolidated in the opening retained earnings adjustment under IAS 8 (modified retrospective application criteria) in addition to the ECL impact.

### **Impairment**

The impairment requirements apply to financial assets measured at amortized cost and FVOCI (other than equity instruments), Ijarah / Diminishing Musharaka receivables, and certain financing commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

Financial assets where 12-month ECL is recognized are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL should be unbiased and probability-weighted and would incorporate all available information which is relevant to the assessment including information about past events, current conditions, and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL would take into account the time value of money.

Based on the requirements of the Standard and SBP's Application Instructions, the Bank has performed an ECL assessment considering the key elements such as assessment of Significant Increase in Credit Risk (SICR), Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Bank expects to receive, including any form of collateral.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortization, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 10 years' data till 31 December 2023.

### **Significant increase in credit risk (SICR)**

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. Elevated Expected Credit Loss (ECL) does not inherently drive a rise in Significant Increase in Credit Risk (SICR). The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and/ or profit payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of the Standard has stabilized, Stage 1 and Stage 2 provisions would be made as per the Standard's ECL criteria and Stage 3 provisions would be made considering higher of the Standard's ECL or provision computed

under existing requirements of Prudential Regulations (PRs) issued by SBP on a segment basis.

As required by the Application Instructions, financial assets may be reclassified out of Stage 3 if they meet the requirements of PRs. Financial assets in Stage 2 may be reclassified to Stage 1 if the conditions that led to a SICR no longer apply. However, a minimum period of 6 months from initial downgrade is required before any facility is moved back to Stage 1 from Stage 2. For a facility to move back from Stage 3 to Stage 2, it should meet the criteria defined under the respective PR for de-classification of account / facility. An exposure cannot be upgraded from Stage 3 to Stage 1 directly and should be upgraded to Stage 2 initially.

### **Presentation and disclosure**

The SBP vide BPRD No. 02 of 2023 dated 9 February 2023 introduces revised formats for banks' annual and interim financial statements starting from 1 January 2024. These formats incorporate presentation and disclosure requirements related to the adoption of the Standard in Pakistan, which is expected to significantly change the Bank's disclosures regarding its financial instruments

### **Additional requirements and exceptions introduced by SBP Instructions**

SBP has enforced the application of Standard in its entirety except for some exceptions and additional requirements. A high-level comparison of such exceptions that are relevant to the Bank is as follows:

#### **(i) Use of Fair Value Option for financial assets**

Standard allows entities to irrevocably designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces any 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different bases. SBP instructions added that banks may apply the fair value option if, in addition to the IFRS 9 criterion, (a) it is consistent with a documented risk management strategy, and (b) fair values are reliable at inception and throughout life of the instrument. Nonetheless, banks should avoid this option for financial instruments that are categorized as Level 3 in terms of the IFRS 13 hierarchy.

#### **(ii) Unquoted equity securities**

SBP has advised banks to measure investment in unquoted equity securities at lower of cost or breakup value till 31, December 2023.

In case where the breakup value of such securities is less than the cost, the difference of the cost and the breakup value will be classified as loss and provided for by charging it to the Profit and Loss account.

#### **(iii) Rebuttable presumptions about default and SICR**

Standard includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under the Standard as mentioned in Annexure-C of BPRD Circular no 3 of 2022. However, banks are free to choose more stringent days past due criteria.

#### **(iv) Income recognition on impaired assets**

The banks are advised to recognize income on impaired assets (financing classified under PRs i.e., OAEM and Stage 3 financing) on a receipt basis in accordance with the requirements of PRs issued by SBP.

#### (v) Impact of Provisions on Regulatory Capital

The banks are allowed to include provisions for Stage 1 and Stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for Capital Adequacy Ratio (CAR) purposes as mentioned in Annexure-B of BPRD Circular No. 3 of 2022.

#### Impact of adoption of IFRS 9

The Bank will adopt IFRS 9 in its entirety effective 01 January 2024 with modified retrospective approach for restatement. The Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at 31 December 2023.

The total estimated adjustment (net of tax) of the adoption of the Standard on the opening balance of the Bank's equity at January 1, 2024 is a decrease of approximately Rs. 275.387 million (net of tax) related to impairment requirements. There is no other impact except for impairment impact due to adoption of IFRS 9.

This estimate of the potential impact may change as a result of completion of the activities related to the IFRS 9 implementation programme established by the Bank.

#### Impact on regulatory capital

The introduction of the Standard may result in reduction in regulatory capital of the banks, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of ECL models on capital, SBP has determined that it may be appropriate for banks to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' in BPRD Circular no 03.2022 issued by SBP has detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for Stage 1 and Stage 2 financial assets. The transitional arrangement must adjust CET-1 capital. Where there is a reduction in CET-1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET-1 capital (the "transitional adjustment amount") must be partially included (i.e., added back) to CET-1 capital over the "transition period" of five years.

The impact of adoption of the Standard on the capital ratios of the Bank are as follows:

	As per adopted IFRS 9 impairment changes	As per current Reporting requirements
Common Equity Tier 1 Capital Adequacy ratio	16.15%	16.17%
Tier 1 Capital Adequacy Ratio	17.76%	17.78%
Total Capital Adequacy Ratio	23.76%	23.79%
CET1 available to meet buffers (as a percentage of risk weighted assets)	10.15%	10.17%



The Bank will continue to refine its ECL model and embed its operational processes which may change the actual impact on adoption, although parallel runs have been carried out till the year ended December 31, 2023, the new systems and associated controls in place have not been operational for a more extended period.

### Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Bank's Risk Management Department has developed models/ methodologies for PD, LGD and Credit Conversion Factors (CCF). These models shall be validated on annual basis considering the following aspects:

- Quantitative Validation: ECL model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

The Risk Department will define the staging criteria for the new impairment model and take ownership of all models, methodologies and the ECL calculation approach. Additionally, the Risk department will also take the ownership of the impact of ECL on bank's capital.

The Bank's Finance Department will perform ECL calculation. As a result, the department will then assess the financial impact, meet the financial reporting requirements and further monitor the impact on the financial ratios. Risk Management Department shall also present quarterly progress report to its Board Risk Management Committee.

The IT Department shall identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. IT department shall also support project owners for system development and upgrades.

	Note	2023	2022
----- Rupees in '000 -----			
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand:</b>			
- Local currency		11,227,889	12,786,558
- Foreign currencies		1,319,857	626,887
		<b>12,547,746</b>	13,413,445
<b>With the State Bank of Pakistan in:</b>			
- Local currency current account	8.1	21,500,242	24,819,147
- Foreign currency deposit accounts:			
- Cash reserve account	8.2	969,037	683,821
- Special cash reserve account	8.2	1,206,364	826,020
- US dollar clearing account		38,902	7,466
		<b>2,214,303</b>	1,517,307
<b>With National Bank of Pakistan in:</b>			
- Local currency current account		5,021,445	222,780
<b>Prize Bonds</b>	8.3	3,335	23
		<b>41,287,071</b>	39,972,702

- 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	2023	2022
----- Rupees in '000 -----			
<b>9 BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan:</b>			
- In current accounts		9	927
- In deposit accounts	9.1	142	132
		151	1,059
<b>Outside Pakistan:</b>			
- In current accounts		1,186,902	1,717,993
- In deposit accounts	9.2	186,921	326,903
		1,373,823	2,044,896
		1,373,974	2,045,955

- 9.1** These represent deposits with various Islamic banks under Musharakah and Mudarabah arrangements. The profit rate on these arrangements range between 6.75% to 12.13% (2022: 6.65% to 11%) per annum.
- 9.2** These represent deposit placement outside Pakistan with an Islamic banking division of a foreign bank under Wakala arrangement. The profit rate on these arrangements is 2.25% to 3% (2022: 1.75% to 2.25%) per annum.

## 10 DUE FROM FINANCIAL INSTITUTIONS - NET

	Note	2023	2022
----- Rupees in '000 -----			
<b>Secured</b>			
Bai Muajjal Receivable			
-from Other Financial Institutions	10.1	-	4,000,718
<b>Unsecured</b>			
Musharaka Placements	10.2	-	10,000,000
Bai Muajjal Receivable			
-from Banks	10.1	-	4,036,995
-from Other Financial Institutions	10.1	16,502,138	5,840,470
Other placements		17,820	21,060
		16,519,958	23,899,243
Provision held against			
Financial Institution Placements	10.4	(17,820)	(21,060)
		16,502,138	23,878,183

- 10.1** The average return on this product ranges between 22.05% to 22.35% (2022: 13.09% to 17.35%) per annum. The balances have maturities ranging between 6 days to 110 days (2022: 3 days to 278 days). The Secured Bai Muajjal receivable are secured against Federal Government securities received as collateral and having market value of Nil as at December 31, 2023 (2022: Rs. 3,821 million).

10.2 The expected profit rate on these agreements is Nil (2022: 16% to 16.10%) per annum and the agreements have maturities of Nil days (2022: 6 days).

	2023	2022
	----- Rupees in '000 -----	
10.3 Particulars of due from financial institutions		
In local currency	16,519,958	23,899,243
In foreign currency	-	-
	<u>16,519,958</u>	<u>23,899,243</u>

10.4 Category of classification

	2023		2022	
	Classified Placements	Provision held	Classified Placements	Provision held
	----- Rupees in '000 -----			
Loss	17,820	17,820	21,060	21,060

10.4.1 The Bank does not hold overseas classified placements.

	Note	2023	2022
		----- Rupees in '000 -----	
11 INVESTMENTS - NET			
Investments - Islamic	11.1 & 11.3	314,083,872	179,163,813
Investments - Conventional (relating to amalgamated entity)	11.2 & 11.4	-	577,675
		<u>314,083,872</u>	<u>179,741,488</u>

11.1 Islamic Investments by type

Note	2023				2022			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	----- Rupees in '000 -----							
<b>Available for sale securities</b>								
Federal Government Shariah Compliant Securities	272,237,369	-	5,630,029	277,867,398	140,109,510	-	(289,819)	139,819,691
Shares / Modaraba certificates	345,273	-	347,308	692,581	371,784	(77,571)	84,571	378,784
Non-Government Shariah Compliant Securities	35,243,462	(35,880)	309,491	35,517,073	36,176,548	(35,880)	2,189,908	38,330,576
Foreign securities	6,820	-	-	6,820	6,820	-	-	6,820
	<u>307,832,924</u>	<u>(35,880)</u>	<u>6,286,828</u>	<u>314,083,872</u>	<u>176,664,662</u>	<u>(113,451)</u>	<u>1,984,660</u>	<u>178,535,871</u>
Associates	627,942	(627,942)	-	-	627,942	-	-	627,942
<b>Total Islamic investments</b>	<u>308,460,866</u>	<u>(663,822)</u>	<u>6,286,828</u>	<u>314,083,872</u>	<u>177,292,604</u>	<u>(113,451)</u>	<u>1,984,660</u>	<u>179,163,813</u>

Note	2023				2022			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
<b>11.2 Conventional Investments by type*</b>								
<b>Available for sale securities</b>								
Shares	591,680	(591,680)	-	-	591,680	(591,680)	-	-
Non-Government Debt Securities	224,467	(224,467)	-	-	224,467	(224,467)	-	-
Foreign securities	1,155,350	(1,155,350)	-	-	1,155,350	(577,675)	-	577,675
	<b>1,971,497</b>	<b>(1,971,497)</b>	<b>-</b>	<b>-</b>	<b>1,971,497</b>	<b>(1,393,822)</b>	<b>-</b>	<b>577,675</b>
<b>Held to maturity securities</b>								
Non-Government Debt Securities	92,145	(92,145)	-	-	92,145	(92,145)	-	-
<b>Associates</b>	11.10	474,169	(474,169)	-	-	474,169	(474,169)	-
<b>Subsidiary</b>	11.9	104,771	(104,771)	-	-	104,771	(104,771)	-
<b>Total conventional investments</b>	<b>2,642,582</b>	<b>(2,642,582)</b>	<b>-</b>	<b>-</b>	<b>2,642,582</b>	<b>(2,064,907)</b>	<b>-</b>	<b>577,675</b>

\* These assets are related to amalgamated entity and are fully provided.

### 11.3 Islamic Investments by segments

#### Federal Government Shariah Compliant Securities

GoP Ijarah Sukuks 272,237,369 - 5,630,029 277,867,398 140,109,510 - (289,819) 139,819,691

#### Shares / Modarba Certificates

Listed companies 11.7.2.1 345,273 - 347,308 692,581 371,784 (77,571) 84,571 378,784

#### Non-Government Shariah Compliant Securities

##### Listed

Pakistan Energy Sukuk-I 11.3.1 27,146,945 - 320,334 27,467,279 27,146,945 - 1,845,992 28,992,937

Pakistan Energy Sukuk-II 11.3.2 3,390,306 - (6,306) 3,384,000 3,391,464 - (7,464) 3,384,000

30,537,251 - 314,028 30,851,279 30,538,409 - 1,838,528 32,376,937

##### Unlisted

Sukuk certificates 4,706,211 (35,880) (4,537) 4,665,794 5,638,139 (35,880) 351,380 5,953,639

#### Foreign securities

Equity securities 11.7.4 6,820 - - 6,820 6,820 - - 6,820

#### Associates

Shakarganj Food Products Limited 627,942 (627,942) - - 627,942 - - 627,942

**308,460,866 (663,822) 6,286,828 314,083,872 177,292,604 (113,451) 1,984,660 179,163,813**

**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	2023				2022			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
-----Rupees in '000-----								
<b>Shares</b>								
Unlisted Companies	591,680	(591,680)	-	-	591,680	(591,680)	-	-
<b>Non Government Debt Securities</b>								
Listed	74,607	(74,607)	-	-	74,607	(74,607)	-	-
Unlisted	242,005	(242,005)	-	-	242,005	(242,005)	-	-
	316,612	(316,612)	-	-	316,612	(316,612)	-	-
<b>Foreign securities</b>								
Equity securities	1,155,350	(1,155,350)	-	-	1,155,350	(577,675)	-	577,675
<b>Associates</b>								
KASB Capital Limited	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	432,302	(432,302)	-	-	432,302	(432,302)	-	-
	474,169	(474,169)	-	-	474,169	(474,169)	-	-
<b>Subsidiary</b>								
My Solutions Corporation Limited	104,771	(104,771)	-	-	104,771	(104,771)	-	-
	2,642,582	(2,642,582)	-	-	2,642,582	(2,064,907)	-	577,675

\* These assets are related to amalgamated entity and are fully provided.

#### 11.5 Investments given as collateral

Note

2023	2022
-----Rupees in '000-----	
35,314,000	5,889,000

Federal Government Securities

#### 11.6 Provision for diminution in value of investments

##### 11.6.1 Opening balance

##### Charge / (reversal)

Charge for the year  
Reversals for the year

Amounts written off

##### Closing Balance

Note	2023	2022
	2,178,358	2,177,289
	1,207,289	1,069
	-	-
33	1,207,289	1,069
	(79,243)	-
11.6.1.1	3,306,404	2,178,358

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

Investments - Islamic  
Investments - Conventional

663,822	113,451
2,642,582	2,064,907
3,306,404	2,178,358

##### 11.6.2 Particulars of provision against debt securities

##### Category of classification

##### Domestic

Loss  
Total

2023		2022	
Non-performing investments	Specific Provision	Non-performing investments	Specific Provision
-----Rupees in '000-----			
628,743	352,492	628,743	352,492
628,743	352,492	628,743	352,492

11.6.2.1 The Bank does not hold overseas classified debt securities.

### 11.7 Quality of Available for Sale Securities

Cost

2023	2022
------	------

-----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

272,237,369	140,109,510
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#### 11.7.2 Shares (Equity Securities)

##### 11.7.2.1 Listed Companies

- Financial
- Fertilizer
- Chemical

306,752	333,263
38,370	38,370
151	151
<b>345,273</b>	<b>371,784</b>

##### 11.7.2.2 Unlisted Companies

Pakistan Export Finance Guarantee Agency Limited  
 Riverstone Consultancy (Private) Limited (Formerly KASB Invest (Private) Limited)  
 New Horizon Exploration and Production Limited

Note	2023			2022	
	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	0.69
	December 31, 2014	558,000	1.07	558,000	1.07
11.4		<b>591,680</b>	<b>2.26</b>	<b>591,680</b>	<b>2.26</b>

#### 11.7.3 Non Government Debt Securities\*

Cost

2023	2022
------	------

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

Listed  
 Unrated

30,611,858	30,613,016
------------	------------

Unlisted

AAA  
 AA+  
 AA  
 AA-  
 A+  
 A  
 Unrated

2,408,996	3,336,625
110,500	331,500
-	-
50,000	241,667
175,000	50,000
311,667	266,217
1,799,908	1,561,990
<b>4,856,071</b>	<b>5,787,999</b>

\* Entities' ratings are used where sukuk and term finance certificates ratings were not available.

#### 11.7.4 Foreign Securities

Equity Securities

Unlisted

SWIFT (Society for World Wide Interbank Financial Telecommunication)  
 Evolve Capital Limited

Note	Cost	
	2023	2022

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

11.3	6,820	6,820
11.4	1,155,350	1,155,350
	<b>1,162,170</b>	<b>1,162,170</b>

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

##### Non Government Debt Securities

Unlisted

Unrated

92,145	92,145
--------	--------

11.8.1 The market value of securities classified as held-to-maturity as at December 31, 2023 amounted to Nil (December 31, 2022: Nil).



		2023						
As at	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)	
----- Rupees in '000 -----								
<b>Unlisted</b>								
My Solutions Corporation Limited								
<b>December 31, 2013</b>	<b>100.00</b>	<b>Pakistan</b>	<b>69,539</b>	<b>10,105</b>	<b>14,580</b>	<b>(1,763)</b>	<b>(1,763)</b>	
		2023						
As at	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)	
----- Rupees in '000 -----								
<b>Unlisted</b>								
<b>Islamic</b>								
Shakarganj Food Products Limited								
<b>September 30, 2023</b>	<b>36.38</b>	<b>Pakistan</b>	<b>10,335,484</b>	<b>6,782,556</b>	<b>15,068,704</b>	<b>166,682</b>	<b>45,200</b>	
<b>Conventional</b>								
KASB Funds Limited								
<b>December 31, 2015</b>	<b>43.89</b>	<b>Pakistan</b>	<b>46,465</b>	<b>32,465</b>	<b>23,640</b>	<b>(66,241)</b>	<b>(65,679)</b>	
<b>December 31, 2016</b>	<b>21.78</b>	<b>Mauritius</b>	<b>\$ 652,864</b>	<b>\$ 135,428</b>	<b>\$ -</b>	<b>\$ (34,084)</b>	<b>\$ (34,084)</b>	

\* This represents the full US\$ amount.

		Note	2023	2022
----- Rupees in '000 -----				
<b>12 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES - NET</b>				
Islamic financing and related assets - net		12.1	<b>230,129,817</b>	201,160,513
Advances (relating to amalgamated entity) - net		12.2	<b>64,471</b>	167,929
			<b>230,194,288</b>	201,328,442

		Note	Performing		Non Performing		Total	
			2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----								
<b>12.1 ISLAMIC FINANCING AND RELATED ASSETS</b>								
In Pakistan								
- Running Musharakah		12.9	<b>100,625,553</b>	70,086,223	<b>1,444,955</b>	1,324,955	<b>102,070,508</b>	71,411,178
- Diminishing Musharakah financing and related assets - Others		12.3	<b>46,055,344</b>	41,068,657	<b>3,529,814</b>	3,121,040	<b>49,585,158</b>	44,189,697
- Diminishing Musharakah - Housing			<b>23,553,066</b>	25,751,728	<b>2,019,821</b>	1,663,899	<b>25,572,887</b>	27,415,627
- Istisna financing and related assets		12.4 & 12.10	<b>20,455,759</b>	13,790,179	<b>3,630,366</b>	2,563,708	<b>24,086,125</b>	16,353,887
- Diminishing Musharakah financing and related assets - Auto			<b>16,380,932</b>	23,470,877	<b>538,620</b>	380,557	<b>16,919,552</b>	23,851,434
- Murabahah financing and related assets		12.5 & 12.11	<b>16,073,181</b>	13,255,965	<b>397,002</b>	238,222	<b>16,470,183</b>	13,494,187
- Musawamah financing and related assets / Tijarah		12.6 & 12.12	<b>3,781,236</b>	6,221,702	<b>5,024,205</b>	4,328,305	<b>8,805,441</b>	10,550,007
- Investment Agency Wakalah			<b>2,730,590</b>	3,125,000	-	-	<b>2,730,590</b>	3,125,000
- Murabahah against Bills			<b>671,556</b>	1,120,211	<b>192,048</b>	146,681	<b>863,604</b>	1,266,892
- Ijarah financing under IFAS 2 and related assets		12.7	<b>288,755</b>	336,640	<b>161,958</b>	120,030	<b>450,713</b>	456,670
- Financing against Bills			<b>209,100</b>	1,179,967	-	-	<b>209,100</b>	1,179,967
- Qardh-e-Hasana			<b>48,226</b>	36,135	<b>121,025</b>	121,359	<b>169,251</b>	157,494
- Musharakah financing			-	160,000	<b>160,000</b>	-	<b>160,000</b>	160,000
- Past Due Acceptance			<b>155,972</b>	498,354	-	-	<b>155,972</b>	498,354
- Net investment in Ijarah financing in Pakistan		12.13	<b>85,343</b>	104,062	-	-	<b>85,343</b>	104,062
- Housing finance portfolio - others			<b>24,091</b>	23,535	-	-	<b>24,091</b>	23,535
- Salam		12.8	-	223,900	-	-	-	223,900
<b>Islamic financing and related assets - gross</b>			<b>231,138,704</b>	200,453,135	<b>17,219,814</b>	14,008,756	<b>248,358,518</b>	214,461,891
Less: Provision against non-performing Islamic financing and related assets								
- Specific		12.16	-	-	<b>(13,837,297)</b>	(10,314,265)	<b>(13,837,297)</b>	(10,314,265)
- General		12.16	<b>(4,391,404)</b>	(2,987,113)	-	-	<b>(4,391,404)</b>	(2,987,113)
			<b>(4,391,404)</b>	(2,987,113)	<b>(13,837,297)</b>	(10,314,265)	<b>(18,228,701)</b>	(13,301,378)
<b>Islamic financing and related assets - net of provision</b>			<b>226,747,300</b>	197,466,022	<b>3,382,517</b>	3,694,491	<b>230,129,817</b>	201,160,513
<b>12.2 ADVANCES</b>								
- Loans, cash credits, running finances, etc. - In Pakistan*			<b>5,569</b>	15,253	<b>4,424,625</b>	4,598,676	<b>4,430,194</b>	4,613,929
- Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan			-	-	<b>684,295</b>	684,295	<b>684,295</b>	684,295
- Net investment in finance lease - In Pakistan		12.13	-	-	<b>561,908</b>	580,807	<b>561,908</b>	580,807
<b>Advances - gross</b>			<b>5,569</b>	15,253	<b>5,670,828</b>	5,863,778	<b>5,676,397</b>	5,879,031
Provision against advances								
- Specific		12.16	-	-	<b>(5,611,871)</b>	(5,804,866)	<b>(5,611,871)</b>	(5,804,866)
- General		12.16	<b>(55)</b>	(55)	-	-	<b>(55)</b>	(55)
			<b>(55)</b>	(55)	<b>(5,611,871)</b>	(5,804,866)	<b>(5,611,926)</b>	(5,804,921)
<b>Advances - net of provision</b>			<b>5,514</b>	15,198	<b>58,957</b>	58,912	<b>64,471</b>	74,110
Fair value adjustment		12.18	-	-	-	93,819	-	93,819
<b>Advances - net of provision and fair value adjustment</b>			<b>5,514</b>	15,198	<b>58,957</b>	152,731	<b>64,471</b>	167,929

\* This represents non-interest bearing performing financing facilities amounting to Rs. 5.569 million (2022: Rs. 15.253 million).

	Note	2023	2022
-----Rupees in '000-----			
<b>12.3 Diminishing Musharakah financing and related assets - Others</b>			
Diminishing Musharakah financing		46,307,161	38,633,625
Advance against Diminishing Musharakah financing		3,277,997	5,556,072
		<u>49,585,158</u>	<u>44,189,697</u>
<b>12.4 Istisna financing and related assets</b>			
Istisna financing		7,662,635	7,547,321
Advance against Istisna financing		16,423,490	1,613,446
Istisna inventories		-	7,193,120
		<u>24,086,125</u>	<u>16,353,887</u>
<b>12.5 Murabahah financing and related assets</b>			
Murabahah financing		8,945,251	8,278,378
Deferred murabahah income		1,663,483	563,847
Advances against Murabaha financing		1,469,521	4,651,962
Murabaha Inventories		4,391,928	-
		<u>16,470,183</u>	<u>13,494,187</u>
<b>12.5.1 Murabaha receivable - gross</b>	12.5.2	10,608,734	8,842,221
Less: Deferred murabaha income	12.5.4	(489,934)	(289,597)
Profit receivable		(1,173,549)	(274,246)
Murabaha financing		<u>8,945,251</u>	<u>8,278,378</u>
<b>12.5.2 The movement in Murabaha financing during the year is as follows:</b>			
Opening balance		8,842,221	7,750,049
Sales during the year		73,341,774	64,151,683
Received during the year		(71,575,261)	(63,059,511)
Closing balance		<u>10,608,734</u>	<u>8,842,221</u>
<b>12.5.3 Murabaha sale price (for transactions during the year)</b>		73,341,774	64,151,683
Murabaha purchase price (for transactions during the year)		(68,617,404)	(61,689,521)
		<u>4,724,370</u>	<u>2,462,162</u>
<b>12.5.4 Deferred Murabahah income</b>			
Opening balance		289,597	179,290
Arising during the year		4,724,370	2,462,162
Recognized during the year		(4,524,033)	(2,351,855)
Closing balance		<u>489,934</u>	<u>289,597</u>
<b>12.6 Musawamah financing and related assets / Tijarah</b>			
Musawamah financing		6,174,291	8,317,899
Advance against Musawamah financing		123,620	2,232,108
Musawamah inventories		2,507,530	-
		<u>8,805,441</u>	<u>10,550,007</u>
<b>12.7 Ijarah financing under IFAS 2 and related assets</b>			
Net book value of assets under IFAS 2	12.14	435,282	456,059
Advance against Ijarah financing		15,431	611
		<u>450,713</u>	<u>456,670</u>
<b>12.8 Salam</b>			
Salam financing		-	110,000
Advance against Salam		-	64,000
Salam inventories		-	49,900
		<u>-</u>	<u>223,900</u>
<b>12.9</b>			
Running musharakah financing and related assets includes financing amounting to Rs. 2,403 million (2022: Rs. 2,423 million) under Islamic Export Refinance Scheme.			
<b>12.10</b>			
Istisna financing and related assets includes financing amounting to Rs. 264.6 million (2022: Rs. 865 million) and advance amounting to Rs. 1,016.5 million (2022: Rs. 1,087 million) under Islamic Export Refinance Scheme.			
<b>12.11</b>			
Murabahah financing and related assets includes financing amounting to Rs. 0.061 million (2022: Rs.0.033 million) under Islamic Export Refinance Scheme.			
<b>12.12</b>			
Musawamah financing and related assets / Tijarah includes advance amounting to Rs. Nil (2022: Rs. 150 million) under Islamic Export Refinance Scheme.			

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

2023	2022
----- Rupees in '000-----	
Islamic financing and related assets	85,343
Advances	561,908
	580,807
	684,869

12.13.1 Net investment in Ijarah financing in Pakistan and finance lease

	2023				2022			
	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	618,169	-	-	618,169	655,787	-	-	655,787
Residual value	73,328	-	-	73,328	73,328	-	-	73,328
Minimum Ijarah payments	691,497	-	-	691,497	729,115	-	-	729,115
Profit for future periods	(44,246)	-	-	(44,246)	(44,246)	-	-	(44,246)
Present value of minimum Ijarah payments	647,251	-	-	647,251	684,869	-	-	684,869

12.14 Ijarah Assets

	2023							
	Cost			Accumulated depreciation			Book value as at December 31, 2023	Rate of Depreciation %
	As at January 01, 2023	Addition / (deletions)	As at December 31, 2023	As at January 01, 2023	Charge / (deletions)	As at December 31, 2023		
	----- Rupees in '000 -----							
Plant and Machinery	299,200	-	299,200	245,697	2,121	247,818	51,382	20-33.33
Vehicles	1,201,472	16,990 (86,290)	1,132,172	798,916	16,506 (67,150)	748,272	383,900	20-33.33
	1,500,672	16,990 (86,290)	1,431,372	1,044,613	18,627 (67,150)	996,090	435,282	

	2022							
	Cost			Accumulated depreciation			Book value as at December 31, 2022	Rate of Depreciation %
	As at January 01, 2022	Addition / (deletions)	As at December 31, 2022	As at January 01, 2022	Charge / (deletions)	As at December 31, 2022		
	----- Rupees in '000 -----							
Plant and Machinery	1,899,200	- (1,600,000)	299,200	1,582,580	22,117 (1,359,000)	245,697	53,503	20-33.33
Vehicles	1,690,590	41,444 (530,562)	1,201,472	1,164,188	40,846 (406,118)	798,916	402,556	20-33.33
	3,589,790	41,444 (2,130,562)	1,500,672	2,746,768	62,963 (1,765,118)	1,044,613	456,059	

12.14.1 Future Ijarah payments receivable

	2023				2022			
	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	29,489	17,152	-	46,641	30,370	22,999	-	53,369

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

	2023	2022
	----- Rupees in '000-----	
In local currency	251,850,511	218,622,648
In foreign currency	2,184,404	1,718,274
	254,034,915	220,340,922

12.16 Islamic financing and related assets and advances include Rs. 22,890.642 million (2022: Rs.19,872.534 million) which have been placed under non-performing status as detailed below:

**Category of classification**

	2023		2022	
	Non-performing Islamic financing, related assets and advances	Specific Provision	Non-performing Islamic financing, related assets and advances	Specific Provision
	----- Rupees in '000 -----			
<b>Domestic</b>				
Other assets especially mentioned	393,831	-	325,596	-
Substandard	1,009,194	235,164	548,330	48,085
Doubtful	2,170,850	871,469	4,236,194	2,411,182
Loss	19,316,767	18,342,535	14,762,414	13,659,864
<b>Total</b>	<b>22,890,642</b>	<b>19,449,168</b>	<b>19,872,534</b>	<b>16,119,131</b>

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:

	2023			2022		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
<b>Opening balance</b>	16,119,131	2,987,168	19,106,299	14,528,630	767,023	15,295,653
Charge for the year	4,006,703	1,500,000	5,506,703	2,748,357	2,220,145	4,968,502
Reversals for the year	(676,666)	(95,709)	(772,375)	(1,157,169)	-	(1,157,169)
	3,330,037	1,404,291	4,734,328	1,591,188	2,220,145	3,811,333
Amount written off	-	-	-	(687)	-	(687)
<b>Closing balance</b>	<b>19,449,168</b>	<b>4,391,459</b>	<b>23,840,627</b>	<b>16,119,131</b>	<b>2,987,168</b>	<b>19,106,299</b>
<b>12.17.1 Islamic</b>	<b>13,837,297</b>	<b>4,391,404</b>	<b>18,228,701</b>	<b>10,314,265</b>	<b>2,987,113</b>	<b>13,301,378</b>
Conventional	5,611,871	55	5,611,926	5,804,866	55	5,804,921
	<b>19,449,168</b>	<b>4,391,459</b>	<b>23,840,627</b>	<b>16,119,131</b>	<b>2,987,168</b>	<b>19,106,299</b>

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

	Note	2023	2022
		-----Rupees in '000-----	
Gross reversals for the year		772,375	1,157,169
Charge for the year		(5,506,703)	(4,968,502)
		<b>(4,734,328)</b>	(3,811,333)
Fair value adjusted - net		<b>(93,819)</b>	-
Net charge taken to the profit and loss account	33	<b>(4,828,147)</b>	(3,811,333)

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

	2023			2022		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	19,449,168	4,391,459	23,840,627	16,119,131	2,987,168	19,106,299
In foreign currency	-	-	-	-	-	-
	<b>19,449,168</b>	<b>4,391,459</b>	<b>23,840,627</b>	<b>16,119,131</b>	<b>2,987,168</b>	<b>19,106,299</b>

12.17.4 The Bank maintains general reserve (provision) amounting to Rs. 391.459 million (2022: Rs. 487.168 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing. In addition, the Bank carries general provision of Rs. 4,000 million (2022: Rs. 2,500 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, 2023 amounts to Rs.943.552 million (2022: Rs. 1,061.067 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 481.211 million (2022: Rs. 541.144 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to shareholders.

	2023	2022
	-----Rupees in '000-----	
<b>12.18 Particulars of write-offs</b>		
Against provisions	-	687
Directly charged to the profit and loss account	-	-
	-	<u>687</u>
Write offs Rs. 500,000 and above		
- Domestic	-	678
- Overseas	-	-
Write offs below Rs. 500,000	-	9
	-	<u>687</u>

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

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

#### 12.19 Particulars of financing to directors, executives or officers of the Bank

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

	Note	2023	2022
		-----Rupees in '000-----	
Balance at the beginning of the year		4,307,925	3,518,517
Financing granted during the year		1,992,104	1,462,408
Payments received during the year		(1,068,942)	(673,000)
Balance at the end of the year	12.19.1	<u>5,231,087</u>	<u>4,307,925</u>

**12.19.1** This includes Rs. 5.178 million (2022: Rs. 3.326 million) as Qardh-e-Hasana to employees under the Bank's Human Resource Policy.

	Note	2023	2022
		-----Rupees in '000-----	
<b>12.20 SBP other refinance schemes</b>			
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)		8,005,247	7,478,402
Islamic Long-Term Financing Facility		1,320,910	952,692
Islamic refinance scheme for payment of wages and salaries		62,197	438,035
RM EFS - Rupee Based Discounting (TFA)		4,327,627	223,136
Islamic refinance scheme for Renewable Energy		677,678	627,670
Islamic refinance scheme for combating COVID (IRFCC)		197,509	271,263
Islamic refinance facility for Modernization of SMEs		67,654	71,930
Refinance for Islamic Financing Facility of Storage of Agricultural Produce (IFFSAP)		47,836	59,710
Islamic Credit Guarantee Scheme For Women Entrepreneur		35,187	9,279
		<u>14,741,845</u>	<u>10,132,117</u>

#### 13 FIXED ASSETS

Capital work-in-progress	13.1	1,491,445	1,427,567
Property and equipment	13.2	11,081,857	9,864,421
Right of use assets	13.2	3,566,267	2,897,382
		<u>16,139,569</u>	<u>14,189,370</u>
<b>13.1 Capital work-in-progress</b>			
Advances to suppliers and contractors		300,722	236,844
Advance for acquiring properties:			
- Office premises	13.1.1	1,190,723	1,190,723
		<u>1,491,445</u>	<u>1,427,567</u>

**13.1.1** This includes advance against purchase of properties amounting to Rs. 1,184.232 million (2022: Rs. 1,184.232 million).

## 13.2 Property and Equipment

2023							
Freehold / Leasehold land	Freehold / Leasehold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	Total	
----- Rupees in '000 -----							
<b>At January 1, 2023</b>							
Cost / Revalued amount	3,564,900	4,584,573	3,696,762	4,293,626	110,526	6,129,251	22,379,638
Accumulated depreciation	-	(752,703)	(2,251,704)	(3,319,399)	(62,160)	(3,231,869)	(9,617,835)
Net book value	3,564,900	3,831,870	1,445,058	974,227	48,366	2,897,382	12,761,803
<b>Year ended December 2023</b>							
Opening net book value	3,564,900	3,831,870	1,445,058	974,227	48,366	2,897,382	12,761,803
Additions	-	-	1,308,130	1,293,214	90,124	1,564,525	4,255,993
Movement in surplus on assets revalued during the year	(90,897)	(17,653)	-	-	-	-	(108,550)
Deficit on revaluation recognized through profit and loss account - net	(195,503)	(3,609)	-	-	-	-	(199,112)
Disposals	(405,000)	(49,714)	(310,414)	(30,343)	(25,502)	-	(820,973)
Write offs	-	-	(37,139)	-	-	-	(37,139)
	(405,000)	(49,714)	(347,553)	(30,343)	(25,502)	-	(858,112)
<b>Movement in Accumulated Depreciation</b>							
Depreciation charge	-	(180,749)	(312,254)	(516,061)	(25,166)	(895,640)	(1,929,870)
Reversal of depreciation on disposal	-	7,191	229,631	30,079	25,372	-	292,273
Reversal of accumulated depreciation on revaluation	-	400,337	-	-	-	-	400,337
Reversal of depreciation on write off	-	-	33,362	-	-	-	33,362
	-	226,779	(49,261)	(485,982)	206	(895,640)	(1,203,898)
Closing net book value	2,873,500	3,987,673	2,356,374	1,751,116	113,194	3,566,267	14,648,124
<b>At December 31, 2023</b>							
Cost / Revalued amount	2,873,500	4,513,597	4,657,339	5,556,497	175,148	7,693,776	25,469,857
Accumulated depreciation	-	(525,924)	(2,300,965)	(3,805,381)	(61,954)	(4,127,509)	(10,821,733)
Net book value	2,873,500	3,987,673	2,356,374	1,751,116	113,194	3,566,267	14,648,124
Depreciation rate / *years	-	2	10-20	15-25	20	*1-10	



2022						
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, 2022

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

#### Year ended December 2022

Opening net book value	3,564,900	3,994,797	1,232,793	880,245	37,044	2,642,672	12,352,451
Additions	-	209,436	468,929	482,306	29,525	1,121,534	2,311,730
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
Disposals	-	(64,933)	(14,906)	(69,244)	-	-	(149,083)
Write offs	-	-	(36,803)	-	-	-	(36,803)
	-	(64,933)	(51,709)	(69,244)	-	-	(185,886)

#### Movement in Accumulated Depreciation

Depreciation charge	-	(312,743)	(249,212)	(385,896)	(18,203)	(866,824)	(1,832,878)
Reversal of depreciation on disposal	-	5,313	13,283	66,816	-	-	85,412
Reversal of depreciation on write off	-	-	30,974	-	-	-	30,974
	-	(307,430)	(204,955)	(319,080)	(18,203)	(866,824)	(1,716,492)

Closing net book value	3,564,900	3,831,870	1,445,058	974,227	48,366	2,897,382	12,761,803
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#### At December 31, 2022

Cost / Revalued amount	3,564,900	4,584,573	3,696,762	4,293,626	110,526	6,129,251	22,379,638
Accumulated depreciation	-	(752,703)	(2,251,704)	(3,319,399)	(62,160)	(3,231,869)	(9,617,835)
Net book value	3,564,900	3,831,870	1,445,058	974,227	48,366	2,897,382	12,761,803
Depreciation rate / *years	-	2	10-20	15-25	20	*1-5	

#### 13.2.1 Details of property and equipment disposed-off

Details of disposal of fixed assets to the Chief Executive Officer or to a Director or to Executives, irrespective of the value, and to any other person having aggregate book value of more than Rs 1 million and particulars of each asset, which has 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, 2023, amounted to Rs.4,016.360 million (2022: Rs.3,349.760 million).

**13.4** During the year ended December 31, 2023, the Bank's freehold land and buildings on leasehold land were revalued by Gandhara Consultants (Private) Limited 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. 2,873.500 million and Rs 4,078.179 million respectively. The total surplus against revaluation of fixed assets as at December 31, 2023 amounts to Rs. 2,786.212 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2023 would have been as follows:

	Rupees in '000
Land	2,639,311
Building	1,435,650
	<b>4,074,961</b>

**14 INTANGIBLE ASSETS****At January 1, 2023**

Cost	930,633	40,600	26,375	2,944,297	3,941,905
Accumulated amortization and impairment	(659,005)	(17,765)	(3,566)	-	(680,336)
Net book value	271,628	22,835	22,809	2,944,297	3,261,569

**Year ended December 2023**

Opening net book value	271,628	22,835	22,809	2,944,297	3,261,569
Additions:					
- directly purchased	481,996	-	19,649	-	501,645
Disposals	-	-	-	-	-
Amortization charge	(137,423)	(2,245)	(4,061)	-	(143,729)
Closing net book value	616,201	20,590	38,397	2,944,297	3,619,485

**At December 31, 2023**

Cost	1,412,629	40,600	46,024	2,944,297	4,443,550
Accumulated amortization and impairment	(796,428)	(20,010)	(7,627)	-	(824,065)
Net book value	616,201	20,590	38,397	2,944,297	3,619,485
Rate of amortization (percentage)	20	6	10	-	
Useful life (years)	5	17	10	-	

2023

Computer software	Core deposits	Membership and Subscription	Goodwill (note 14.2)	Total
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Rupees in '000

2022

Computer software	Core deposits	Membership and Subscription	Goodwill (Note 14.2)	Total
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Rupees in '000

**At January 1, 2022**

Cost	757,106	40,600	23,500	2,944,297	3,765,503
Accumulated amortization and impairment	(572,567)	(15,520)	(1,236)	-	(589,323)
Net book value	184,539	25,080	22,264	2,944,297	3,176,180

**Year ended December 2022**

Opening net book value	184,539	25,080	22,264	2,944,297	3,176,180
Additions:					
- directly purchased	173,527	-	4,875	-	178,402
Disposals	-	-	(2,000)	-	(2,000)
Amortization charge	(86,438)	(2,245)	(2,493)	-	(91,176)
Other adjustments	-	-	163	-	163
Closing net book value	271,628	22,835	22,809	2,944,297	3,261,569

**At December 31, 2022**

Cost	930,633	40,600	26,375	2,944,297	3,941,905
Accumulated amortization and impairment	(659,005)	(17,765)	(3,566)	-	(680,336)
Net book value	271,628	22,835	22,809	2,944,297	3,261,569
Rate of amortization (percentage)	20	6	10	-	
Useful life (years)	5	17	10	-	

**14.1** The cost of fully amortized intangible assets that are still in the Bank's use, as at December 31, 2023 amounted to Rs.530.911 million (2022: Rs.461.273 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, 2023.

**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	%
	20.66
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. 8,490.196 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	%
	5.18
Terminal growth rate	(11.79)

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

Note	2023			
	At January 01, 2023	Recognized in P&L	Recognized in OCI	At December 31, 2023

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

## 15 DEFERRED TAX ASSETS

### Deductible Temporary Differences on:

Accumulated tax losses	863,212	(863,212)	-	-
Provision for diminution in the value of investments	220,328	(58,574)	-	161,754
Provision against non-performing Islamic financing and related assets and advances	4,650,741	866,143	-	5,516,884
Ijarah financing and related assets	53,009	(34,207)	-	18,802
	<b>5,787,290</b>	<b>(89,850)</b>	<b>-</b>	<b>5,697,440</b>

### Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation	(351,206)	14,146	-	(337,060)
Surplus on revaluation of available for sale securities	(853,404)	-	(2,227,142)	(3,080,546)
Surplus on revaluation of fixed assets	(1,206,906)	152,612	(310,950)	(1,365,244)
Surplus on revaluation of non-banking assets	(28,712)	159	(4,920)	(33,473)
Accelerated tax depreciation	146,333	(699,799)	-	(553,466)
Others	(154,590)	30,327	32,146	(92,117)
	<b>(2,448,485)</b>	<b>(502,555)</b>	<b>(2,510,866)</b>	<b>(5,461,906)</b>
	<b>3,338,805</b>	<b>(592,405)</b>	<b>(2,510,866)</b>	<b>235,534</b>

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### Deductible Temporary Differences on:

Accumulated tax losses	2,591,239	(1,728,027)	-	863,212
Tax credit against minimum tax	32,238	(32,238)	-	-
Provision for diminution in the value of investments	199,769	20,559	-	220,328
Provision against non-performing Islamic financing and related assets and advances	3,344,708	1,306,033	-	4,650,741
Ijarah financing and related assets	234,991	(181,982)	-	53,009
Accelerated tax depreciation	128,401	17,932	-	146,333
	<b>6,531,346</b>	<b>(597,723)</b>	<b>-</b>	<b>5,933,623</b>

### Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation	(344,266)	(6,940)	-	(351,206)
Surplus on revaluation of available for sale securities	(748,104)	-	(105,300)	(853,404)
Surplus on revaluation of fixed assets	(1,051,413)	69,048	(224,541)	(1,206,906)
Surplus on revaluation of non-banking assets	(66,370)	21,910	15,748	(28,712)
Others	(13,052)	(141,538)	-	(154,590)
	<b>(2,223,205)</b>	<b>(57,520)</b>	<b>(314,093)</b>	<b>(2,594,818)</b>
	<b>4,308,141</b>	<b>(655,243)</b>	<b>(314,093)</b>	<b>3,338,805</b>

16 OTHER ASSETS - NET	Note	2023	2022
		-----Rupees in '000-----	
Profit / return accrued in local currency		22,877,808	12,472,201
Profit / return accrued in foreign currency		8,205	26,199
Advances, deposits, advance rent and other prepayments		2,637,121	2,656,198
Non-banking assets acquired in satisfaction of claims		1,452,789	1,455,091
Takaful claim receivable		22,570	24,458
Receivable against takaful and registration charges		310,102	352,783
Receivable against First WAPDA Sukuk	16.2	50,000	50,000
Acceptances		3,966,916	2,332,910
Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts		-	7,968
Others		957,467	802,973
		<b>32,282,978</b>	<b>20,180,781</b>
Less: Provision held against other assets	16.3	<b>(921,326)</b>	<b>(764,955)</b>
Other Assets (net of provision)		<b>31,361,652</b>	<b>19,415,826</b>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	24.2	<b>68,313</b>	<b>66,772</b>
Other assets - total		<b>31,429,965</b>	<b>19,482,598</b>
<b>16.1 Market value of non-banking assets acquired in satisfaction of claims</b>		<b>1,215,340</b>	<b>1,216,101</b>

The properties of the Bank have been revalued by independent professional valuers as at December 31, 2023. The revaluation was carried out by Gandhara Consultants (Private) Limited and Harvester Services (Pvt) Ltd on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 2,941 million.

Impairment against non-banking assets acquired in satisfaction of claims amounting to Rs. 305.762 million (2022: Rs. 305.762 million) is included in provision held against other assets.

16.1.1 Non-banking assets acquired in satisfaction of claims	2023	2022
	-----Rupees in '000-----	
<b>Opening Balance</b>	<b>1,216,101</b>	1,506,468
Additions	-	-
Revaluation	1,868	(126,942)
Disposals	-	(658,271)
Depreciation	(2,302)	(3,159)
Reversal / (charge) of impairment	-	493,917
Incremental Depreciation	(327)	4,088
<b>Closing Balance</b>	<b>1,215,340</b>	<b>1,216,101</b>
<b>16.1.2 Gain / (Loss) on disposal of non-banking assets acquired in satisfaction of claims</b>		
Disposal Proceeds	-	441,100
less		
- Cost	-	747,889
- Impairment / Depreciation	-	(515,756)
	-	232,133
Gain / (Loss)	-	208,967

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

	Note	2023	2022
-----Rupees in '000-----			
<b>16.3 Provision held against other assets</b>			
Advances, deposits, advance rent & other prepayments		54,371	26,692
Non banking assets acquired in satisfaction of claims		305,762	305,762
Others		561,193	432,501
	16.3.1	<b>921,326</b>	<b>764,955</b>
<b>16.3.1 Movement in provision held against other assets</b>			
<b>Opening balance</b>		<b>764,955</b>	1,261,370
Charge for the year		156,571	-
Reversals during the year		(200)	(496,415)
<b>Closing balance</b>		<b>921,326</b>	<b>764,955</b>
<b>17 BILLS PAYABLE</b>			
In Pakistan		5,125,177	3,530,929
Outside Pakistan		-	-
		<b>5,125,177</b>	<b>3,530,929</b>
<b>18 DUE TO FINANCIAL INSTITUTIONS</b>			
<b>Secured</b>			
Due to State Bank of Pakistan			
Acceptances from SBP under Mudaraba	18.1	30,694,154	-
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)	18.2	7,746,700	7,473,692
Islamic Export Finance Scheme - Rupee based discounting	18.3	4,600,946	139,863
Acceptances for financial assistance	18.4	4,413,497	4,036,120
Acceptances under Islamic Export Refinance Scheme	18.5	3,554,100	4,175,000
Islamic Long-Term Financing Facility	18.2	957,745	922,930
Islamic refinance scheme for Renewable Energy	18.2	639,712	563,692
Islamic refinance scheme for combating COVID (IRFCC)	18.2	80,374	76,879
Islamic Refinance Scheme for Modernization of SMEs	18.2	60,271	65,854
Islamic refinance scheme for Facility of Storage of Agricultural Produce (IFFSAP)	18.2	43,264	56,967
Islamic Credit Guarantee Scheme for Women Entrepreneur	18.2	14,166	9,499
Islamic refinance scheme for payment of wages and salaries	18.2	-	469,634
		<b>52,804,929</b>	17,990,130
Musharakah Acceptance	18.7	2,500,000	-
Refinance facility for Islamic Mortgage	18.6	3,354,127	3,062,126
<b>Total secured</b>		<b>58,659,056</b>	<b>21,052,256</b>
<b>Unsecured</b>	18.7	<b>2,000,000</b>	-
Wakalah Acceptance		2,000,000	-
<b>Total unsecured</b>		<b>60,659,056</b>	<b>21,052,256</b>
<b>18.1</b>	This represents acceptance of funds by the Bank on Mudarabah basis which has been invested in special pools of the Bank and are secured against lien of the Bank's investment in Federal Government securities. The expected average return is 22.14% (2022: Nil) per annum.		
<b>18.2</b>	These acceptances 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 State Bank of Pakistan (SBP).		
<b>18.3</b>	These 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. 5,234 million (2022: 250 million) was allocated to the Bank by the SBP		



under Islamic Export Refinance Scheme - Rupee Based Discounting for the financial year ended December 31, 2023.

- 18.4** 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.
- 18.5** These 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. 3,952 million (2022: Rs. 5,300 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2023.
- 18.6** 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 8.50% to 13.97% (2022: 5.33% to 10.50% ) per annum.
- 18.7** The expected profit rate on this agreement is 21.25% to 21.75% (2022: Nil) per annum and has maturity of 2 to 4 Days (2022: Nil Days).

18.8 Particulars of due to financial institutions with respect to currencies	2023	2022
	-----Rupees in '000-----	
In local currency	60,659,056	21,052,256
In foreign currencies	-	-
	<b>60,659,056</b>	<b>21,052,256</b>

## 19 DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	----- Rupees in '000 -----					
<b>Customers</b>						
Current deposits	173,239,773	7,973,255	181,213,028	153,254,447	4,891,424	158,145,871
Savings deposits	119,740,262	3,796,970	123,537,232	91,134,589	3,359,456	94,494,045
Term deposits	188,301,494	8,389,258	196,690,752	132,317,698	4,987,727	137,305,425
Margin deposits	12,948,577	111,218	13,059,795	10,979,366	90,052	11,069,418
	<b>494,230,106</b>	<b>20,270,701</b>	<b>514,500,807</b>	<b>387,686,100</b>	<b>13,328,659</b>	<b>401,014,759</b>
<b>Financial Institutions</b>						
Current deposits	713,949	11,551	725,500	1,419,692	9,985	1,429,677
Savings deposits	6,415,172	-	6,415,172	13,071,506	-	13,071,506
Term deposits	899,300	-	899,300	396,000	-	396,000
Margin deposits	146	-	146	-	-	-
	<b>8,028,567</b>	<b>11,551</b>	<b>8,040,118</b>	<b>14,887,198</b>	<b>9,985</b>	<b>14,897,183</b>
	<b>502,258,673</b>	<b>20,282,252</b>	<b>522,540,925</b>	<b>402,573,298</b>	<b>13,338,644</b>	<b>415,911,942</b>

19.1 Composition of deposits	2023	2022
	-----Rupees in '000-----	
Individuals	142,269,639	101,568,758
Government (Federal and Provincial)	21,971,971	14,764,525
Public Sector Entities	17,458,559	9,423,485
Banking Companies	419,613	1,126,375
Non-Banking Financial Institutions	7,620,505	13,770,808
Private Sector	332,800,638	275,257,991
	<b>522,540,925</b>	<b>415,911,942</b>

- 19.2** Total deposits includes eligible deposits under deposit protection mechanism amounting to Rs. 204,351.129 million (2022: Rs.185,870.705 million).

**20 SUBORDINATED SUKUK**

Note	2023	2022
	-----Rupees in '000-----	
ADT-1 Sukuk Issue I	2,000,000	2,000,000
ADT-1 Sukuk Issue II - Pre IPO	850,000	850,000
	<b>2,850,000</b>	<b>2,850,000</b>

**20.1** The Bank has issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of sukuku 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.

**20.2 Salient features of the ADT-1 sukuk issue I 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'
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 Sukuku, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in clause	In the event where payment of profit results in breach of regulatory MCR/CAR requirements or SBP determines a bar on profit distribution, the monthly profit weightage of the Sukuk holders will be reduced to a minimum level e.g. 0.005, till the month in which such condition is withdrawn by SBP.
Loss absorbency clause	The Sukuku shall, at the discretion of the SBP, be permanently converted into ordinary shares 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.

**20.3 Salient features of the ADT-1 sukuk issue II are as follows:**

Amount	Rs. 1,000 million.
Issue Date	Subject to completion of IPO
Tenor	Perpetual (i.e. no fixed or final redemption date)
Instrument Rating	PACRA has rated this Sukuk at 'A'
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 1 Month KIBOR + 2.5%. 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 Sukuku, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in clause	In the event where payment of profit results in breach of regulatory MCR/CAR requirements or SBP determines a bar on profit distribution, the monthly profit weightage of the Sukuk holders will be reduced to a minimum level e.g. 0.005, till the month in which such condition is withdrawn by SBP.
Loss absorbency clause	The Sukuku shall, at the discretion of the SBP, be permanently converted into ordinary shares 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.

**20.3.1** The Pre-IPO (Initial Public Offer) phase of ADT-1 Sukuk issue was successfully completed during the year 2022 where the Bank had received Rs. 850 million. All necessary regulatory approvals have been obtained for the IPO of Rs. 150 million and public subscription is expected to be completed in the month of February 2024.

21 OTHER LIABILITIES	Note	2023	2022
-----Rupees in '000-----			
Profit / return payable in local currency		8,137,173	4,633,768
Profit / return payable in foreign currencies		271,448	152,308
Accrued expenses		2,077,161	1,343,277
Deferred Murabahah Income Financing, IERS and Others		1,111,958	335,033
Payable to defined benefit plan		4,677	4,677
Payable to defined contribution plan		40,121	29,804
Defined Benefit Plan liabilities	39.4	428,941	302,347
Security deposits against Ijarah		421,586	441,034
Lease liability against right-of-use assets	21.1	4,252,295	3,559,675
Provision against off-balance sheet obligations	21.2	85,975	85,975
Acceptances		3,966,916	2,332,910
Current taxation (provisions less payments)		2,281,081	1,895,197
Provision against other tax liabilities		327,185	95,475
Unrealized loss on Shariah compliant alternative of forward foreign exchange contracts		313,494	-
Sundry creditors		1,595,515	1,102,481
Payable to brokers against purchase of shares - net		536	442
Charity payable	21.3	29,550	7,440
Retention money payable		63,047	27,158
Provision for Workers' Welfare Fund	21.4	768,887	358,419
Dividend Payable		201,599	-
Clearing and settlement accounts		40,087	293,247
Others		805,588	442,917
		<b>27,224,820</b>	<b>17,443,584</b>

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

	Note	2023	2022
-----Rupees in '000-----			
As at January 1,		3,559,675	3,213,456
Additions		1,564,525	1,121,534
Amortisation of lease liability against right-of-use assets		925,699	441,540
Payments		(1,797,604)	(1,216,855)
As at December 31,		<b>4,252,295</b>	<b>3,559,675</b>
<b>21.2 Provision against off-balance sheet obligations</b>			
Opening balance		85,975	85,975
Charge / (Reversals)		-	-
Closing balance	21.2.1	<b>85,975</b>	<b>85,975</b>

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

21.3 Charity payable	Note	2023	2022
-----Rupees in '000-----			
Opening balance		7,440	2,360
<b>Additions during the year</b>			
- Received from customers on account of delayed payment		48,082	33,049
- Shariah non-compliant income		6,042	4,177
- Dividend purification		80	31
- Profit on charity saving account		240	151
		<b>54,444</b>	<b>37,408</b>
<b>Distribution of charity</b>			
- Education		(7,835)	(11,451)
- Health		(5,276)	(6,450)
- Islamic microfinance program		(5,800)	(3,200)
- Community development		(13,423)	(11,227)
	21.3.1	<b>(32,334)</b>	<b>(32,328)</b>
Closing balance		<b>29,550</b>	<b>7,440</b>

**21.3.1 Charity was paid to the following:**

	2023	2022
	-----Rupees in '000-----	
Akhuwat Foundation	5,800	3,200
Bholari Tent City	4,773	-
Descon Technical Institute	3,585	-
Memon Industrial & Technical	2,000	-
The Citizens Foundation	1,700	3,400
The Hunar Foundation	1,250	-
Saylani Welfare International Trust	1,000	2,100
Karachi School Of Business & Leadership	1,000	-
Bait us Salam Welfare Trust	1,000	3,100
Indus Hospital & Health Network	976	500
Bait ul Sukoon Trust Cancer Hospital	800	1,050
Alamgir Welfare Trust International	800	1,100
Ismail Welfare Hospital	700	200
Transformation International Society	600	-
The Patients Behbud Society for AKUH	600	-
Hum Mashal-E-Rah Foundation	500	-
Aziz Tabba Foundation	500	-
Aitmaad Trust	500	1,050
Tameer-I-Nau Trust Balochistan	400	-
Rehnuma Public School	400	300
Layton Rahmatullah Benevolent Fund	400	-
Sahil Welfare Association	350	1,000
Transformation International Society	300	-
The Health Foundation	300	-
Karwan E Hayat	300	-
IDA RIEU Welfare Association	300	150
Al Mustafa Trust	300	-
Trust Jamiat Talim-UI-Quran	250	-
Society for Advancement of Health, Education & Environment	250	700
Cancer Care Hospital	250	-
Afzaal Memorial Thalassemia Foundation	250	550
Autism Care & Rehabilitation Organization	200	600
Women Islamic Lawyers Forum	-	200
Subh e Nau School	-	300
Shaukat Khanum Memorial Cancer Hospital	-	300
Shahid Khan Afridi Foundation	-	1,050
Rising Sun Education & Welfare Society	-	200
Pakistan Sweet Home	-	200
Mir Wali Muhammad Badini Memorial Trust	-	250
Million Smiles Foundation	-	200
Mercy Pak	-	500
Karigar Training Institute	-	250
Infaq Memorial Trust	-	500
IBA Center For Excellence In Islamic Finance	-	4,000
Habib University Foundation	-	500
Flood Relief Activity	-	3,328
Family Educational Services Foundation	-	850
Dar us Shifa	-	200
Al Khidmat Welfare Society	-	500
	<b>32,334</b>	<b>32,328</b>

**21.3.2** 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.

**21.4** 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.

## 22 SHARE CAPITAL - NET

2023		2022		Note	2023		2022	
----- Number of Shares -----					-----Rupees in '000-----			
<b>22.1</b>	<b>Authorized capital</b>							
	1,500,000,000	1,500,000,000	Ordinary shares of Rs.10 each		15,000,000		15,000,000	
<b>22.2</b>	<b>Issued, subscribed and paid up capital</b>							
			<b>Ordinary shares of Rs 10 each</b>					
	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)	
	<u>1,108,703,299</u>	<u>1,108,703,299</u>			<u>11,007,991</u>		<u>11,007,991</u>	
<b>23</b>	<b>RESERVES</b>							
	Statutory Reserves			23.1	4,800,111		2,591,091	
					<u>4,800,111</u>		<u>2,591,091</u>	

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

## 24 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Note      **2023**      **2022**  
-----Rupees in '000-----

### Surplus on revaluation of:

Available for sale securities	11.1	6,286,828	1,984,660
Fixed assets		2,786,212	2,805,877
Non-banking assets acquired in satisfaction of claims	16	68,313	66,772
		<u>9,141,353</u>	<u>4,857,309</u>

### Deferred tax liability on surplus on revaluation of:

Available for sale securities	15	(3,080,546)	(853,404)
Fixed assets		(1,365,244)	(1,206,906)
Non-banking assets acquired in satisfaction of claims		(33,473)	(28,712)
		<u>(4,479,263)</u>	<u>(2,089,022)</u>
		<u>4,662,090</u>	<u>2,768,287</u>

24.1 Surplus on revaluation of fixed assets	Note	2023	2022
		-----Rupees in '000-----	
Surplus on revaluation of fixed assets at January 01		2,805,877	3,003,156
Recognized during the year		291,787	-
Realised on disposal during the year - net of deferred tax		(32,058)	(10,412)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(126,782)	(117,819)
Related deferred tax liability in respect of incremental depreciation charged during the year		(121,811)	(63,441)
Related deferred tax liability on surplus realized on disposal		(30,801)	(5,607)
Surplus on revaluation of fixed assets as at December 31		<b>2,786,212</b>	2,805,877
Less: related deferred tax liability on:			
- related deferred tax liability on surplus as at January 01		(1,206,906)	(1,051,413)
- revaluation recognised during the year		(142,976)	-
- surplus realised on disposal during the year		30,801	5,607
- impact of change in tax rate		(167,974)	(224,541)
- incremental depreciation charged during the year		121,811	63,441
		<b>(1,365,244)</b>	(1,206,906)
		<b>1,420,968</b>	<b>1,598,971</b>
<b>24.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation of Non Banking Assets at January 01		66,772	189,628
Recognised during the year		1,868	(60,257)
Realised on disposal during the year - net of deferred tax		-	(43,347)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(168)	2,658
Related deferred tax liability on incremental depreciation charged during the year		(159)	1,430
Related deferred tax liability on surplus realised on disposal		-	(23,340)
Surplus on revaluation as at December 31		<b>68,313</b>	66,772
Less: related deferred tax liability on:			
- revaluation as at January 1		(28,712)	(66,370)
- revaluation recognised during the year		(915)	21,090
- surplus realised on disposal during the year		-	23,340
- impact of change in tax rate		(4,005)	(5,342)
- incremental depreciation charged during the year		159	(1,430)
		<b>(33,473)</b>	(28,712)
		<b>34,840</b>	<b>38,060</b>
<b>25 CONTINGENCIES AND COMMITMENTS</b>			
- Guarantees	25.1	5,375,308	3,527,283
- Commitments	25.2	158,272,032	100,045,268
- Other contingent liabilities	25.3	720,593	229,652
		<b>164,367,933</b>	<b>103,802,203</b>
<b>25.1 Guarantees:</b>			
Performance guarantees		4,086,053	2,668,388
Other guarantees		1,289,255	858,895
		<b>5,375,308</b>	<b>3,527,283</b>



	Note	2023	2022
-----Rupees in '000-----			
<b>25.2 Commitments:</b>			
<b>Documentary credits and short-term trade-related transactions:</b>			
- letters of credit		24,399,492	28,386,915
<b>Commitments in respect of:</b>			
- shariah compliant alternative of forward foreign exchange contracts	25.2.1	7,734,443	6,708,168
<b>Commitments for acquisition of:</b>			
- fixed assets		1,105,974	553,177
- intangible assets		65,782	53,341
<b>Other commitments</b>			
- commitments in respect of financing	25.2.2	124,966,341	64,343,667
		<b>158,272,032</b>	<b>100,045,268</b>
<b>25.2.1 Commitments in respect of Shariah compliant alternative of forward foreign exchange transactions</b>			
Purchase		54,353,067	17,741,180
Sale		(46,618,624)	(11,033,012)
		<b>7,734,443</b>	<b>6,708,168</b>
<b>25.2.2</b>	The Bank makes commitments to extend shariah compliant islamic financing (including to related parties) 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.		
<b>25.3 Other contingent liabilities</b>			
Suit filed for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	25.3.1	1,804	4,200
Tax Contingencies	25.3.2	718,789	225,452
		<b>720,593</b>	<b>229,652</b>
<b>25.3.1</b>	Suit filed for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt.		
<b>25.3.1.1</b>	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.		
<b>25.3.1.2</b>	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. These cases are still pending adjudication. The management based on the opinion of its legal counsel is confident that the cases will be dismissed by the Honorable Courts therefore, the Bank has not acknowledged that as a debt.		
<b>25.3.2 Tax Contingencies</b>			
<b>25.3.2.1</b>	The income tax returns of the Bank have been filed up to tax year 2023 whereas the tax assessments have been made by the tax authorities up to tax year 2022. The returns filed for the tax year 2014 to tax year 2023 are treated to be deemed assessed under section 120 of the Income Tax Ordinance, 2001.		
<b>25.3.2.2</b>	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.

- 25.3.2.3** 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.
- 25.3.2.4** For tax years 2010 (relating to defunct KASB Bank Limited), the ACIR had passed an order under section 122 creating a demand of Rs 51.636 million the order was subsequently upheld by the CIRA. The defunct KASB Bank Limited had preferred an appeal before the ATIR against the above referred order of the CIRA which is pending adjudication.
- 25.3.2.5** In respect of various tax periods for the Bank and defunct KASB Bank, Sindh Revenue Board (SRB) has passed various orders and raised demand totaling to Rs. 102.199 million in relation to levy of Sindh sales tax on certain services. The Bank has filed appeals before Commissioner Appeal, SRB which are pending adjudication. Furthermore, the Bank is contesting the issuance of certain showcause notices issued by SRB for the period covering from January 2012 till December 2013 before the Honorable Supreme Court of Pakistan based on the ground that these notices are time barred. The subject matter is also pending adjudication.
- 25.3.2.6** During the year, in respect of Tax Year 2019 and 2020, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses thereby creating a Tax demand of Rs 1.247 billion. The Bank filed appeal against the orders before Commissioner Appeal. The Commissioner Appeal while passing order for Tax Year 2019 and Tax Year 2020 has remanded back / deleted significant amount of disallowances and confirmed disallowance amounting to Rs. 191.420 million. The Bank is in the process of filing Appeal against the confirmed disallowances before the Appellate Tribunal (ATIR).
- 25.3.2.7** During the year, in respect of Tax Year 2022 the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses thereby creating a Tax demand of Rs 522.794 million. The Bank has filed appeal against the orders before Commissioner Appeal which is pending adjudication.
- 25.3.2.8** In pursuance of SRO 1588(I)/2023 dated November 21, 2023 banking companies have been designated to be the 'sector' for the purpose of section 99D of the Income Tax Ordinance 2001, for the tax years 2022 and 2023. Tax authorities issued a recovery notice to the Bank thereby creating a demand to the extent of Rs. 594 million. The Bank through its legal council has challenged the levy, and the High Court of Sindh, has suspended the operation of aforementioned SRO and granted stay to the Bank. Further, the Islamabad High Court and Lahore High Court has suspended the operation in other similar petitions. The matter remains pending and the stay order still holds the field.

26	<b>PROFIT / RETURN EARNED</b>	<b>2023</b>	<b>2022</b>
		-----Rupees in '000-----	
	Profit earned on:		
	Financing	<b>42,171,450</b>	24,605,808
	Investments	<b>46,330,900</b>	17,113,947
	Placements	<b>4,061,120</b>	4,460,053
	Others	<b>192,767</b>	165,386
		<b>92,756,237</b>	46,345,194
<b>27</b>	<b>PROFIT / RETURN EXPENSED</b>		
	Deposits and other accounts	<b>41,281,037</b>	21,689,977
	Due to financial institutions	<b>8,912,421</b>	3,318,593
	Cost of foreign currency swaps against foreign currency deposits	<b>768,626</b>	170,269
	Amortisation of lease liability against right of use assets	<b>925,699</b>	441,540
	Subordinated Sukuk	<b>684,722</b>	322,450
		<b>52,572,505</b>	25,942,829

28	FEE AND COMMISSION INCOME	Note	2023	2022
			-----Rupees in '000-----	
	Card related fees		851,551	617,946
	Commission on trade		494,991	301,004
	Commission on arrangement with financial institutions		86,517	103,203
	Investment banking fees		81,281	102,440
	Commission on bancatakaful		61,728	85,064
	Guarantees related fee		63,805	69,221
	Consumer finance related fees		40,244	61,058
	Branch banking customer fees		63,505	59,152
	Commission on remittances including home remittances		40,127	26,294
	Commission on cash management		22,322	24,768
	Others		10,833	9,215
			<b>1,816,904</b>	<b>1,459,365</b>
<b>29</b>	<b>GAIN ON SECURITIES - NET</b>			
	Realized gain - net	29.1	272,015	80,092
<b>29.1</b>	<b>Realized gain / (loss) on:</b>			
	Federal Government Shariah Compliant Securities		275,243	80,092
	Modaraba certificates		(3,228)	-
			<b>272,015</b>	<b>80,092</b>
<b>30</b>	<b>OTHER INCOME - NET</b>			
	Recoveries against previously expensed items		11,061	326,485
	Gain on sale of non-banking assets		-	208,967
	Gain on termination of financing		183,718	121,958
	Gain on sale of property and equipment		39,967	19,587
	Rent on property		766	1,489
	Others		4,307	5,402
			<b>239,819</b>	<b>683,888</b>

31 OPERATING EXPENSES	Note	2023	2022
-----Rupees in '000-----			
<b>Total compensation expense</b>	31.1	7,493,260	5,363,050
<b>Property expense</b>			
Rent & taxes		127,639	125,076
Takaful cost		1,214	1,469
Utilities cost		881,148	697,136
Security (including guards)		670,670	458,738
Repair & maintenance (including janitorial charges)		333,893	250,927
Depreciation	13.2	395,761	486,304
Depreciation on right-of-use assets	13.2	895,640	866,824
Others		859	350
		<b>3,306,824</b>	2,886,824
<b>Information technology expenses</b>			
Software maintenance		726,136	356,762
Hardware maintenance		219,400	125,979
Depreciation	13.2	331,849	268,244
Amortization	14	137,423	86,438
Network charges		304,220	257,589
		<b>1,719,028</b>	1,095,012
<b>Other operating expenses</b>			
Directors' fees and allowances		24,540	13,700
Fees and allowances to Shariah Board		26,273	22,474
Legal & professional charges		151,990	127,973
Travelling & conveyance		122,399	72,608
NIFT clearing charges		41,402	35,301
Depreciation	13.2	306,620	211,506
Depreciation on non-banking assets	16.1.1	2,302	3,159
Entertainment expense		103,725	102,523
Training & development		28,364	10,940
Postage & courier charges		70,678	49,555
Communication		287,451	73,841
Stationery & printing		450,375	284,856
Marketing, advertisement & publicity		228,850	208,167
Repairs and maintenance		213,318	161,884
Takaful, tracker and other charges on car Ijarah - net of income		22,728	-
Takaful / Insurance		365,166	340,707
Fee and subscription		488,423	200,886
Vehicle running and maintenance		496,701	315,319
Donations	31.2	-	9,748
Auditors' remuneration	31.3	29,368	20,057
Amortization	14	6,306	4,738
CDC and share registrar services		14,042	8,893
Brokerage and commission		36,329	24,193
Stamp duty, registration & verification charges		55,666	75,513
Others		67,528	49,742
		<b>3,640,544</b>	2,428,283
		<b>16,159,656</b>	11,773,169
<b>31.1 Total compensation expense</b>			
Managerial remuneration			
(i) Fixed		3,058,764	2,407,803
(ii) Variable - Performance awards		22,497	19,319
(iii) Cash bonus to employees		1,290,000	400,000
Charge for defined benefit plan	39.8.1	210,989	175,548
Contribution to defined contribution plan	40	208,559	163,390
Rent & house maintenance allowance		1,203,592	932,069
Utilities allowance		267,857	207,120
Medical allowance		274,603	209,524
Car maintenance allowance		305,769	233,216
Conveyance allowance		12,228	836
Fuel allowance		38,361	14,985
Sports & welfare		16,227	9,298
Staff takaful		125,072	87,693
Overtime allowance		479	364
Phone banking allowance		2,911	2,215
Sales commission		178,298	280,102
Contract staff cost		274,118	217,978
Others		2,936	1,590
<b>Total</b>		<b>7,493,260</b>	5,363,050

31.2 Details of donations	Note	2023	2022
		-----Rupees in '000-----	
Flood Relief Activity		-	9,692
Wheel Chair for Special Persons		-	56
		-	9,748
<b>31.2.1</b> Donations were not made to any donee in which Directors or their spouse had any interest.			
<b>31.3 Auditors' remuneration</b>			
Audit fee		10,347	9,590
Fee for the review of half yearly financial statements		2,890	2,744
Fee for other statutory certifications		3,431	2,708
Special certifications and sundry advisory services		9,523	3,976
Out-of-pocket expenses		3,177	1,039
		29,368	20,057
<b>32 OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan		9,353	22,884
<b>33 PROVISIONS AND WRITE OFFS - NET</b>			
Reversal of provision against Due from financial institutions		(3,240)	(3,240)
Charge / (reversal) of provision for diminution in value of Investments	11.6.1	1,207,289	1,069
Provision against Islamic financing and related assets and advances - net	12.17.2	4,828,147	3,811,333
Defecit on revaluation of property and equipment		199,112	-
Other provisions / (reversal) / write offs - net		160,147	3,332
		6,391,455	3,812,494
<b>34 TAXATION</b>			
Current		8,359,941	3,127,642
Prior years		525,952	5,592
Deferred		592,405	655,243
		9,478,298	3,788,477
<b>34.1 Relationship between tax expense and accounting profit</b>			
Profit Before Tax		20,523,397	8,228,112
Tax on income @ 49%		10,056,465	4,031,775
Effect of change in Tax rate		(1,258,869)	(206,605)
Effect of permanent difference		4,583	54,222
Effect of Reduced rate of Tax		-	(15,184)
Prior year charge		525,952	5,592
Additional charge		150,167	-
Others		-	(81,323)
		(578,167)	(243,298)
Tax charge for the year		9,478,298	3,788,477

	Note	2023	2022
		-----Rupees in '000-----	
<b>35 BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after taxation for the year		<b>11,045,099</b>	4,439,635
		----- Number of shares -----	
Weighted average number of ordinary shares		<b>1,108,703,299</b>	1,108,703,299
		----- Rupees -----	
Basic and diluted EPS	35.1	<b>9.9622</b>	4.0043

**35.1** There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2023 and December 31, 2022, therefore diluted earning per share has not been presented separately.

### 36 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITORS POOL

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2023:

- (i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP)
- (ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme
- (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 47.1 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.

2023

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	11.06%	50.00%	50.00%	4,928,441	5.89%	6.63%	326,595
Daily Product	Monthly	17.70%	50.00%	50.00%	63,000	8.98%	0.00%	-
USD Pool	Monthly	1.69%	50.00%	50.00%	29,520	0.86%	0.00%	-
GBP Pool	Monthly	3.11%	50.00%	50.00%	4,874	1.50%	0.00%	-
EURO Pool	Monthly	3.22%	50.00%	50.00%	3,431	1.67%	0.00%	-

Specific Musharakah Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Client Share %	Bank Share %	Bank Share	Profit rate return distributed	Percentage of Hiba to Client	Amount of Hiba to Client
					(Rupees in '000)			(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	15.32%	46.77%	53.23%	1,664,153	8.36%	-	-
Other Specific Musharakah Pool	Monthly	17.85%	66.77%	33.23%	295,811	18.54%	-	-

Specific Mudarabaha Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Depositor Share %	Mudarib Share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba to special remunerative deposits
					(Rupees in '000)			(Rupees in '000)
(i) Special Pool PKR	Monthly	20.41%	85.18%	14.82%	3,793,372	17.99%	32.98%	1,251,216
(ii) 1-3 Years Term Deposits	Monthly	18.26%	74.17%	25.83%	1,796,515	14.73%	25.31%	454,753
(iii) Special Pool USD	Monthly	7.85%	90.00%	10.00%	47,739	7.17%	6.81%	3,249
(iv) Special Pool Euro	Monthly	7.56%	72.09%	27.91%	6,657	5.88%	25.84%	1,720

(v) In addition to the above, 576 short term Treasury Pools including SBP OMO / MFF were created to meet liquidity requirement of Treasury Department. These pools were dissolved after maturity of respective Treasury transaction. Further, "Haji Pool" created under the arrangement with Ministry of Religious Affairs. The Pools were managed under Shariah approved guidelines.

	Note	2023	2022
		-----Rupees in '000-----	
<b>37 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	8	41,287,071	39,972,702
Balances with other banks	9	1,373,974	2,045,955
		<b>42,661,045</b>	<b>42,018,657</b>
<b>38 STAFF STRENGTH</b>		Number of employees	
Permanent		3,727	3,166
Contractual basis		2,164	1,396
Total staff strength		<b>5,891</b>	<b>4,562</b>
<b>39 DEFINED BENEFIT PLAN</b>			
<b>39.1 General description</b>			
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.			
<b>39.2 Number of Employees under the scheme</b>			
The number of eligible employees covered under the defined scheme are 3,727 (2022: 3,166).			

### 39.3 Principal actuarial assumptions

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

	2023	2022
- Valuation Discount rate	15.50%	14.50%
- Salary Increase Rate	15.50%	14.50%
- Expected Return on Plan Assets	15.50%	14.50%

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

### 39.4 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:

	2023	2022
Present value of defined benefit obligations	891,124	646,661
Fair value of plan assets	(462,183)	(344,314)
	428,941	302,347

### 39.5 Movement in defined benefit obligations

	2023	2022
Obligations at the beginning of the year	646,661	551,882
Current service cost	182,681	158,274
Return expense	82,664	58,261
Benefits paid by the Bank	(88,885)	(87,336)
Re-measurement loss / (gain)	68,003	(34,420)
Obligations at the end of the year	891,124	646,661

### 39.6 Movement in fair value of plan assets

	2023	2022
Fair value at the beginning of the year	344,314	378,252
Return earned on plan assets	54,356	40,987
Contribution by the Bank	150,000	-
Benefits paid by the Bank	(88,885)	(87,336)
Re-measurement gain	2,398	12,411
Fair value at the end of the year	462,183	344,314

### 39.7 Movement in payable under defined benefit schemes

	2023	2022
Opening balance	302,347	173,630
Charge for the year	210,989	175,548
Contribution by the Bank	(150,000)	-
Re-measurement loss / (gain) recognized in OCI during the year	65,605	(46,831)
Closing balance	428,941	302,347

	2023	2022
	-----Rupees in '000-----	
<b>39.8 Charge for defined benefit plans</b>		
<b>39.8.1 Cost recognized in profit and loss</b>		
Current service cost	182,681	158,274
Net return charges	28,308	17,274
	<b>210,989</b>	<b>175,548</b>
<b>39.8.2 Re-measurements recognized in OCI during the year</b>		
Loss / (Gain) on obligation		
- Demographic assumptions	-	(7,690)
- Financial assumptions	4,213	(15,867)
- Experience adjustment	61,392	(23,274)
Total re-measurements	<b>65,605</b>	<b>(46,831)</b>
Deferred tax impact	<b>(32,146)</b>	20,137
Total re-measurements recognized in OCI	<b>33,459</b>	<b>(26,694)</b>
<b>39.9 Components of plan assets</b>		
Bank Balance	51,293	59,724
Term Deposit Receipt	410,890	284,590
	<b>462,183</b>	<b>344,314</b>

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

#### **39.10 Sensitivity analysis**

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

	2023	2022
	-----Rupees in '000-----	
1% increase in discount rate	845,366	612,851
1% decrease in discount rate	942,033	684,355
1 Year increase in Life expectancy / Withdrawal rate	891,125	646,660
1 Year decrease in Life expectancy / Withdrawal rate	891,122	646,662

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
<b>39.11 Expected contributions to be paid to the funds in the next financial year</b>	<b>237,876</b>
<b>39.12 Expected charge for the next financial year</b>	<b>268,413</b>

### 39.13 Maturity profile

The weighted average duration of the defined benefit obligation is 5.42 years (2022 : 5.53 years)

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

At December 31, 2023	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
Gratuity	172,264	112,902	348,822	2,733,512	3,367,500

### 39.14 Funding Policy

Funding levels are monitored on an annual basis and are based on actuarial recommendations. Expected Gratuity Expense for the next year works out to Rs. 268.413 million as per the actuarial valuation report of the Bank as of December 31, 2023.

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

<b>Investment Risks</b>	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
<b>Longevity Risks</b>	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.
<b>Salary Increase Risk</b>	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.
<b>Withdrawal Risk</b>	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## 40 DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund for all permanent employees. The employer and employee both contribute 10% of basic salary to the fund every month. Equal monthly contributions made by employer and employees during the year amounted to Rs. 208.559 million (2022: Rs. 163.390 million) each.

## 41 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 41.1 Total Compensation Expense

Items	Note	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
		Chairman	Executives (other than CEO)	Non- Executives (Note 41.2)				
		2023						
----- Rupees '000 -----								
Fees and Allowances etc.		2,720	-	16,520	3,577	-	-	-
Managerial Remuneration								
Fixed		-	-	-	11,997	36,895	114,091	106,193
Cash Bonus / Awards	41.1.3	-	-	-	4,722	75,765	60,199	41,017
Rent & house maintenance		-	-	-	-	-	51,341	47,787
Utilities		-	-	-	-	-	11,409	10,619
Medical		-	-	-	-	4,173	11,409	10,619
Conveyance		-	-	-	2,901	-	21,072	22,182
Shariah Board allowance		-	-	-	7,865	-	-	-
Others		-	-	-	-	20,027	1,980	4,924
<b>Total</b>		<b>2,720</b>	<b>-</b>	<b>16,520</b>	<b>31,062</b>	<b>136,860</b>	<b>271,501</b>	<b>243,341</b>
Number of Persons		1	-	9	4	2*	15	23

\*During the year Syed Amir Ali left the Bank at the end of his contract and was succeeded by Rizwan Ata who took charge as President and CEO of the Bank on October 01, 2023.

Key Management Personnel and Material Risk Takers/Material Risk Controllers are separate roles, with individuals in each category distinguished by their specific responsibilities and functions.

Items		Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
		Chairman	Executives (other than CEO)	Non- Executives				
		2022						
----- Rupees '000 -----								
Fees and Allowances etc.		1,500	-	12,200	3,504	-	-	-
Managerial Remuneration								
Fixed		-	-	-	9,920	38,545	93,525	84,369
Cash Bonus / Awards		-	-	-	-	40,000	25,590	19,425
Rent & house maintenance		-	-	-	-	-	42,086	37,966
Utilities		-	-	-	-	-	9,352	8,437
Medical		-	-	-	-	-	9,352	8,437
Conveyance		-	-	-	2,190	-	17,910	15,475
Shariah Board allowance		-	-	-	6,448	-	-	-
Others		-	-	-	412	25,095	3,701	4,447
<b>Total</b>		<b>1,500</b>	<b>-</b>	<b>12,200</b>	<b>22,474</b>	<b>103,640</b>	<b>201,516</b>	<b>178,556</b>
Number of Persons		1	-	6	4	1	16	15

41.1.1 The President / CEO has been provided with two bank maintained cars.

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

41.1.3 This represents cash bonus paid during the year 2023, out of the 'Provision for bonus expense' made during the year 2022 and 2023 for Bank's employees



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

2023							
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Audit Committee	Risk Management Committee	Board IT Committee	Board Human Resource & Remuneration Committee	
----- Rupees '000 -----							
1	Mr. Suleman Lalani	1,920	-	-	400	400	2,720
2	Mr. Ali Hussain	1,920	-	-	-	100	2,020
3	Mr. Haider Ali Hilaly	2,200	700	-	600	-	3,500
4	Mr. Sulaiman Sadruddin Mehdi	2,200	700	600	-	100	3,600
5	Mr. Syed Ali Hasham	2,200	700	600	-	500	4,000
6	Mr. Akhtar Abbas	1,600	-	-	400	400	2,400
7	Ms. Iffat Zehra Mankani	400	200	200	-	200	1,000
	Retired in 2023						
8	Dr. Lalarukh Ejaz	600	300	-	200	100	1,200
9	Mr. Tasneemul Haq Farooqui	600	300	-	200	100	1,200
10	Dr. Amjad Waheed	600	-	200	-	100	900
	<b>Total Amount Paid</b>	<b>14,240</b>	<b>2,900</b>	<b>1,600</b>	<b>1,800</b>	<b>2,000</b>	<b>22,540</b>

2022							
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Audit Committee	Risk Management Committee	Board IT Committee	Board Human Resource & Remuneration Committee	
----- Rupees '000 -----							
1	Mr. Ali Hussain	960	-	-	-	300	1,260
2	Mr. Haider Ali Hilaly	1,000	600	-	400	-	2,000
3	Mr. Sulaiman Sadruddin Mehdi	1,000	600	200	-	300	2,100
4	Dr. Amjad Waheed	1,000	-	200	-	200	1,400
5	Dr. Lalarukh Ejaz	1,000	600	-	400	300	2,300
6	Mr. Syed Ali Hasham	1,000	600	200	-	300	2,100
7	Mr. Tasneemul Haq Farooqui	1,000	600	-	400	300	2,300
	<b>Total Amount Paid</b>	<b>6,960</b>	<b>3,000</b>	<b>600</b>	<b>1,200</b>	<b>1,700</b>	<b>13,460</b>

41.3 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
----- Rupees '000 -----						
a. Meeting Fees and Allowances	-	-	3,577	-	-	3,504
b. Managerial remuneration & allowances	19,738	7,747	-	13,668	5,302	-
<b>Total Amount</b>	<b>19,738</b>	<b>7,747</b>	<b>3,577</b>	<b>13,668</b>	<b>5,302</b>	<b>3,504</b>
<b>Total Number of Persons</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>

## 42 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 amortized cost / 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.

### 42.1 Fair value of financial assets

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

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

2023			
Level 1	Level 2	Level 3	Total

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

#### On balance sheet financial instruments

##### Financial assets - measured at fair value

###### Investments

Shares	692,581	-	6,820	699,401
GoP Ijara Sukuk	-	277,867,398	-	277,867,398
Non-Government Shariah compliant securities	3,384,000	32,133,073	-	35,517,073

##### Non-Financial Assets - measured at fair value

Fixed assets - Land and building	-	-	6,951,679	6,951,679
Non-banking assets acquired in satisfaction of claims	-	-	1,215,340	1,215,340

##### Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	-	54,353,067	-	54,353,067
Shariah compliant alternative of forward sale of foreign exchange	-	46,618,624	-	46,618,624

2022			
Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			

#### On balance sheet financial instruments

Financial assets - measured at fair value

Investments

Shares	378,784	-	584,495	963,279
GOP Ijara Sukuk	-	139,819,691	-	139,819,691
Non-Government Shariah compliant Securities	32,376,937	5,953,639	-	38,330,576

#### Non-Financial Assets - measured at fair value

Fixed assets - Land and building	-	-	7,396,770	7,396,770
Non-banking assets acquired in satisfaction of claims	-	-	1,216,101	1,216,101

#### Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	-	17,741,180	-	17,741,180
Shariah compliant alternative of forward sale of foreign exchange	-	11,033,012	-	11,033,012

#### Valuation techniques used in determination of fair values within level 1

Item	Valuation approach and input used
Listed securities (Shares and Sukuks)	The valuation has been determined through closing rates on Pakistan Stock Exchange.

#### 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.
Non-Government Shariah compliant Securities	Non-Government Shariah compliant Securities 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.
Listed securities (Shares and sukuks)	The valuation has been determined using broker notes.

#### 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.

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

During the year 2023, Pakistan Energy Sukuk-I compliant securities transferred from Level 1 to Level 2 due to non availability of reliable information.

## 43 SEGMENT INFORMATION

## 43.1 Segment Details with respect to Business Activities

	2023				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
<b>Profit &amp; Loss</b>	----- Rupees in '000 -----				
Net profit / return	40,773,937	(32,422,977)	32,341,294	(508,522)	40,183,732
Inter segment revenue - net	(39,418,253)	72,077,529	(30,349,051)	(2,310,225)	-
Total other income	1,340,980	1,252,166	661,167	56,284	3,310,597
Total income	2,696,664	40,906,718	2,653,410	(2,762,463)	43,494,329
Segment direct expenses	145,896	8,506,806	625,542	7,301,233	16,579,477
Inter segment expense allocation	71,279	5,837,953	972,180	(6,881,412)	-
Total expenses	217,175	14,344,759	1,597,722	419,821	16,579,477
Provisions / (reversals)	1,204,049	221,664	4,495,287	470,455	6,391,455
Profit / (loss) before tax	1,275,440	26,340,295	(3,439,599)	(3,652,739)	20,523,397
<b>Balance Sheet</b>					
<b>Assets</b>					
Cash & Bank balances	1,476,310	41,184,735	-	-	42,661,045
Investments	306,999,736	-	-	7,084,136	314,083,872
Net inter segment placements	-	456,924,234	-	-	456,924,234
Due from financial institutions	16,502,138	-	-	-	16,502,138
Islamic financing and related assets - performing	-	32,950,449	183,437,696	10,423,626	226,811,771
- non-performing - net	-	1,631,568	1,750,949	-	3,382,517
Others	-	-	-	51,424,553	51,424,553
<b>Total Assets</b>	<b>324,978,184</b>	<b>532,690,986</b>	<b>185,188,645</b>	<b>68,932,315</b>	<b>1,111,790,130</b>
<b>Liabilities</b>					
Due to financial institutions	39,607,651	3,354,127	17,697,278	-	60,659,056
Subordinated sukuk	-	-	-	2,850,000	2,850,000
Deposits & other accounts	6,145,015	516,395,910	-	-	522,540,925
Net inter segment acceptances	279,132,859	-	167,064,813	10,726,562	456,924,234
Others	92,659	12,940,949	426,554	18,889,835	32,349,997
<b>Total liabilities</b>	<b>324,978,184</b>	<b>532,690,986</b>	<b>185,188,645</b>	<b>32,466,397</b>	<b>1,075,324,212</b>
Equity	-	-	-	36,465,918	36,465,918
<b>Total Equity &amp; liabilities</b>	<b>324,978,184</b>	<b>532,690,986</b>	<b>185,188,645</b>	<b>68,932,315</b>	<b>1,111,790,130</b>
<b>Contingencies &amp; Commitments</b>	<b>7,734,443</b>	<b>-</b>	<b>29,774,800</b>	<b>126,858,690</b>	<b>164,367,933</b>

	2022				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
<b>Profit &amp; Loss</b>	----- Rupees in '000 -----				
Net profit / return	17,069,937	(14,111,872)	18,045,076	(600,776)	20,402,365
Inter segment revenue - net	(18,360,683)	36,234,450	(18,645,307)	771,540	-
Total other income	1,558,806	1,282,680	514,481	242,889	3,598,856
Total Income	268,060	23,405,258	(85,750)	413,653	24,001,221
Segment direct expenses	89,483	7,138,816	545,090	4,187,226	11,960,615
Inter segment expense allocation	39,649	3,346,020	723,943	(4,109,612)	-
Total expenses	129,132	10,484,836	1,269,033	77,614	11,960,615
Provisions / (reversals)	(2,171)	19,554	3,775,365	19,746	3,812,494
Profit / (loss) before tax	141,099	12,900,868	(5,130,148)	316,293	8,228,112
<b>Balance Sheet</b>					
<b>Assets</b>					
Cash & Bank balances	2,148,290	39,870,367	-	-	42,018,657
Investments	179,741,488	-	-	-	179,741,488
Net inter segment placements	-	326,385,391	-	9,995,730	336,381,121
Due from financial institutions	23,878,183	-	-	-	23,878,183
Islamic financing and related assets - performing	-	44,799,019	148,864,422	4,336,599	198,000,040
- non-performing - net	-	1,338,876	1,821,532	167,994	3,328,402
Others	6,821,631	1,671,185	6,630,060	25,149,466	40,272,342
<b>Total Assets</b>	212,589,592	414,064,838	157,316,014	39,649,789	823,620,233
<b>Liabilities</b>					
Due to financial institutions	4,036,120	3,062,126	13,954,010	-	21,052,256
Subordinated sukuk	-	-	-	2,850,000	2,850,000
Deposits & other accounts	12,701,835	403,210,107	-	-	415,911,942
Net inter segment acceptances	195,667,357	-	140,713,764	-	336,381,121
Others	184,280	7,792,605	2,648,240	10,349,388	20,974,513
<b>Total liabilities</b>	212,589,592	414,064,838	157,316,014	13,199,388	797,169,832
Equity	-	-	-	26,450,401	26,450,401
<b>Total Equity &amp; liabilities</b>	212,589,592	414,064,838	157,316,014	39,649,789	823,620,233
<b>Contingencies &amp; Commitments</b>	6,708,168	-	31,914,198	65,179,837	103,802,203

#### 44 TRUST ACTIVITIES

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

Category	Type	No. of IPS account		Face Value	
		2023	2022	2023	2022
-----Rupees in '000-----					
Insurance Companies	Sukuks	5	5	180,000	180,000
Asset Management Companies	Sukuks	42	42	2,569,530	2,569,530
Employee Funds / NGO's	Sukuks	3	3	53,800	53,800
Individuals	Sukuks	5	5	116,670	116,670
Others	Sukuks	17	17	1,865,000	1,865,000
		72	72	4,785,000	4,785,000

The Bank has related party transactions with its parent, subsidiary, 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 period, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	2023					2022						
	Parent	Directors	Key management personnel	Subsidiary	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiary	Associates	Other related parties
<b>Due from financial institutions - net</b>												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	3,233,725	-	-	-	-	-	-	-	-	-	-	-
Repaid during the year	(3,233,725)	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Investments</b>												
Opening balance	-	-	-	104,771	1,102,111	-	-	-	-	104,771	1,660,111	-
Investment made during the year	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed-off during the year	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-	(558,000)	-
Closing balance	-	-	-	104,771	1,102,111	-	-	-	-	104,771	1,102,111	-
Provision for diminution in value of investments	-	-	-	(104,771)	(1,102,111)	-	-	-	-	(104,771)	(474,169)	-
<b>Islamic financing and related assets</b>												
Opening balance	-	-	372,910	-	480,187	700,001	-	15,382	280,483	-	480,540	700,001
Addition during the year	-	-	226,783	-	903,910	4,461,960	-	-	204,049	-	813,116	4,655,399
Repaid during the year	-	-	(55,187)	-	(903,910)	(4,071,795)	-	(15,382)	(107,753)	-	(813,469)	(4,405,399)
Transfer in / (out) - net	-	-	(121,507)	-	-	(841,288)	-	-	(3,869)	-	-	(250,000)
Closing balance	-	-	422,999	-	480,187	248,878	-	-	372,910	-	480,187	700,001
Provision held against Islamic financing and related assets	-	-	-	-	(480,187)	-	-	-	-	-	-	-
<b>Other assets</b>												
Profit receivable on financings	-	-	443	-	-	5,019	-	-	280	-	5,579	18,842

(Rupees in '000)

	2022				
	Parent	Directors	Key management personnel	Subsidiary	Associates

----- (Rupees in '000) -----

	2023				
	Parent	Directors	Key management personnel	Subsidiary	Associates

#### Due to financial institutions - net

Opening balance	-	-	-	-	-	-
Additions during the year	161,865,000	-	-	-	-	-
Settled during the year	(161,865,000)	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-

#### Subordinated sukuk

Opening balance	-	-	1,015	-	-	-
Issued / purchased during the year	-	-	-	-	-	-
Redemption / sold during the year	-	-	-	-	-	-
Transfer in / (out)	-	-	(530)	-	-	1,120
Closing balance	-	-	485	-	-	1,120

#### Deposits and other accounts

Opening balance	-	2,745	32,443	4	12,186	1,776,697
Received during the year	-	3,128,053	853,621	-	2,157,630	30,791,160
Withdrawn during the year	-	(3,125,331)	(839,085)	-	(2,140,297)	(29,438,326)
Transfer in / (out) - net	-	274	(376)	-	(16)	3,033,175
Closing balance	-	5,741	46,603	4	29,503	6,162,706

#### Other Liabilities

Profit / return payable	-	3	333	-	13	126,064
Dividend Payable	-	169,317	-	-	-	-
Other liabilities	-	-	10	-	-	132
Meeting fee / remuneration payable	-	2,000	-	-	-	-

#### Contingencies and Commitments

Other contingencies	-	-	-	-	-	-
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#### Income

Profit / return earned	9,413	-	17,673	-	52,717	125,202
Other income	-	-	-	-	-	772

#### Expense

Profit / return expensed	221,554	22	2,009	-	99	572,669
Other administrative expenses	-	6,770	25,476	-	261	79,564
Meeting fee / remuneration	-	24,540	451,014	-	-	-
Contribution to employees provident fund	-	-	-	-	-	208,569
Charge for employees gratuity fund	-	-	-	-	-	210,989
Fee and subscription	-	-	-	-	-	11,282



**46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

	2023	2022
	----- Rupees in '000 -----	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,007,991	11,007,991
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	28,516,942	19,539,043
Eligible Additional Tier 1 (ADT 1) Capital	2,850,000	2,850,000
Total Eligible Tier 1 Capital	31,366,942	22,389,043
Eligible Tier 2 Capital	10,586,929	7,112,440
Total Eligible Capital (Tier 1 + Tier 2)	41,953,871	29,501,483
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	123,694,507	130,973,978
Market Risk	2,747,987	2,036,650
Operational Risk	49,939,650	31,601,888
Total	176,382,144	164,612,516
Common Equity Tier 1 Capital Adequacy ratio	16.17%	11.87%
Tier 1 Capital Adequacy Ratio	17.78%	13.60%
Total Capital Adequacy Ratio	23.79%	17.92%
<b>National minimum capital requirements prescribed by SBP</b>		
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%

- 46.1** 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.

	2023	2022
	----- Rupees in '000 -----	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	31,366,942	22,389,043
Total Exposures	661,785,605	547,348,618
Leverage Ratio	4.74%	4.09%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	315,027,109	158,731,694
Total Net Cash Outflow	90,466,918	50,014,976
Liquidity Coverage Ratio	348.22%	317.37%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	524,268,955	418,095,642
Total Required Stable Funding	170,271,142	160,353,265
Net Stable Funding Ratio	307.90%	260.73%

- 46.2** 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](http://www.bankislami.com.pk/investor-relations)

## 47 RISK MANAGEMENT

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

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 supports.

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

### 47.1 Credit Risk

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

#### (i) Price risk

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

#### (ii) Counter party risk

The risk that the counter-party defaults during the term of a transaction (Murabahah, 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:

47.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross Due from Financial Institutions		Non-performing Due from Financial Institutions		Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Public/ Government	-	4,036,995	-	-	-	-
Private	16,519,958	19,862,248	17,820	21,060	17,820	21,060
	16,519,958	23,899,243	17,820	21,060	17,820	21,060

47.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Federal Government Shariah						
Compliant Securities	277,867,398	139,819,691	-	-	-	-
Power (electricity), Gas, Water, Sanitary Services	33,174,101	35,822,134	-	-	-	-
Textile	986,996	1,042,324	56,615	56,615	56,615	56,615
Financial	803,256	463,256	463,256	463,256	242,005	242,005
Production and transmission of energy	391,072	391,072	21,072	21,072	21,072	21,072
Chemical and Pharmaceuticals	110,674	336,910	-	-	-	-
Construction	91,667	100,000	-	-	-	-
Electronics and electrical appliances	81,800	98,133	32,800	32,800	32,800	32,800
Others	55,000	55,000	55,000	55,000	-	-
	174,999	374,239	-	-	-	-
	313,736,963	178,502,759	628,743	628,743	352,492	352,492

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Public/ Government	308,718,677	173,127,008	-	-	-	-
Private	5,018,286	5,375,751	628,743	628,743	352,492	352,492
	313,736,963	178,502,759	628,743	628,743	352,492	352,492

47.1.3 Islamic financing, related assets and advances

Credit risk by industry sector

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Specific Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Agriculture, Forestry, Hunting and Fishing	9,211,988	5,380,375	925,655	356,433	612,174	315,203
Automobile and transportation equipment	77,481	40,885	-	-	-	-
Cement	3,355,526	1,583,817	500,000	500,000	500,000	300,524
Chemical and Pharmaceuticals	5,713,424	3,328,304	563,720	576,159	560,557	575,753
Construction	2,048,685	1,786,005	632,087	403,143	619,039	344,703
Education	2,336,827	2,334,107	-	-	-	-
Electronics and electrical appliances	5,131,501	4,826,544	1,416,018	901,568	1,334,884	820,434
Exports / Imports	765,651	728,786	67,318	58,822	63,070	31,411
Financial	2,220,671	2,921,589	241,890	240,400	240,562	240,189
Food and Beverages	40,250,059	39,048,167	2,209,982	1,512,304	1,750,128	1,420,379
Footwear and Leather garments	1,312,217	1,013,707	2,459	131,061	2,459	131,061
Individuals	43,414,190	52,983,872	4,025,457	3,240,701	2,400,677	1,760,632
Packing and Paper products	4,263,026	2,315,865	118,091	13,000	39,758	13,000
Power (electricity), Gas, Water, Sanitary Services	15,529,942	11,326,318	641,376	635,380	561,453	295,301
Sugar	38,119,011	28,326,115	59,676	30,107	28,810	30,107
Textile	9,563,556	5,328,640	1,023,108	1,240,503	815,608	846,003
Transport, Storage and Communication	44,061,486	28,232,956	5,840,099	5,628,764	5,732,705	4,827,478
Wholesale and Retail Trade	6,290,558	3,666,437	1,008,543	1,107,567	982,682	1,054,050
Iron & Steel	1,774,621	1,429,220	316,408	310,178	281,666	271,890
Health & Care	4,791,344	4,801,154	580,455	539,716	579,097	538,358
Private Trusts & Non-profit Organization	424,745	209,077	-	-	-	-
Others	9,764	3,192	-	-	-	-
	13,368,642	18,725,790	2,718,300	2,446,728	2,343,839	2,302,655
	254,034,915	220,340,922	22,890,642	19,872,534	19,449,168	16,119,131

**Credit risk by public / private sector**

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Specific Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Public/ Government	83,864,016	70,977,541	-	-	-	-
Private	170,170,899	149,363,381	22,890,642	19,872,534	19,449,168	16,119,131
	<b>254,034,915</b>	<b>220,340,922</b>	<b>22,890,642</b>	<b>19,872,534</b>	<b>19,449,168</b>	<b>16,119,131</b>

**47.1.4 Contingencies and Commitments****Credit risk by industry sector**

	2023	2022
	----- Rupees in '000 -----	
Agriculture, Forestry, Hunting and Fishing	6,870,431	2,680,974
Mining and Quarrying	956,771	332,108
Textile	45,309,703	15,963,545
Chemical and Pharmaceuticals	15,542,685	5,875,319
Cement	396,935	474,765
Sugar	3,647,371	967,131
Footwear and Leather garments	151,348	646,059
Automobile and transportation equipment	35,395	1,091,634
Education	1,260,689	559,601
Electronics and electrical appliances	1,522,002	2,519,844
Production and transmission of energy	1,301,308	25,126
Construction	1,803,622	6,935,008
Power (electricity), Gas, Water, Sanitary	21,283,025	6,061,648
Wholesale and Retail Trade	14,705,256	15,895,782
Exports / Imports	1,152,892	482,526
Transport, Storage and Communication	5,918,557	1,149,900
Financial	8,147,902	253,464
Services	7,583,989	17,922,037
Individuals	939,620	1,069,314
Food and beverages	2,862,108	3,155,465
Manufacturing	10,765,092	11,539,417
Packing and Paper products	1,081,938	1,552,812
Others	11,129,294	6,648,724
	<b>164,367,933</b>	<b>103,802,203</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	-	-
Private	164,367,933	103,802,203
	<b>164,367,933</b>	<b>103,802,203</b>

**47.1.5 Concentration of Financing**

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 103,355.651 million (2022: Rs. 91,927.410 million) are as following:

	2023	2022
	----- Rupees in '000 -----	
Funded	92,505,694	80,619,139
Non Funded	10,849,957	11,308,271
Total Exposure	<b>103,355,651</b>	<b>91,927,410</b>

The sanctioned limits against these top 10 exposures aggregated to Rs. 110,907 million (2022: Rs. 93,496 million)

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

**47.1.6 Total funded classified therein**

	2023		2022	
	Amount	Provision held	Amount	Provision held
	----- Rupees in '000 -----			
OAEM	393,831	-	325,596	-
Substandard	1,009,194	235,164	548,330	48,085
Doubtful	2,170,850	871,469	4,236,194	2,411,182
Loss	19,316,767	18,342,535	14,762,414	13,659,864
Total	<b>22,890,642</b>	<b>19,449,168</b>	<b>19,872,534</b>	<b>16,119,131</b>

#### 47.1.7 Financing - Province/Region-wise Disbursement & Utilization

Province / Region	2023						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
----- Rupees in '000 -----							
Punjab	71,013,470	71,013,470	-	-	-	-	-
Sindh	129,008,300	-	129,008,300	-	-	-	-
KPK including FATA	255,193	-	-	255,193	-	-	-
Baluchistan	29,167	-	-	-	29,167	-	-
Islamabad	11,832,088	-	-	-	-	11,832,088	-
AJK including Gilgit-Baltistan	13,943	-	-	-	-	-	13,943
<b>Total</b>	<b>212,152,161</b>	<b>71,013,470</b>	<b>129,008,300</b>	<b>255,193</b>	<b>29,167</b>	<b>11,832,088</b>	<b>13,943</b>

Province / Region	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
----- Rupees in '000 -----							
Punjab	100,768,360	100,768,360	-	-	-	-	-
Sindh	118,792,150	-	118,792,150	-	-	-	-
KPK including FATA	488,860	-	-	488,860	-	-	-
Baluchistan	265,663	-	-	-	265,663	-	-
Islamabad	23,393,502	-	-	-	-	23,393,502	-
AJK including Gilgit-Baltistan	63,123	-	-	-	-	-	63,123
<b>Total</b>	<b>243,771,658</b>	<b>100,768,360</b>	<b>118,792,150</b>	<b>488,860</b>	<b>265,663</b>	<b>23,393,502</b>	<b>63,123</b>

#### 47.2 Market Risk

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

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

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

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

#### 47.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- Rupees in '000 -----						
Cash and balances with treasury banks	41,287,071	-	41,287,071	39,972,702	-	39,972,702
Balances with other banks	1,373,974	-	1,373,974	2,045,955	-	2,045,955
Due from financial institutions	16,502,138	-	16,502,138	23,878,183	-	23,878,183
Investments	314,083,872	-	314,083,872	179,741,488	-	179,741,488
Islamic financings, related assets & advances	230,194,288	-	230,194,288	201,328,442	-	201,328,442
Fixed assets	16,139,569	-	16,139,569	14,189,370	-	14,189,370
Intangible assets	3,619,485	-	3,619,485	3,261,569	-	3,261,569
Deferred tax assets	235,534	-	235,534	3,338,805	-	3,338,805
Other assets	31,429,965	-	31,429,965	19,482,598	-	19,482,598
<b>Total</b>	<b>654,865,896</b>	<b>-</b>	<b>654,865,896</b>	<b>487,239,112</b>	<b>-</b>	<b>487,239,112</b>

### 47.2.2 Foreign Exchange Risk

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

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

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

	2023				2022			
	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	649,938,004	597,864,738	(3,963,855)	48,109,411	481,311,775	447,282,948	(6,708,168)	27,320,659
United States Dollar	3,878,502	17,992,332	3,800,529	(10,313,301)	5,027,805	11,675,875	5,622,925	(1,025,145)
Great Britain Pound	339,168	1,070,244	71,062	(660,014)	475,317	885,922	409,190	(1,415)
Japanese Yen	10,100	62	-	10,038	5,721	53	-	5,668
Euro	456,414	1,408,148	-	(951,734)	191,756	856,209	676,053	11,600
UAE Dirham	36,410	64,454	150,496	122,452	80,179	67,299	-	12,880
Asian Currency Unit	104,607	-	-	104,607	94,329	-	-	94,329
Swiss Franc	-	-	-	-	-	-	-	-
Chinese Yuan	44,042	-	(58,232)	(14,190)	1,053	-	-	1,053
Australian Dollar	6,881	-	-	6,881	5,092	2,483	-	2,609
Saudi Riyal	41,388	-	-	41,388	14,226	11,327	-	2,899
Canadian Dollar	10,336	-	-	10,336	31,803	6,595	-	25,208
Turkish Lira	44	-	-	44	56	-	-	56
	<b>654,865,896</b>	<b>618,399,978</b>	<b>-</b>	<b>36,465,918</b>	<b>487,239,112</b>	<b>460,788,711</b>	<b>-</b>	<b>26,450,401</b>

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	116,435	-	8,703	-
- Other comprehensive income	-	-	-	-

### 47.2.3 Equity Position Risk

Equity position includes the following:

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

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

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

	2023		2022	
	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	34,970	-	19,280	-



#### 47.2.4 Yield / Profit Rate Risk

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

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

2023		2022	
Banking book	Trading book	Banking book	Trading book
----- Rupees in '000 -----			
401,837	-	-	204,024
----- Rupees in '000 -----			

Impact of 1% change in profit rates on  
 - Profit and loss account  
 - Other comprehensive income

#### 47.2.5 Mismatch of Yield / Profit Rate Sensitive Assets and Liabilities

Effective Yield / Profit rate	Total	2023										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 -----														
<b>Assets</b>														
Cash and balances with treasury banks	41,287,071	-	-	-	-	-	-	-	-	-	-	-	-	41,287,071
Balances with other banks	1,373,974	187,063	-	-	-	-	-	-	-	-	-	-	-	1,186,911
Due from financial institutions	16,502,138	7,957,069	-	8,545,069	-	-	-	-	-	-	-	-	-	-
Investments	314,083,872	45,640,128	32,511,870	235,232,473	-	-	-	-	-	-	-	-	-	699,401
Islamic financing, related assets and advances	230,194,288	38,096,892	4,230,854	20,984,743	143,069,041	-	-	-	2,587,236	-	-	2,707	20,945	21,201,870
Other assets	31,429,965	-	-	-	-	-	-	-	-	-	-	-	-	31,429,965
	634,871,308	91,881,152	36,742,724	264,762,285	143,069,041	-	-	-	2,587,236	-	-	2,707	20,945	95,805,218
<b>Liabilities</b>														
Bills payable	5,125,177	-	-	-	-	-	-	-	-	-	-	-	-	5,125,177
Due to financial institutions	60,659,056	37,067,551	2,432,681	3,919,183	500,000	-	-	814,176	4,775,768	1,904,237	-	9,037,981	207,479	-
Deposits and other accounts	522,540,925	327,542,456	-	-	-	-	-	-	-	-	-	-	-	194,998,469
Subordinated sukuk	2,850,000	850,000	2,000,000	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	27,224,820	2,020,754	47,372	282	85,553	62,874	-	1,562,750	415,484	-	-	57,226	-	22,972,525
	618,399,978	367,480,761	4,480,053	3,919,465	585,553	4,838,642	2,319,721	2,376,926	4,838,642	2,319,721	9,095,207	207,479	223,096,171	
<b>On-balance sheet gap</b>	16,471,330	(275,599,609)	32,262,671	260,842,820	142,483,488	(2,251,406)	(2,319,721)	(9,092,500)	(186,534)	(127,290,959)				
<b>Off-balance sheet financial instruments</b>														
Documentary credits and short-term trade-related transactions	29,774,800	29,774,800	-	-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of:														
- forward foreign exchange contracts	7,734,443	(7,948,707)	7,528,440	8,154,710	-	-	-	-	-	-	-	-	-	-
- other commitments	126,138,097	124,966,341	-	-	-	-	-	-	-	-	-	-	-	1,171,766
<b>Off-balance sheet gap</b>	163,647,340	146,792,434	7,528,440	8,154,710	-	-	-	-	-	-	-	-	-	1,171,766
	(128,807,175)	39,791,111	268,997,530	142,483,488	(2,376,926)	(2,319,721)	(9,092,500)	(186,534)	(127,290,959)					
<b>Total Yield/Profit Rate Risk Sensitivity Gap</b>	(128,807,175)	39,791,111	268,997,530	142,483,488	(2,376,926)	(2,319,721)	(9,092,500)	(186,534)	(127,290,959)					
<b>Cumulative Yield/Profit Rate Risk Sensitivity Gap</b>	(128,807,175)	(89,016,064)	179,981,466	322,464,954	320,088,028	317,836,622	315,516,901	306,424,401	306,237,867	180,118,670				

	Effective Yield / Profit rate	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 -----											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks		-	-	-	-	-	-	-	-	-	39,972,702
Balances with other banks	0.09%	326,967	-	-	-	-	-	-	-	-	1,718,988
Due from financial institutions	13.14%	14,036,995	1,500,037	4,884,493	3,456,658	-	-	-	-	-	-
Investments	13.03%	179,741,488	29,919,141	115,480,454	-	-	-	-	-	-	1,867,470
Islamic financing, related assets and advances	12.12%	201,328,442	110,512,689	19,893,098	4,556,642	112,036	-	-	-	-	4,476,828
Other assets		19,482,598	-	-	-	-	-	-	-	-	19,482,598
		108,615,534	141,931,867	140,258,045	8,013,300	112,036	-	-	-	-	67,518,586
<b>Liabilities</b>											
Bills payable		-	-	-	-	-	-	-	-	-	3,530,929
Due to financial institutions	9.02%	531,547	1,164,498	3,100,261	333,333	1,800,000	4,036,120	66,466	9,807,248	212,783	-
Deposits and other accounts	6.08%	256,336,394	-	-	-	-	-	-	-	-	159,575,548
Subordinated sukuk	16.07%	850,000	2,000,000	-	-	-	-	-	-	-	-
Other liabilities	10.10%	17,443,584	39,656	236	71,618	1,308,207	52,633	347,809	47,905	-	13,883,909
		259,409,552	3,204,154	3,100,497	404,951	3,108,207	4,088,753	414,275	9,855,153	212,783	176,990,386
<b>On-balance sheet gap</b>		<b>5,660,657</b>	<b>(150,794,018)</b>	<b>137,157,548</b>	<b>7,608,349</b>	<b>(2,996,171)</b>	<b>(4,088,753)</b>	<b>(414,275)</b>	<b>(9,855,153)</b>	<b>(212,783)</b>	<b>(109,471,800)</b>
<b>Off-balance sheet financial instruments</b>											
Documentary credits and short-term trade-related transactions		-	-	-	-	-	-	-	-	-	-
Commitments in respect of:		31,914,198	31,914,198	-	-	-	-	-	-	-	-
- forward foreign exchange contracts		6,708,168	4,250,859	3,098,382	-	-	-	-	-	-	-
- other commitments		64,950,185	64,950,185	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>103,572,551</b>	<b>96,223,310</b>	<b>3,098,382</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield/Profit Rate Risk Sensitivity Gap</b>		<b>(54,570,708)</b>	<b>142,978,572</b>	<b>140,255,930</b>	<b>7,608,349</b>	<b>(2,996,171)</b>	<b>(4,088,753)</b>	<b>(414,275)</b>	<b>(9,855,153)</b>	<b>(212,783)</b>	<b>(109,471,800)</b>
<b>Cumulative Yield/Profit Rate Risk Sensitivity Gap</b>		<b>(54,570,708)</b>	<b>88,407,864</b>	<b>228,663,794</b>	<b>236,272,143</b>	<b>233,275,972</b>	<b>229,187,219</b>	<b>228,772,944</b>	<b>218,917,791</b>	<b>218,705,008</b>	<b>109,233,208</b>

#### 47.3 Operational Risk

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

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

#### 47.3.1 Operational Risk- Disclosures Basel II Specific

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

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

## 47.4 Liquidity Risk

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

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, 2023, Bank's LCR stood at 348.22% against the SBP's minimum requirement of 100%.

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

### Governance of Liquidity risk management

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

### Funding Strategy

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

### Liquidity Risk Mitigation techniques

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

### **Liquidity Stress Testing**

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

### **Contingency Funding Plan**

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

### **Main drivers of LCR Results**

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

### **Composition of High Quality Liquid Assets - HQLA**

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

### **Concentration of Funding Sources**

Being a commercial bank, it relies on funds provided by depositors. However the Bank has been continuously improving upon its ratio of core deposits. Current and Saving accounts consist of 62.19% of total deposits, term deposits are 37.81% and acceptance from SBP and financial institutions is 11.61% 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 3.88% of Bank's total deposits.

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

2023

	Total	Upto 1 Day	Over 1 to 7 Days	Over 7 to 14 Days	Over 14 Days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>														
Cash and balances with treasury banks	41,287,071	41,287,071	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,373,974	1,373,974	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	16,502,138	-	2,005,752	5,951,317	-	-	-	8,545,069	-	-	-	-	-	-
Investments	314,083,872	-	-	-	-	-	210,674	13,398,100	17,187,702	999,137	52,783,150	40,303,504	174,517,383	32,871,061
Islamic financing and related assets and advances	230,194,288	83,427,653	723,689	13,890,020	29,312,684	1,651,302	1,410,975	1,591,119	718,702	292,733	7,166,195	18,271,363	26,815,585	44,222,984
Fixed assets	16,139,569	-	-	-	128,628	127,617	427,946	1,543,852	300,386	43,758	1,055,407	925,160	4,626,639	6,711,601
Intangible assets	3,619,485	-	-	-	15,507	15,482	14,944	44,836	44,417	235,534	164,205	145,526	161,523	2,969,287
Deferred tax assets	235,534	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	31,429,965	1,679,868	2,220,875	1,956,226	1,156,815	324,569	528,349	250,295	216,185	73,484	895,417	2,697,280	5,182,978	14,247,624
	684,865,896	127,768,566	4,950,316	21,797,563	30,613,634	2,118,970	2,892,388	11,975,171	14,677,790	1,644,646	62,054,374	62,342,833	211,307,088	101,022,857
<b>Liabilities</b>														
Bills payable	5,125,177	5,125,177	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	60,659,056	-	22,986,360	12,768,050	1,313,141	559,589	1,873,112	3,919,183	-	500,000	814,176	4,775,768	1,904,237	9,245,460
Deposits and other accounts	522,540,925	2,537,015	19,716,774	45,303,774	54,067,009	17,029,268	33,123,060	36,260,158	17,987,043	33,269,830	20,175,517	30,122,103	49,952,652	162,997,722
Subordinated sukuk	2,850,000	-	-	-	-	-	-	-	-	-	-	-	-	2,850,000
Other liabilities	27,224,820	1,741,909	3,457,916	2,095,345	2,032,214	1,786,368	1,247,653	373,897	837,341	2,716,432	2,382,262	1,291,501	2,131,900	5,129,891
	618,399,978	9,404,101	46,161,050	60,167,169	57,412,364	19,374,195	36,244,025	40,553,238	18,824,384	36,486,262	23,371,955	36,169,372	53,966,789	180,223,073
<b>Net assets</b>	<b>36,465,918</b>	<b>118,364,465</b>	<b>(41,210,734)</b>	<b>(38,369,606)</b>	<b>(26,798,730)</b>	<b>(17,255,225)</b>	<b>(33,651,637)</b>	<b>(28,578,067)</b>	<b>(4,146,594)</b>	<b>(34,841,616)</b>	<b>(38,682,419)</b>	<b>(26,163,461)</b>	<b>(157,318,299)</b>	<b>(79,200,519)</b>
Share capital - net	11,007,991													
Reserves	4,800,111													
Surplus on revaluation of assets	4,662,090													
Unappropriated profit	15,995,726													
	<b>36,465,918</b>													

2022

	Total	Upto 1 Day	Over 1 to 7 Days	Over 7 to 14 Days	Over 14 Days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>														
Cash and balances with treasury banks	39,972,702	39,972,702	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,045,955	2,045,955	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	23,878,183	-	10,000,000	-	4,036,995	-	1,500,037	4,884,493	-	-	-	-	-	-
Investments	179,741,488	276,250	-	-	985,708	270,000	29,704,112	6,940,747	3,456,658	-	-	-	-	-
Islamic financing and related assets and advances	201,328,442	42,549,990	430,818	1,059,707	3,872,022	8,494,888	10,490,966	17,138,435	1,474,052	21,823,244	8,230,511	51,047,966	29,779,362	60,737,323
Fixed assets	14,189,370	2,458	14,734	17,190	417,48	76,128	368,364	319,249	73,882	225,929	896,351	1,105,091	3,883,637	43,947,437
Intangible assets	3,261,569	665	3,386	3,951	9,596	16,370	17,499	84,673	73,882	51,932	206,035	254,017	846,721	7,367,274
Deferred tax assets	3,338,805	-	-	-	-	-	-	-	-	-	-	-	-	1,693,442
Other assets	19,482,598	5,482,957	89,794	383,254	3,944,987	1,115,313	741,336	5,113,906	167,280	877,241	654,540	223,201	604,883	1,742,646
	487,239,112	90,330,877	10,538,732	1,464,102	12,881,056	9,967,768	42,530,078	34,530,618	5,731,192	22,978,346	10,588,230	60,911,062	69,061,247	115,715,604
<b>Liabilities</b>														
Bills payable	3,530,929	3,530,929	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	21,052,256	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	415,911,942	278,324,450	13,546,907	10,641,878	26,916,420	15,606,471	9,204,834	24,165,801	18,385,691	17,431,445	500,000	1,300,000	4,045,619	14,157,293
Subordinated sukuk	2,850,000	-	-	-	-	-	-	-	-	-	-	-	-	2,850,000
Other liabilities	17,443,584	2,808,663	459,704	744,218	1,568,176	2,692,157	1,915,445	915,445	587,180	621,227	4,014,128	343,319	318,733	71,146
	460,788,711	294,664,042	14,005,611	11,386,096	28,474,596	17,915,959	11,896,991	25,797,257	18,972,871	18,386,005	5,214,649	1,966,156	4,928,577	17,159,901
<b>Net assets</b>	<b>26,450,401</b>	<b>(194,333,165)</b>	<b>(3,466,879)</b>	<b>(9,921,994)</b>	<b>(15,593,540)</b>	<b>(7,948,191)</b>	<b>(30,633,087)</b>	<b>(8,733,361)</b>	<b>(13,241,679)</b>	<b>(4,592,341)</b>	<b>(5,373,581)</b>	<b>(58,924,906)</b>	<b>(64,132,670)</b>	<b>(98,555,903)</b>
Share capital - net	11,007,991													
Reserves	2,591,091													
Surplus on revaluation of assets	2,768,287													
Unappropriated profit	10,083,032													
	<b>26,450,401</b>													

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

2023

	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
<b>Assets</b>										
Cash and balances with treasury banks	41,287,071	41,287,071	-	-	-	-	-	-	-	-
Balances with other banks	1,373,974	1,373,974	-	-	-	-	-	-	-	-
Due from financial institutions	16,502,138	7,957,069	-	8,545,069	-	-	-	-	-	-
Investments	314,083,872	-	210,674	-	13,398,100	52,783,150	40,303,504	174,517,383	27,467,279	5,403,782
Islamic financing and related assets and advances	230,194,288	127,354,047	3,062,177	1,591,117	1,717,840	7,156,195	18,271,363	26,818,565	21,868,312	22,354,672
Fixed assets	16,139,569	128,627	555,163	1,543,853	593,119	1,055,407	925,160	4,626,639	1,370,828	5,340,773
Intangible assets	3,619,485	15,509	30,427	44,833	88,175	164,205	145,526	161,523	2,969,287	-
Deferred tax assets	235,534	-	-	-	235,534	-	-	-	-	-
Other assets	31,429,965	7,013,784	852,918	250,295	289,669	895,417	2,697,280	5,182,978	8,750,456	5,497,168
	654,865,896	185,130,081	4,711,359	11,975,167	16,322,437	62,054,374	62,342,833	211,307,088	62,426,162	38,596,395
<b>Liabilities</b>										
Bills payable	5,125,177	5,125,177	-	-	-	-	-	-	-	-
Due to financial institutions	60,659,056	37,067,551	2,432,681	3,919,183	500,000	814,176	4,775,788	1,904,237	9,037,981	207,479
Deposits and other accounts	522,540,925	121,624,572	50,151,328	36,260,158	51,256,873	20,175,517	30,122,103	49,952,652	162,997,722	-
Subordinated sukuk	2,850,000	-	-	-	-	-	-	-	-	-
Other liabilities	27,224,820	9,327,384	3,034,211	373,897	3,553,773	2,382,262	1,291,501	2,131,901	5,129,891	2,850,000
	618,399,978	173,144,684	55,618,220	40,553,238	55,310,646	23,371,955	36,189,372	53,988,790	177,165,594	3,057,479
<b>Net assets</b>	36,465,918	11,985,397	(50,906,861)	(28,578,071)	(38,988,209)	38,682,419	26,153,461	157,318,298	(114,739,432)	35,538,916
Share capital - net	11,007,991									
Reserves	4,800,111									
Surplus on revaluation of assets	4,662,090									
Unappropriated profit	15,995,726									
	36,465,918									

2022

	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	39,972,702	-	-	-	-	-	-	-	-	-
Balances with other banks	2,045,955	-	-	-	-	-	-	-	-	-
Due from financial institutions	14,036,995	1,500,037	4,884,493	3,456,658	-	-	-	-	-	-
Investments	179,741,488	-	46,217	-	556,910	50,470,311	93,292,907	33,512,645	627,942	-
Islamic financing and related assets and advances	201,328,442	18,483,971	31,877,540	10,790,100	8,339,006	8,276,889	35,483,472	20,318,082	23,039,134	-
Fixed assets	14,189,370	28,647	44,247	900,326	399,586	585,678	2,029,674	2,411,911	7,795,115	-
Intangible assets	3,261,569	3,192	59,967	18,174	33,107	28,647	174,165	-	2,944,297	-
Deferred tax assets	3,338,805	-	-	184,471	577,695	222,888	604,036	1,749,715	-	-
Other assets	19,482,598	7,696,817	3,921,498	788,216	-	-	50,000	-	1,513,669	-
	107,537,040	27,712,664	40,833,962	16,137,945	9,906,304	59,564,413	131,634,274	57,992,353	35,920,157	-

**Liabilities**

Bills payable	3,530,929	-	-	-	-	-	-	-	-	-
Due to financial institutions	21,052,256	1,164,500	3,100,261	820,258	1,800,000	4,036,120	922,747	8,464,043	212,782	-
Deposits and other accounts	415,911,942	36,937,502	34,097,301	44,306,669	17,695,543	25,827,388	43,043,795	85,024,646	54,595,836	-
Subordinated sukuk	2,850,000	-	-	-	-	-	-	-	-	-
Other liabilities	17,443,584	2,803,301	2,529,644	577,744	3,559,675	707,859	440,530	-	2,860,000	-
	460,788,711	40,905,303	39,727,206	45,704,671	23,055,218	30,571,367	44,407,072	93,488,689	57,658,618	-
<b>Net assets</b>	26,450,401	(13,192,639)	1,106,756	(29,566,726)	(13,148,914)	28,993,046	87,227,202	(65,496,336)	(21,738,461)	-

Share capital - net	11,007,991
Reserves	2,591,091
Surplus on revaluation of assets	2,768,287
Unappropriated profit	10,083,032
	26,450,401



#### 47.5 Strategic Risk

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

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

#### 47.6 Systemic Risk

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

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

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

#### 47.7 Shariah Non-compliance Risk

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

#### 47.8 Shariah compliant forward and future contracts

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

### 48 GENERAL

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

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

**48.3** The figures in these unconsolidated financial statements have been rounded off to the nearest thousand rupee.

**48.4** The Board of Directors in their meeting held on February 28, 2024 has announced final cash dividend of Re.1 per share (10%) (2022: Re.1 per share [10%]). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2023 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2024. The Board had earlier declared and paid an interim cash dividend of Rs. 1.75 per share (17.5%) (2022: Nil).

### 49 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on 28 February 2024 by the Board of Directors of the Bank.



President /  
Chief Executive Officer



Chief Financial Officer



Chairman



Director



Director

## STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2023

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Profit written-off / waived	Other financial relief provided	Total (9+10+11)
				Principal	Profit	Others	Total (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
-----Rupees in '000-----											
1	Hubdar Hussain (Late) - House No.61, Street No.5, Gulrez Housing Society, Phase 3, Rawalpindi.	Hubdar Hussain (Late) - 37405-3386111-5	Muhammad Yar	6,925	15,551	-	22,476	-	15,551	-	15,551
2	Asif Amin - House No. 327-D-1, NestPak, Housing Society, Lahore.	Asif Amin 35202-445496-1	Muhammad Amin	24,522	13,256	6,542	44,320	-	14,747	-	14,747
3	ASIF AMIN - HOUSE#273,BLOCK AA, PHASE I VDHA LAHORE.	ASIF AMIN / SADIYA ASIF 352024454961	MOHAMMED AMIN	24,522	15,555	30	40,107	-	14,747	-	14,747
4	MUHAMMAD KALEEM - HOUSE NO 305 STREET 12 DOHS-I CANTT KHI	MUHAMMAD KALEEM 4220102835335	MUHAMMAD NIZAM UDDIN	32,569	14,115	489	47,173	-	8,693	-	8,693
5	Muhammad Sadiq Balouch - Ground Floor, Lucky Tower, Plot No. 32 SB-3, Dawood Potta Road, Saddar, Karachi	Muhammad Sadiq Balouch, 51501-7637898-9	Muhammad Rahim	36,882	2,689	4,553	44,124	-	2,689	4,553	7,242
6	Mian Nazim Ikram - 19-A, Butt Street no. 2, Pehlwana Park, Blal Ganj, Lahore.	Mian Nazim Ikram 35202-6216084-1	Muhammad Ikram	4,108	7,058	3,851	15,017	-	6,907	-	6,907
7	Mian Abdul Khaliq & Uzma Khaliq - HOUSE NO. 3871, D.H.A, PHASE-II, BLOCK-R, LAHORE.	Mian Abdul Khaliq & Uzma Khaliq 3520172440639	ABDUL HAMEED	18,718	5,860	24	24,602	-	5,860	24	5,884
8	Muhammad Yaqoob - P-39, Street No. 3-X, Madina town Tehsil & District Faisalabad.	Muhammad Yaqoob 33100-5796888-9	Abdul Rehman	2,499	4,757	-	7,256	-	4,690	-	4,690
9	Tahira Yasmeen Malik - Flat No. 54-B, Askari V, Mallir Cantt; Karachi.	Tahira Yasmeen, 42501-7490489-4	Malik Muhammad Ilyas	14,017	4,798	1,243	20,058	-	3,999	-	3,999
10	Mr. Nasir Mehmood (Late) - House No.7, Street No.8, Qazi Park, Shahadara, Lahore.	Mr. Nasir Mehmood (Late) - 35202-7983269-7	Amjad Mehmood	1,081	3,181	17	4,279	-	3,104	-	3,104
11	Mr. Abdul Qayyum Khan (Late) - Shop No.3, Shahzad Stationers & Pen Store, Hameed Market, Urdu Bazar, Lahore	Abdul Qayyum Khan (Late) - 35202-2552459-1	Abdul Hameed Khan	900	3,223	-	4,123	-	3,023	-	3,023
12	Nisar Ahmed - Flat No. 505/A-1, Civic View Apartment, Gulshan-e-Iqbal, Block-13-D, Karachi	Nisar Ahmed 54400-9367221-1	Haider Khan	14,854	5,242	610	20,706	-	2,845	-	2,845
13	Nusrat Jeelani - Qayyum & Elahi Building, Wazirabad Road, Salkot	Nusrat Jeelani 34603-2214839-8	Saleem ulla Khan	3,559	3,514	-	7,073	-	2,835	-	2,835
14	Mr. Muhammad Javed Niazi - House No.255/Y, Street No.14, DHA Lahore Cantt., Lahore.	Muhammad Javed Niazi - 35201-2808452-5	Ghulam Rasool Khan Niazi	1,369	2,654	-	4,023	-	2,112	-	2,112
15	Nasir Broadband Communication - 8-J, Gulberg-II, Lahore	Mian Ijaz Siddique 352022-9568309-5 Begum Kaniz Fatima 35202-1284605-4	Mian Muhammad Siddiq Mian Muhammad Siddiq	9,287	2,053	-	11,340	-	2,053	-	2,053
16	Azra Begam - House No.17, Street No.2, Bastani Road, Samanabad, Lahore	Azra Begum 35201-2727384-2	Muhammad Ashraf	1,696	1,985	-	3,681	-	1,905	-	1,905

17	Capri Sanitary - 101- Meharban colony MDA Chowk Multan.	Asif Sher Ali 36302-862868-9	Sher Ali Ch.	1,869	2,105	-	3,974	-	1,543	-	1,543	1,543
18	Mr. Tariq Hussain – Main Bazar, Peoples Colony, Daak Khana Inmania Colony, Street No.1, Ferozwala, Dist. Shekhopura	Tariq Hussain – 35401-1782052-9	Muhammad Ibrahim	470	1,380	-	1,850	-	1,300	-	1,300	1,300
19	Aqeela Begum - House No. 3, Block-B, Commercial Area, Unit 6, Shah Latifabad, Hyderabad	Aqeela Begum, 41304-5878105-4	Saleem Ahmed Qureshi	413	1,140	20	1,573	-	1,141	-	1,141	1,141
20	Vertex Printer - (1), 19-A/35, Abbot Road, Lahore - (2), 144 Upper Mall Scheme Lahore	Masood Zafar 35202-2959545-5	Faqeer Hussain Zafar	8,562	1,885	-	10,447	-	1,077	-	1,077	1,077
21	MUHAMMAD SHEHZAD DHECHI - DI UMAR MANZIL GK1/5 OPP MADINA MASJID PUNJABI CLUB	MUHAMMAD SHEHZAD DHECHI 4230167241761	ABDUL SATTAR	8,092	1,446	-	9,538	-	1,068	-	1,068	1,068
22	Mr. Rizwan Rasheed – Mukhtar House, Peoples Colony, Noce Kot Road, Shakar Garh, Nairoval.	Rizwan Rasheed – 94502-0293591-1	Abdul Rasheed	925	1,411	-	2,335	-	1,055	-	1,055	1,055
23	Muhammad Shahbaz - 1), House No. 1, Street No. 1, Khan Colony, Block-Q, Lahore - House No. 38, Street No. 138, AS Mohallah Aziz Park, Ichhra, Lahore	Muhammad Shahbaz 35404-1245675-7	Muhammad Shahbaz	2,085	1,062	783	3,930	-	1,013	-	1,013	1,013
24	MEGHRAJ & PREM - FLAT NO. 307 308 NEAR SUBHAN MASJID	MEGHRAJ & PREM 4200004869247	SHAMJEE	2,220	946	199	3,365	-	824	-	824	824
25	R.R. Impex - M-29, Mezzanine Floor, Zohra Square, Serai Quarters, Opposite Memon Masjid, Karachi	Muhammad Rashid 42101-6809830-1	Jalal u dдин	8,013	639	-	8,652	-	639	-	639	639
26	Muhammad Tasadduq Malik - House No. 25, Street No. 2, Shadman Colony, Near Noor Mahal Hotel Morgah, Rawalpindi	Muhammad Tasadduq Malik 374005-29333954-1	Muhammad Sarwar Khan	1,419	564	2,725	4,708	-	502	-	502	502
				231,576	118,069	21,085	370,729	-	105,922	-	105,922	110,499

## 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
Freehold / Leasehold building	454,713	7,191	447,522	540,000	92,478	Tender	MCB
Furniture and fixture	1,252	814	438	18	(420)	Tender	Insaaf Scrap Dealer
Vehicles	2,600	2,470	130	3,875	3,745	Tender	Usman Shahid
Vehicles	16,409	16,409	-	-	-	As per policy	Syed Amir Ali (Former CEO)
Vehicles	6,493	6,493	-	-	-	As per policy	Syed Amir Ali (Former CEO)
Furniture and fixture (83 items)	119,651	86,851	32,800	4,483	(28,317)	Tender	Adam Traders
Electrical, office and computer equipment	1,065	1,065	-	182	182	Tender	Adam Traders
Electrical, office and computer equipment	1,065	1,065	-	16	16	Tender	ZS Traders
<b>Total</b>	<b>603,248</b>	<b>122,358</b>	<b>480,890</b>	<b>548,574</b>	<b>67,684</b>		



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Chartered Accountants  
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## INDEPENDENT AUDITOR'S REPORT

### To the members of BankIslami Pakistan Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the annexed consolidated financial statements of **BankIslami Pakistan Limited** (the Bank) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information 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 2023 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><b>Provision against Islamic financing, related assets and advances</b> (Refer Note 12.16)</p>	
	<p>The Group's Islamic financing portfolio includes fund-based and non-funded financing facilities. The portfolio includes corporate financing to several public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</p> <p>As per the 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 non performing loans on the basis of time-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of provision against Islamic financing related assets and advances, therefore, involve use of management's judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers' repayment behaviors and realizability of collateral held by the 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 against Islamic financing related assets as a significant area of audit judgment and a key audit matter.</p>	<p>Our audit procedures to verify provision against Islamic financing related assets and advances, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Assessed 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 financing;</li> <li>• 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"> <li>- 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</li> <li>- 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.</li> </ul> </li> <li>• 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;</li> </ul>



KPMG Taseer Hadi &amp; Co.

S.No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>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.</li> </ul>
2.	<b>Valuation of investments</b> (Refer note 11 to the financial statements)	
	<p>The carrying value of investments held by the Group amounted to Rs. 314,083 million, which constitutes 48% of the Group's total assets as at 31 December 2023.</p> <p>The significant portion of the investments comprise of Federal Government shariah compliant securities and Non-Government shariah compliant securities.</p> <p>Investments are carried at 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.</p>	<p>Our audit procedures to verify valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>Assessed the design and tested the operating effectiveness of key controls established by the Group to determine valuation of investments;</li> <li>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 and prolonged decline in fair value of listed equity investments for impairment;</li> <li>Checked that the valuation of unquoted securities are in accordance with criteria prescribed under the Prudential Regulations;</li> <li>Involved our internal valuation specialists to review and evaluate the valuation of unquoted debt securities;</li> <li>Obtained independent confirmations for verifying the existence of the investment portfolio as at 31 December 2023 and reconciled it with the books and records of the Group. Where such confirmations were not available, alternate procedures were performed;</li> </ul>





KPMG Taseer Hadi & Co.

S.No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>Assessed the appropriateness and adequacy of the disclosure made in the consolidated financial statement</li> </ul>
3.	<b>Impairment testing of goodwill</b>	
	<p>As at 31 December 2023, 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"> <li>Evaluated the model used in determining the value in use as well as assessing the discount rate used;</li> <li>Compared the cash flow forecasts to approved budgets and other relevant market and economic information, as well as testing the underlying calculations;</li> <li>Involved our internal valuation specialists to review and evaluate management's key assumptions used in impairment calculations;</li> <li>Performed sensitivity analyses around the key assumptions used in the models;</li> <li>Assessed the adequacy of the related disclosures in the consolidated financial statements in accordance with the applicable financial reporting framework.</li> </ul>

### Information other than the Unconsolidated and Consolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other Information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated 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.



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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.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting



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from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

We also provide 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



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auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

**Date: 4 March 2024**

**Karachi**

**UDIN: AR202310106yM0nSTg4J**



**KPMG Taseer Hadi & Co.  
Chartered Accountants**

# Consolidated Statement of Financial Position

As at December 31, 2023

	Note	2023	2022
		----- Rupees in '000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	8	41,287,071	39,972,702
Balances with other banks	9	1,376,176	2,048,157
Due from financial institutions - net	10	16,502,138	23,878,183
Investments - net	11	314,083,872	180,176,339
Islamic financing, related assets and advances - net	12	230,194,288	201,328,442
Fixed assets	13	16,140,621	14,190,422
Intangible assets	14	3,666,496	3,308,580
Deferred tax assets	15	110,448	3,213,719
Other assets - net	16	31,430,237	19,482,870
<b>Total Assets</b>		<b>654,791,347</b>	<b>487,599,414</b>
<b>LIABILITIES</b>			
Bills payable	17	5,125,177	3,530,929
Due to financial institutions	18	60,659,056	21,052,256
Deposits and other accounts	19	522,540,920	415,911,937
Subordinated sukuk	20	2,850,000	2,850,000
Deferred tax liabilities		-	-
Other liabilities	21	27,244,584	17,463,348
		<b>618,419,737</b>	<b>460,808,470</b>
<b>NET ASSETS</b>		<b>36,371,610</b>	<b>26,790,944</b>
<b>REPRESENTED BY</b>			
Share capital - net	22	11,007,991	11,007,991
Reserves	23	4,800,091	2,591,071
Surplus on revaluation of assets - net of tax	24	4,653,025	2,759,222
Unappropriated profit		15,910,503	10,432,660
		<b>36,371,610</b>	<b>26,790,944</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

The annexed notes 1 to 49 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, 2023

	Note	2023	2022
----- Rupees in '000 -----			
Profit / return earned	26	92,756,237	46,345,194
Profit / return expensed	27	52,572,505	25,942,829
Net Profit / return		40,183,732	20,402,365
<b>OTHER INCOME</b>			
Fee and commission income	28	1,816,904	1,459,365
Dividend income		68,545	25,754
Foreign exchange income		913,314	1,349,757
Gain on securities - net	29	272,015	80,092
Other income - net	30	239,819	683,888
Total other income		3,310,597	3,598,856
Total Income		43,494,329	24,001,221
<b>OTHER EXPENSES</b>			
Operating expenses	31	16,159,656	11,773,169
Workers' Welfare Fund		410,468	164,562
Other charges	32	9,353	22,884
Total other expenses		16,579,477	11,960,615
Share of profit from associate		60,639	44,578
<b>Profit before provisions</b>		26,975,491	12,085,184
Provisions and write offs - net	33	6,886,945	3,812,494
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		20,088,546	8,272,690
Taxation	34	9,478,298	3,788,477
<b>PROFIT AFTER TAXATION</b>		10,610,248	4,484,213
<b>ATTRIBUTABLE TO:</b>			
Equity shareholders of the Bank		10,610,248	4,484,213
Non-controlling interest		-	-
		10,610,248	4,484,213
----- Rupees -----			
<b>Earning per share for profit from continuing operations attributable to the ordinary equity holders of the Bank</b>	35	9.5700	4.0446
<b>Earnings per share for profit attributable to the ordinary equity holders of the Bank</b>			
Basic and diluted	35	9.5700	4.0446

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

  
President /  
Chief Executive Officer

  
Chief Financial Officer

  
Chairman

  
Director

  
Director

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2023

	Note	2023	2022
		----- Rupees in '000 -----	
<b>Profit after taxation for the year attributable to:</b>			
Equity shareholders of the Bank		10,610,248	4,484,213
Non-controlling interest		-	-
		<b>10,610,248</b>	4,484,213
<b>Other Comprehensive Income / (Loss)</b>			
<b>Items that may be reclassified to consolidated profit and loss account in subsequent periods:</b>			
Movement in surplus on revaluation of investments - net of tax attributable to:			
Equity shareholders of the Bank		2,075,026	(258,080)
Non-controlling interest		-	-
		<b>2,075,026</b>	(258,080)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>			
Re-measurement (loss) / gain on defined benefit obligations - net of tax	39.8.2	(33,459)	26,694
Movement in surplus on revaluation of fixed assets - net of tax		(19,163)	(224,541)
Movement in surplus on revaluation of non-banking assets - net of tax		(3,052)	(44,509)
		<b>(55,674)</b>	(242,356)
<b>Total comprehensive income</b>		<b>12,629,600</b>	<b>3,983,777</b>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		12,629,600	3,983,777
Non-controlling interest		-	-
		<b>12,629,600</b>	<b>3,983,777</b>

The annexed notes 1 to 49 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, 2023

	Share capital	Discount on issue of shares	Statutory reserve*	Surplus on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
				Investments	Fixed / Non-Banking assets				
----- Rupees in '000 -----									
<b>Balance as at December 31, 2021</b>	11,087,033	(79,042)	1,703,144	1,380,271	2,075,001	6,640,760	22,807,167	-	22,807,167
Profit after taxation for the year	-	-	-	-	-	4,484,213	4,484,213	-	4,484,213
Other comprehensive income / (loss) - net of tax	-	-	-	(258,080)	(269,050)	26,694	(500,436)	-	(500,436)
	-	-	-	(258,080)	(269,050)	4,510,907	3,983,777	-	3,983,777
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(117,819)	117,819	-	-	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	2,658	(2,658)	-	-	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	(10,412)	10,412	-	-	-
Transfer from surplus on revaluation of non-banking assets on sale to unappropriated profit - net of tax	-	-	-	-	(43,347)	43,347	-	-	-
Transfer to statutory reserve	-	-	887,927	-	-	(887,927)	-	-	-
<b>Balance as at December 31, 2022</b>	11,087,033	(79,042)	2,591,071	1,122,191	1,637,031	10,432,660	26,790,944	-	26,790,944
Profit after taxation for the year	-	-	-	-	-	10,610,248	10,610,248	-	10,610,248
Other comprehensive income / (loss) - net of tax	-	-	-	2,075,026	(22,215)	(33,459)	2,019,352	-	2,019,352
	-	-	-	2,075,026	(22,215)	10,576,789	12,629,600	-	12,629,600
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(126,782)	126,782	-	-	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	(168)	168	-	-	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	(32,058)	32,058	-	-	-
Transfer to statutory reserve	-	-	2,209,020	-	-	(2,209,020)	-	-	-
<b>Transactions with owners, recorded directly in equity</b>									
Final Cash dividend to shareholders for the year 2022 @ Re. 1.00 per share	-	-	-	-	-	(1,108,703)	(1,108,703)	-	(1,108,703)
First Interim cash dividend to shareholders for the year 2023 @ Rs. 1.75 per share	-	-	-	-	-	(1,940,231)	(1,940,231)	-	(1,940,231)
<b>Balance as at December 31, 2023</b>	11,087,033	(79,042)	4,800,091	3,197,217	1,455,808	15,910,503	36,371,610	-	36,371,610

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

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

  
President /  
Chief Executive Officer

  
Chief Financial Officer

  
Chairman

  
Director

  
Director

# Consolidated Cash Flow Statement

For the year ended December 31, 2023

	Note	2023	2022
		----- Rupees in '000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation from continuing operations		20,088,546	8,272,690
Less: Dividend income		(68,545)	(25,754)
Less: Share of profit from associate		(60,639)	(44,578)
		<b>19,959,362</b>	8,202,358
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation on fixed assets	13.2	1,034,230	966,054
Depreciation on non-banking assets	16.1.1	2,302	3,159
Depreciation on right-of-use assets	13.2	895,640	866,824
Amortization	14	143,729	91,176
Depreciation on operating Ijarah assets	12.14	18,627	62,963
Amortisation of lease liability against right of use assets	27	925,699	441,540
Provisions and write offs - net	33	6,886,945	3,812,494
Charge for defined benefit plan	39.8	210,989	175,548
Gain on sale of fixed assets	30	(39,967)	(19,587)
Gain on sale of non-banking assets	30	-	(208,967)
		<b>10,078,194</b>	6,191,204
		<b>30,037,556</b>	14,393,562
<b>Decrease / (increase) in operating assets</b>			
Due from financial institutions		7,379,285	11,070,422
Islamic financing and related assets and advances - net		(33,712,619)	(24,026,499)
Other assets (excluding advance taxation)		(10,127,955)	(931,937)
		<b>(36,461,289)</b>	(13,888,014)
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		1,594,248	46,719
Due to financial institutions		39,606,800	(141,076)
Deposits and other accounts		106,628,983	71,123,986
Other liabilities (excluding current taxation)		8,406,686	692,666
		<b>156,236,717</b>	71,722,295
		<b>149,812,984</b>	72,227,843
Contributions to defined benefit plan	39.7	(150,000)	-
Income tax paid		(7,974,057)	(1,285,270)
<b>Net cash generated from operating activities</b>		<b>141,688,927</b>	70,942,573
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(133,474,647)	(55,162,321)
Dividends received		68,545	25,754
Payment of Ijarah (lease) liability against right-of-use assets		(1,797,604)	(1,216,855)
Investments in fixed assets		(3,062,519)	(1,571,487)
Investments in intangible assets		(501,646)	(176,565)
Proceeds from sale of fixed assets		568,667	83,258
<b>Net cash used in investing activities</b>		<b>(138,199,204)</b>	(58,018,216)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(2,847,335)	-
Proceeds from issuance of subordinated sukuk		-	850,000
<b>Net cash generated from financing activities</b>		<b>(2,847,335)</b>	850,000
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>642,388</b>	13,774,357
Cash and cash equivalents at the beginning of the year		42,020,859	28,246,502
<b>Cash and cash equivalents at the end of the year</b>	37	<b>42,663,247</b>	42,020,859

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



President /  
Chief Executive Officer



Chief Financial Officer



Chairman



Director



Director

# Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2023

## 1 STATUS AND NATURE OF BUSINESS

The Group comprises of:

### 1.1 BankIslami Pakistan Limited (Holding Company or the Bank)

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

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

The Holding Company is operating through 440 branches including 60 sub-branches as at December 31, 2023 (2022: 380 branches including 80 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 upgraded the Holding Company's long-term rating to 'AA-' and maintained short-term rating at 'A1' with a positive outlook.

On August 18, 2023, JS Bank Limited increased its shareholding in the Holding Company from 7.79% to 50.24% by acquiring shares from existing shareholders of the Holding Company through Share Purchase Agreement (SPA), effectively making BankIslami Pakistan Limited a subsidiary of JS Bank Limited. The shareholding in the Holding Company was further increased to 75.12% on August 25, 2023 by way of acquiring Holding Company's shares through a public offer.

### 1.2 Subsidiary Companies

#### 1.2.1 My Solutions Corporations 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.

## 2 BASIS OF PRESENTATION

### 2.1 The Holding Company 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 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 financial statements of the Holding Company and the financial statements of subsidiary company 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 company are incorporated on a line-by-line basis and the investment held by The Holding Company is eliminated against the corresponding share capital of subsidiary in these consolidated financial statements.

The financial statements of the subsidiary company 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 approved 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.

- 3.3** Further, as per SBP's BPRD circular no. 07 of 2023, IFRS 9 'Financial Instruments' is applicable for all banks

- 3.4 effective from January 1, 2024. However, an option of early adoption of the standard has been made permissible. 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 01, 2023 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.

The Holding Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. These amendments neither resulted in any changes to the accounting policies nor impacted the accounting policies' information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The information disclosed in Note 7 contains material accounting policies as assessed to be in line with the amendments

##### 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, 2024:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current and application of materiality to disclosure of accounting policies - Amendments to IAS 1	January 01, 2024
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2024
Lease liability in a sale and leaseback - Amendments to IFRS 16	January 01, 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized
- Amendments to IAS 21- Lack of Exchangeability	January 01, 2025

## 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 consolidated 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 (notes 7.5.3, 13 & 21).
- (f) Staff retirement benefits (notes 7.11 and 39).
- (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 34).
- (j) Estimation of other provisions and contingent liabilities (notes 7.19, 25 and 33).

Estimates and judgements 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 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 39 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 MATERIAL 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 / from 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 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.

### 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 consolidated 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**

Investment in associate is subsequently 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 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.

### **Investment in associates**

In respect of investment in associates, the Holding Company 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 consolidated profit and loss account.

**7.3.6** Gains or losses on sale of investments are included in consolidated 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 Holding Company and principally comprise of Murabahah, Istisna, Ijarah, Salam, Muswammah, Diminishing Musharakah, Running Musharakah (Shirkat-ul-Aqd) and other Islamic modes of financing and the related assets.

As a general rule, funds disbursed under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the consolidated 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 consolidated 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 ordered 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 ordered), the Holding Company purchases the assets / goods subject of the Murabahah from a third party and takes the possession thereof. However, the Holding Company can appoint the client as its agent to purchase and take possession of the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

#### 7.4.4 Istisna

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

#### 7.4.5 Diminishing Musharakah

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

#### 7.4.6 Import Murabahah

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

#### **7.4.7 Salam**

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

#### **7.4.8 Musawamah / Tijarah**

Under this product the Holding Company purchases 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 an 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 customer's 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 and unclaimed profit above ceiling (if any).

#### **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.

The surplus arising on revaluation is credited to other comprehensive income. However, the increase shall be recognised in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account. The deficit arising on a particular property as a result of a revaluation is recognised in profit and loss account as an impairment. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets Account" to unappropriated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year. Gains or losses on disposal of assets are included in the profit and loss account currently, except for the related surplus on revaluation of fixed assets (net of deferred tax) which is transferred directly to equity.

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. All expenditure connected with specific assets incurred during installation and construction / development period are carried under this head. These are transferred to specific assets as and when assets become available for use.

### **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.

### 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 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 IAS 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 non-banking 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 consolidated 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 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 an 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 cost to sell. Subsequent gain in fair value less cost 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 subordinated 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 asset and liability 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, 2023.

Amounts arising as a result of remeasurements, representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are 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 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 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 compliant 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 had been operating as a conventional bank in Pakistan. Keeping in view Shariah compliance, under the directives of the Shariah Board of the Bank, any income accruing on conventional products is being credited to the Charity Payable account after deduction of any actual costs incurred on recovery, as approved by 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 derecognition 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 Off-setting 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 Mudaraba.

Deposits taken on Qard basis are classified as 'Current non-remunerative accounts' and Deposits generated on Mudarabah 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 Mudarabah, 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 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 manage returns of High Net Worth depositors and Government institutions. 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 segments 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 Holding Company's retail customers.

## **Commercial banking**

It includes investment banking business, trade business and Islamic financing and related assets relating to the Holding Company'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 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 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 Dividend and reserves**

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the date of Statement of Financial Position are considered as non-adjusting events and are recorded as a liability in the financial statements in the year in which these are approved by the directors / shareholders as appropriate. Furthermore, the surplus on revaluation of fixed assets, including non-banking assets acquired in satisfaction of claims, is not available for the distribution of dividends to the shareholders.

### **7.24 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 March 03, 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).

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 41 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 2023 was 20 percent (2022: 20), while the deferral period is set at three years (2022: 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.

## 7.25 IFRS 9 - 'Financial Instruments'

The State Bank of Pakistan (SBP) vide its BPRD Circular No. 03 dated July 05, 2022 has provided detailed instructions (the Application Instructions) on implementation of IFRS 9 (the Standard) to ensure smooth and consistent implementation of the standard across banks. Further, SBP has directed via BPRD Circular Letter No. 7 of 2023 dated 13 April 2023, IFRS 9 Financial Instruments that the Application Instructions will be effective for periods beginning on or after January 1, 2024 for all banks.

The forthcoming Standard will replace the existing guidance outlined in IAS 39, bringing forth updated directives on financial instrument classification and measurement. Notably, it marks a shift from an incurred loss to an Expected Credit Loss (ECL) model for impairment calculation. Additionally, the new Standard will implement new hedge accounting requirements and incorporate additional requirements, such as enhanced disclosures on risk exposures and amendments to fair value measurement principles, while retaining the recognition and de-recognition guidelines from IAS 39.

The Holding Company will adopt the standard in its entirety effective January 1, 2024 with modified retrospective approach for restatement i.e. comparative figures will not be restated on the initial application of the standard, instead, the cumulative impact will be recorded as an adjustment to equity at the beginning of the accounting period. During the year the management of the Bank continued to perform parallel run assessments for the standard IFRS 9 taking into account the SBP's Application Instructions. The assessments were based on available information that existed at respective parallel run reporting cut-offs and were subject to change that could arise from further reasonable and supportable information being made available to the Holding Company at the time of finalizing the impact for initial application of the Standard. The Holding Company expects an increase in the loss allowance having impact on its equity. In addition, the Holding Company will implement changes in classification of certain financial instruments. These changes and impacts for the Holding Company are discussed below:

### Classification and measurement

The Standard elaborates the classification and measurement of financial assets, contingent upon their management (the entity's business model) and contractual cash flow characteristics. SPPI criteria ensure

that financial assets meet the contractual cash flow characteristics of principal and interest payments only, crucial for their classification as basic lending instruments under IFRS 9. Assets failing SPPI criteria must be measured at fair value through profit or loss ('FVTPL') irrespective of the holding business model. The Holding Company's analysis of the standard's initial impact on its financial assets considers these factors:

### **Equity Securities**

Equity instruments are generally measured as FVTPL unless the Holding Company elects for FVOCI at initial recognition for equity instruments that are not held for trading

For equity shares held as available-for-sale (AFS) with surplus / deficit recorded in OCI, the Holding Company may elect these equity shares as FVOCI. However, in accordance with requirements of the Standard, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on de-recognition of these securities.

For those equity shares currently held as AFS with gains and losses recorded in OCI for which FVOCI election is not made, will be measured at FVTPL, with marked to market impacts recorded in profit and loss account for future periods. The surplus / deficit related to these securities currently presented in equity, will be reclassified to retained earnings, with no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measured at fair value under the Standard.

### **Shariah Compliant Debt securities and Islamic Financing and related assets**

Those debt securities that are currently classified as AFS and pass the SPPI test, shall be measured at FVOCI under the Standard as the Holding Company's business model is to hold the assets to collect contractual cash flows and sell those investment. Debt securities currently classified as HTM and pass the SPPI test shall be measured at amortized cost under IFRS 9 as the Holding Company's business model is to hold the assets to collect contractual cash flows.

Certain debt instruments that do not meet the SPPI criteria shall be measured at FVTPL regardless of the business model in which they are held.

For certain debt securities which are currently classified as AFS and the Holding Company has decided to designate the same under the Held to Collect Business Model with the intention to collect the future cash flows on initial recognition as permitted under the standard, the mark to market gain/(loss) pertaining to these securities will be reversed from the Surplus / deficit and adjusted against the book value of securities at initial recognition. This will have an impact on the overall retained earnings which will be consolidated in the opening retained earnings adjustment under IAS 8 (modified retrospective application criteria) in addition to the ECL impact.

### **Impairment**

The impairment requirements apply to financial assets measured at amortized cost and FVOCI (other than equity instruments), Ijarah / Diminishing Musharaka receivables, and certain financing commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

Financial assets where 12-month ECL is recognized are in 'stage 1' financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2' and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL should be unbiased and probability-weighted and would incorporate all available information which is relevant to the assessment including information about past events, current conditions, and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL would take into account the time value of money.

Based on the requirements of the Standard and SBP's Application Instructions, the Bank has performed an ECL assessment considering the key elements such as assessment of Significant Increase in Credit Risk (SICR), Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.

- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Holding Company expects to receive, including any form of collateral.

- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortization, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Holding Company has used 10 years data till 31 December 2023.

### **Significant increase in credit risk (SICR)**

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. Elevated Expected Credit Loss (ECL) does not inherently drive a rise in Significant Increase in Credit Risk (SICR). The Holding Company uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and/ or profit payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of the Standard has stabilized, Stage 1 and Stage 2 provisions would be made as per the Standard's ECL criteria and Stage 3 provisions would be made considering higher of the Standard's ECL or provision computed under existing requirements of Prudential Regulations (PRs) issued by SBP on a segment basis.

As required by the Application Instructions, financial assets may be reclassified out of Stage 3 if they meet the requirements of PRs. Financial assets in Stage 2 may be reclassified to Stage 1 if the conditions that led to a SICR no longer apply. However, a minimum period of 6 months from initial downgrade is required before any facility is moved back to Stage 1 from Stage 2. For a facility to move back from Stage 3 to Stage 2, it should meet the criteria defined under the respective PR for de-classification of account / facility. An exposure cannot be upgraded from Stage 3 to Stage I directly and should be upgraded to Stage 2 initially.

### **Presentation and disclosure**

The SBP vide BPRD No. 02 of 2023 dated 9 February 2023 introduces revised formats for banks annual and interim financial statements starting from 1 January 2024. These formats incorporate presentation and disclosure requirements related to the adoption of the Standard in Pakistan, which is expected to significantly change the Holding Company's disclosures regarding its financial instruments

### **Additional requirements and exceptions introduced by SBP Instructions**

SBP has enforced the application of Standard in its entirety except for some exceptions and additional

requirements. A high-level comparison of such exceptions that are relevant to the Holding Company is as follows:

#### **(i) Use of Fair Value Option for financial assets**

Standard allows entities to irrevocably designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces any 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different bases. SBP instructions state that banks may apply the fair value option if, in addition to the IFRS 9 criterion, (a) it is consistent with a documented risk management strategy, and (b) fair values are reliable at inception and throughout life of the instrument. Nonetheless, banks should avoid this option for financial instruments that are categorized as Level 3 in terms of the IFRS 13 hierarchy.

#### **(ii) Unquoted equity securities**

SBP has advised banks to measure investment in unquoted equity securities at lower of cost or breakup value till 31, December 2023.

In case where the breakup value of such securities is less than the cost, the difference of the cost and the breakup value will be classified as loss and provided for by charging it to the Profit and Loss account.

#### **(iii) Rebuttable presumptions about default and SICR**

Standard includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under the Standard as mentioned in Annexure-C of BPRD Circular no 3 of 2022. However, banks are free to choose more stringent days past due criteria.

#### **(iv) Income recognition on impaired assets**

The banks are advised to recognize income on impaired assets (financing classified under PRs i.e., OAEM and Stage 3 financing) on a receipt basis in accordance with the requirements of PRs issued by SBP.

#### **(v) Impact of Provisions on Regulatory Capital**

The banks are allowed to include provisions for Stage 1 and Stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBPs Guideline for absorption of ECL for Capital Adequacy Ratio (CAR) purposes as mentioned in Annexure-B of BPRD Circular No. 3 of 2022.

#### **Impact of adoption of IFRS 9**

The Holding Company will adopt IFRS 9 in its entirety effective 01 January 2024 with modified retrospective approach for restatement. The Holding Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at 31 December 2023.

The total estimated adjustment (net of tax) of the adoption of the Standard on the opening balance of the Holding Company's equity at January 1, 2024 is a decrease of approximately Rs. 275.387 million (net of tax) related to impairment requirements. There is no other impact except for impairment impact due to adoption of IFRS 9.

This estimate of the potential impact may change as a result of completion of the activities related to the IFRS 9 implementation programme established by the Holding Company.

### Impact on regulatory capital

The introduction of the Standard may result in reduction in regulatory capital of the banks, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of ECL models on capital, SBP has determined that it may be appropriate for banks to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' in BPRD Circular no 03.2022 issued by SBP has detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for Stage 1 and Stage 2 financial assets. The transitional arrangement must adjust CET-1 capital. Where there is a reduction in CET-1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET-1 capital (the "transitional adjustment amount") must be partially included (i.e., added back) to CET-1 capital over the "transition period" of five years.

The impact of adoption of IFRS 9 on the capital ratios of the Holding Company are as

	As per adopted IFRS 9	As per current Reporting requirements
Common Equity Tier 1 Capital Adequacy ratio	<u>16.12%</u>	<u>16.14%</u>
Tier 1 Capital Adequacy Ratio	<u>17.74%</u>	<u>17.76%</u>
Total Capital Adequacy Ratio	<u>23.75%</u>	<u>23.77%</u>
CET1 available to meet buffers (as a percentage of risk weighted assets)	<u>10.12%</u>	<u>10.14%</u>

The Holding Company will continue to refine its ECL model and embed its operational processes which may change the actual impact on adoption, although parallel runs have been carried out till the year ended December 31, 2023, the new systems and associated controls in place have not been operational for a more extended period.

### Governance, ownership and responsibilities

The Holding Company has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Holding Company's Risk Management Department has developed models/ methodologies for PD, LGD and Credit Conversion Factors (CCF). These models shall be validated on annual basis considering the following aspects:

- Quantitative Validation: ECL model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

The Risk Department will define the staging criteria for the new impairment model and take ownership of all models, methodologies and the ECL calculation approach. Additionally, the Risk department will also take the ownership of the impact of ECL on bank's capital.

The Holding Company's Finance Department will perform ECL calculation. As a result, the department will then assess the financial impact, meet the financial reporting requirements and further monitor the impact on the financial ratios. Risk Management Department shall also present quarterly progress report to its Board Risk Management Committee.

The IT Department shall identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. IT department shall also support project owners for system development and upgrades.

	Note	2023	2022
----- Rupees in '000 -----			
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand:</b>			
- Local currency		11,227,889	12,786,558
- Foreign currencies		1,319,857	626,887
		<b>12,547,746</b>	13,413,445
<b>With the State Bank of Pakistan in:</b>			
- Local currency current account	8.1	21,500,242	24,819,147
- Foreign currency deposit accounts:			
- Cash reserve account	8.2	969,037	683,821
- Special cash reserve account	8.2	1,206,364	826,020
- US dollar clearing account		38,902	7,466
		<b>2,214,303</b>	1,517,307
<b>With National Bank of Pakistan in:</b>			
- Local currency current account		5,021,445	222,780
<b>Prize Bonds</b>	8.3	3,335	23
		<b>41,287,071</b>	39,972,702

**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	2023	2022
----- Rupees in '000 -----			
<b>9 BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan:</b>			
- In current accounts		9	927
- In deposit accounts	9.1	2,344	2,334
		<b>2,353</b>	3,261
<b>Outside Pakistan:</b>			
- In current accounts		1,186,902	1,717,993
- In deposit accounts	9.2	186,921	326,903
		<b>1,373,823</b>	2,044,896
		<b>1,376,176</b>	2,048,157

**9.1** These represent deposits with various Islamic banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements range between 6.75% to 12.13% (2022: 6.65% to 11%) 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 2.25% to 3%% (2022: 1.75% to 2.25%) per annum.

## 10 DUE FROM FINANCIAL INSTITUTIONS - NET

	Note	2023	2022
----- Rupees in '000 -----			
<b>Secured</b>			
Bai Muajjal Receivable			
-from Other Financial Institutions	10.1	-	4,000,718
<b>Unsecured</b>			
Musharaka Placements	10.2	-	10,000,000
Bai Muajjal Receivable			
-from Banks	10.1	-	4,036,995
-from Other Financial Institutions	10.1	16,502,138	5,840,470
Other placements		17,820	21,060
		<b>16,519,958</b>	23,899,243
Provision held against			
Financial Institution Placements	10.4	(17,820)	(21,060)
		<b>16,502,138</b>	23,878,183

**10.1** The average return on this product ranges between 22.05% to 22.35% (2022: 13.09% to 17.35%) per annum. The balances have maturities ranging between 6 days to 110 days (2022: 3 days to 278 days). The Secured Bai Muajjal receivable are secured against Federal Government securities received as collateral and having market value of Nil as at December 31, 2023 (2022: Rs. 3,821 million).

**10.2** The expected profit rate on these agreements is Nil (2022: 16% to 16.10%) per annum and the agreements have maturities of Nil days (2022: 6 days).

	2023	2022
----- Rupees in '000 -----		
<b>10.3 Particulars of due from financial institutions</b>		
In local currency	16,519,958	23,899,243
In foreign currency	-	-
	<b>16,519,958</b>	23,899,243



## 10.4 Category of classification

	2023		2022	
	Classified Placements	Provision held	Classified Placements	Provision held
	----- Rupees in '000 -----			
Loss	17,820	17,820	21,060	21,060

10.4.1 The Holding Company does not hold overseas classified placements.

## 11 INVESTMENTS - NET

Note

2023

2022

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

Investments - Islamic	11.1 & 11.3	314,083,872	179,598,664
Investments - Conventional (relating to amalgamated entity)	11.2 & 11.4	-	577,675
		<b>314,083,872</b>	<b>180,176,339</b>

### 11.1 Islamic Investments by type

Note	2023				2022			
	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	272,237,369	-	5,630,029	277,867,398	140,109,510	-	(289,819)	139,819,691
Shares / Modaraba certificates	345,273	-	347,308	692,581	371,784	(77,571)	84,571	378,784
Non-Government Shariah Compliant Securities	35,243,462	(35,880)	309,491	35,517,073	36,176,548	(35,880)	2,189,908	38,330,576
Foreign securities	6,820	-	-	6,820	6,820	-	-	6,820
	<b>307,832,924</b>	<b>(35,880)</b>	<b>6,286,828</b>	<b>314,083,872</b>	<b>176,664,662</b>	<b>(113,451)</b>	<b>1,984,660</b>	<b>178,535,871</b>

#### Associates

	1,123,432	(1,123,432)	-	-	1,062,793	-	-	1,062,793
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#### Total Islamic investments

	<b>308,956,356</b>	<b>(1,159,312)</b>	<b>6,286,828</b>	<b>314,083,872</b>	<b>177,727,455</b>	<b>(113,451)</b>	<b>1,984,660</b>	<b>179,598,664</b>
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### 11.2 Conventional Investments by type\*

#### Available for sale securities

Shares	591,680	(591,680)	-	-	591,680	(591,680)	-	-
Non-Government Debt Securities	224,467	(224,467)	-	-	224,467	(224,467)	-	-
Foreign securities	1,155,350	(1,155,350)	-	-	1,155,350	(577,675)	-	577,675
	<b>1,971,497</b>	<b>(1,971,497)</b>	<b>-</b>	<b>-</b>	<b>1,971,497</b>	<b>(1,393,822)</b>	<b>-</b>	<b>577,675</b>

#### Held to maturity securities

Non-Government Debt Securities	92,145	(92,145)	-	-	92,145	(92,145)	-	-
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#### Associates

	474,169	(474,169)	-	-	474,169	(474,169)	-	-
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#### Total conventional investments

	<b>2,537,811</b>	<b>(2,537,811)</b>	<b>-</b>	<b>-</b>	<b>2,537,811</b>	<b>(1,960,136)</b>	<b>-</b>	<b>577,675</b>
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\* These assets are related to amalgamated entity and are fully provided.

Note	2023				2022			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
<b>11.3 Islamic Investments by segments</b>								
<b>Federal Government Shariah Compliant Securities</b>								
GoP Ijarah Sukuks	272,237,369	-	5,630,029	277,867,398	140,109,510	-	(289,819)	139,819,691
<b>Shares / Modarba Certificates</b>								
Listed companies	345,273	-	347,308	692,581	371,784	(77,571)	84,571	378,784
<b>Non-Government Shariah Compliant Securities</b>								
<b>Listed</b>								
Pakistan Energy Sukuk-I	27,146,945	-	320,334	27,467,279	27,146,945	-	1,845,992	28,992,937
Pakistan Energy Sukuk-II	3,390,306	-	(6,306)	3,384,000	3,391,464	-	(7,464)	3,384,000
	30,537,251	-	314,028	30,851,279	30,538,409	-	1,838,528	32,376,937
<b>Unlisted</b>								
Sukuk certificates	4,706,211	(35,880)	(4,537)	4,665,794	5,638,139	(35,880)	351,380	5,953,639
<b>Foreign securities</b>								
Equity securities	6,820	-	-	6,820	6,820	-	-	6,820
<b>Associates</b>								
Shakarganj Food Products Limited	1,123,432	(1,123,432)	-	-	1,062,793	-	-	1,062,793
	<b>308,956,356</b>	<b>(1,159,312)</b>	<b>6,286,828</b>	<b>314,083,872</b>	<b>177,727,455</b>	<b>(113,451)</b>	<b>1,984,660</b>	<b>179,598,664</b>

**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	2023				2022			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
<b>Shares</b>								
Unlisted Companies	591,680	(591,680)	-	-	591,680	(591,680)	-	-
<b>Non Government Debt Securities</b>								
Listed	74,607	(74,607)	-	-	74,607	(74,607)	-	-
Unlisted	242,005	(242,005)	-	-	242,005	(242,005)	-	-
	316,612	(316,612)	-	-	316,612	(316,612)	-	-
<b>Foreign securities</b>								
Equity securities	1,155,350	(1,155,350)	-	-	1,155,350	(577,675)	-	577,675
<b>Associates</b>								
KASB Capital Limited	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	432,302	(432,302)	-	-	432,302	(432,302)	-	-
	474,169	(474,169)	-	-	474,169	(474,169)	-	-
	<b>2,537,811</b>	<b>(2,537,811)</b>	<b>-</b>	<b>-</b>	<b>2,537,811</b>	<b>(1,960,136)</b>	<b>-</b>	<b>577,675</b>

\* These assets are related to amalgamated entity and are fully provided.

#### 11.5 Investments given as collateral

	2023	2022
----- Rupees in '000 -----		
Federal Government Securities	<b>35,314,000</b>	5,889,000

	Note	2023	2022
		----- Rupees in '000 -----	
<b>11.6 Provision for diminution in value of investments</b>			
<b>11.6.1 Opening balance</b>		2,073,587	2,073,095
<b>Charge / (reversal)</b>			
Charge for the year		1,702,779	1,069
Reversals for the year		-	(577)
	33	1,702,779	492
Amounts written off		(79,243)	-
<b>Closing Balance</b>	11.6.1.1	3,697,123	2,073,587
<b>11.6.1.1 Breakup of provision for diminution in the value of investments is as follows:</b>			
Investments - Islamic		1,159,312	113,451
Investments - Conventional		2,537,811	1,960,136
		3,697,123	2,073,587

#### 11.6.2 Particulars of provision against debt securities

##### Category of classification

##### Domestic

Loss

Total

2023		2022	
Non-performing investments	Specific Provision	Non-performing investments	Specific Provision
----- Rupees in '000 -----			
628,743	352,492	628,743	352,492
628,743	352,492	628,743	352,492

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

#### 11.7 Quality of Available for Sale Securities

##### Cost

2023 2022

-----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

272,237,369 140,109,510

##### 11.7.2 Non Government Debt Securities\*

##### Listed

Unrated

30,611,858 30,613,016

##### Unlisted

AAA

2,408,996 3,336,625

AA+

110,500 331,500

AA-

50,000 241,667

A+

175,000 50,000

A

311,667 266,217

Unrated

1,799,908 1,561,990

4,856,071 5,787,999

\* Entities' 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

- Financial

306,752 333,263

- Fertilizer

38,370 38,370

- Chemical

151 151

345,273 371,784

Note	2023			2022	
	As at	Cost	Breakup value	Cost	Breakup value
<b>11.7.3.2 Unlisted Companies</b>	----- Rupees in '000 -----				
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,680	0.50	5,680	0.50
Riverstone Consultancy (Private) Limited [Formerly KASB Invest (Private) Limited]	June 30, 2021	28,000	0.69	28,000	0.69
New Horizon Exploration and Production Limited	December 31, 2014	558,000	1.07	558,000	1.07
11.4		<b>591,680</b>	<b>2.26</b>	<b>591,680</b>	<b>2.26</b>
<b>11.7.4 Foreign Securities</b>				Cost	
<b>Equity Securities</b>				----- Rupees in '000 -----	
<b>Unlisted</b>					
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
					<b>1,162,170</b>
					<b>1,162,170</b>
<b>11.8 Particulars relating to Held to Maturity securities are as follows:</b>					
<b>Non Government Debt Securities</b>					
<b>Unlisted</b>					
Unrated					<b>92,145</b>
					<b>92,145</b>
<b>11.8.1</b>	The market value of securities classified as held-to-maturity as at December 31, 2023 amounted to Nil (December 31, 2022:Nil)				
<b>11.9 Reconciliation of investments in associates</b>					

Particulars	2023			
	KASB Capital Limited*	KASB Funds Limited*	Shakarganj Food Products Limited	Total
	----- Rupees in '000 -----			
<b>As at January 1, 2023</b>	41,867	432,302	1,062,793	1,536,962
Recognised in the profit and loss account	-	-	60,639	60,639
<b>As at December 31, 2023</b>	41,867	432,302	1,123,432	1,597,601
Provision for diminution in the value of investment	(41,867)	(432,302)	(1,123,432)	(1,597,601)
<b>As at December 31, 2023</b>	-	-	-	-

Particulars	2022			
	KASB Capital Limited*	KASB Funds Limited*	Shakarganj Food Products Limited	Total
	----- Rupees in '000 -----			
<b>As at January 1, 2022</b>	41,867	432,302	1,018,215	1,492,384
Recognised in the profit and loss account	-	-	44,578	44,578
<b>As at December 31, 2022</b>	41,867	432,302	1,062,793	1,536,962
Provision for diminution in the value of investment	(41,867)	(432,302)	-	(474,169)
<b>As at December 31, 2022</b>	-	-	1,062,793	1,062,793

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

11.10 Details of investment in associates

	2023							Total comprehensive income / (loss)
	As at	Holding %	Country of incorporation	Assets	Liabilities	Revenue	Profit / (loss) after taxation	
	----- Rupees in '000 -----							
<b>Unlisted</b>								
<b>Islamic</b>								
Shakarganj Food Products Limited	September 30, 2023	36.38	Pakistan	10,335,484	6,782,556	15,068,704	166,682	45,200
<b>Conventional</b>								
KASB Funds Limited	December 31, 2015	43.89	Pakistan	46,465	32,465	23,640	(66,241)	(65,679)
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	2023	2022
----- Rupees in '000 -----			
Islamic financing and related assets - net	12.1	230,129,817	201,160,513
Advances (relating to amalgamated entity) - net	12.2	64,471	167,929
		<b>230,194,288</b>	<b>201,328,442</b>

12.1 ISLAMIC FINANCING AND RELATED ASSETS

	Note	Performing		Non Performing		Total	
		2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----							
In Pakistan							
- Running Musharakah	12.9	100,625,553	70,086,223	1,444,955	1,324,955	102,070,508	71,411,178
- Diminishing Musharakah financing and related assets - Others	12.3	46,055,344	41,068,657	3,529,814	3,121,040	49,585,158	44,189,697
- Diminishing Musharakah - Housing		23,553,066	25,751,728	2,019,821	1,663,899	25,572,887	27,415,627
- Istisna financing and related assets	12.4 & 12.10	20,455,759	13,790,179	3,630,366	2,563,708	24,086,125	16,353,887
- Diminishing Musharakah financing and related assets - Auto		16,380,932	23,470,877	538,620	380,557	16,919,552	23,851,434
- Murabahah financing and related assets	12.5 & 12.11	16,073,181	13,255,965	397,002	238,222	16,470,183	13,494,187
- Musawamah financing and related assets / Tijarah	12.6 & 12.12	3,781,236	6,221,702	5,024,205	4,328,305	8,805,441	10,550,007
- Investment Agency Wakalah		2,730,590	3,125,000	-	-	2,730,590	3,125,000
- Murabahah against Bills		671,556	1,120,211	192,048	146,681	863,604	1,266,892
- Ijarah financing under IFAS 2 and related assets	12.7	288,755	336,640	161,958	120,030	450,713	456,670
- Financing against Bills		209,100	1,179,967	-	-	209,100	1,179,967
- Qardh-e-Hasana		48,226	36,135	121,025	121,359	169,251	157,494
- Past Due Acceptance		(4,028)	498,354	160,000	-	155,972	498,354
- Musharakah financing		160,000	160,000	-	-	160,000	160,000
- Net investment in Ijarah financing in Pakistan	12.13	85,343	104,062	-	-	85,343	104,062
- Housing finance portfolio - others		24,091	23,535	-	-	24,091	23,535
- Salam	12.8	-	223,900	-	-	-	223,900
<b>Islamic financing and related assets - gross</b>		<b>231,138,704</b>	<b>200,453,135</b>	<b>17,219,814</b>	<b>14,008,756</b>	<b>248,358,518</b>	<b>214,461,891</b>
Less: Provision against non-performing Islamic financing and related assets							
- Specific	12.16	-	-	(13,837,297)	(10,314,265)	(13,837,297)	(10,314,265)
- General	12.16	(4,391,404)	(2,987,113)	-	-	(4,391,404)	(2,987,113)
		<b>(4,391,404)</b>	<b>(2,987,113)</b>	<b>(13,837,297)</b>	<b>(10,314,265)</b>	<b>(18,228,701)</b>	<b>(13,301,378)</b>
<b>Islamic financing and related assets - net of provision</b>		<b>226,747,300</b>	<b>197,466,022</b>	<b>3,382,517</b>	<b>3,694,491</b>	<b>230,129,817</b>	<b>201,160,513</b>
<b>12.2 ADVANCES</b>							
- Loans, cash credits, running finances, etc. - In Pakistan*		5,569	15,253	4,424,625	4,598,676	4,430,194	4,613,929
- Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan		-	-	684,295	684,295	684,295	684,295
- Net investment in finance lease - In Pakistan	12.13	-	-	561,908	580,807	561,908	580,807
<b>Advances - gross</b>		<b>5,569</b>	<b>15,253</b>	<b>5,670,828</b>	<b>5,863,778</b>	<b>5,676,397</b>	<b>5,879,031</b>
Provision against advances							
- Specific	12.16	-	-	(5,611,871)	(5,804,866)	(5,611,871)	(5,804,866)
- General	12.16	(55)	(55)	-	-	(55)	(55)
		<b>(55)</b>	<b>(55)</b>	<b>(5,611,871)</b>	<b>(5,804,866)</b>	<b>(5,611,926)</b>	<b>(5,804,921)</b>
<b>Advances - net of provision</b>		<b>5,514</b>	<b>15,198</b>	<b>58,957</b>	<b>58,912</b>	<b>64,471</b>	<b>74,110</b>
Fair value adjustment		-	-	-	93,819	-	93,819
<b>Advances - net of provision and fair value adjustment</b>		<b>5,514</b>	<b>15,198</b>	<b>58,957</b>	<b>152,731</b>	<b>64,471</b>	<b>167,929</b>

\* This represents non-interest bearing performing financing facilities amounting to Rs. 5,569 million (2022: Rs. 15,253 million).

	Note	2023	2022
-----Rupees in '000-----			
<b>12.3 Diminishing Musharakah financing and related assets - Others</b>			
Diminishing Musharakah financing		46,307,161	38,633,625
Advance against Diminishing Musharakah financing		3,277,997	5,556,072
		<b>49,585,158</b>	<b>44,189,697</b>
<b>12.4 Istisna financing and related assets</b>			
Istisna financing		7,662,635	7,547,321
Advance against Istisna financing		16,423,490	1,613,446
Istisna inventories		-	7,193,120
		<b>24,086,125</b>	<b>16,353,887</b>
<b>12.5 Murabahah financing and related assets</b>			
Murabahah financing		8,945,251	8,278,378
Deferred murabahah income		1,663,483	563,847
Advances against Murabaha financing		1,469,521	4,651,962
Murabaha Inventories		4,391,928	-
		<b>16,470,183</b>	<b>13,494,187</b>
<b>12.5.1</b> Murabaha receivable - gross	12.5.2	10,608,734	8,842,221
Less: Deferred murabaha income	12.5.4	(489,934)	(289,597)
Profit receivable		(1,173,549)	(274,246)
Murabaha financing		<b>8,945,251</b>	<b>8,278,378</b>
<b>12.5.2 The movement in Murabaha financing during the year is as follows:</b>			
Opening balance		8,842,221	7,750,049
Sales during the year		73,341,774	64,151,683
Received during the year		(71,575,261)	(63,059,511)
Closing balance		<b>10,608,734</b>	<b>8,842,221</b>
<b>12.5.3</b> Murabaha sale price (for transactions during the year)		73,341,774	64,151,683
Murabaha purchase price (for transactions during the year)		(68,617,404)	(61,689,521)
		<b>4,724,370</b>	<b>2,462,162</b>
<b>12.5.4 Deferred Murabahah income</b>			
Opening balance		289,597	179,290
Arising during the year		4,724,370	2,462,162
Recognized during the year		(4,524,033)	(2,351,855)
Closing balance		<b>489,934</b>	<b>289,597</b>
<b>12.6 Musawamah financing and related assets / Tijarah</b>			
Musawamah financing		6,174,291	8,317,899
Advance against Musawamah financing		123,620	2,232,108
Musawamah inventories		2,507,530	-
		<b>8,805,441</b>	<b>10,550,007</b>
<b>12.7 Ijarah financing under IFAS 2 and related assets</b>			
Net book value of assets under IFAS 2	12.14	435,282	456,059
Advance against Ijarah financing		15,431	611
		<b>450,713</b>	<b>456,670</b>
<b>12.8 Salam</b>			
Salam financing		-	110,000
Advance against Salam		-	64,000
Salam inventories		-	49,900
		-	<b>223,900</b>
<b>12.9</b> Running musharakah financing and related assets includes financing amounting to Rs. 2,403 million (2022: Rs. 2,423 million) under Islamic Export Refinance Scheme.			
<b>12.10</b> Istisna financing and related assets includes financing amounting to Rs. 264.6 million (2022: Rs. 865 million) and advance amounting to Rs. 1,016.5 million (2022: Rs. 1,087 million) under Islamic Export Refinance Scheme.			
<b>12.11</b> Murabahah financing and related assets includes financing amounting to Rs. 0.061 million (2022: Rs.0.033 million) under Islamic Export Refinance Scheme.			
<b>12.12</b> Musawamah financing and related assets / Tijarah includes advance amounting to Rs. Nil (2022: Rs. 150 million) under Islamic Export Refinance Scheme.			

12.13 Break up of net investment in Ijarah financing and Finance lease	2023	2022
	----- Rupees in '000-----	
Islamic financing and related assets	85,343	104,062
Advances	561,908	580,807
	647,251	684,869

12.13.1 Net investment in Ijarah financing in Pakistan and finance lease

	2023				2022			
	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	618,169	-	-	618,169	655,787	-	-	655,787
Residual value	73,328	-	-	73,328	73,328	-	-	73,328
Minimum Ijarah payments	691,497	-	-	691,497	729,115	-	-	729,115
Profit for future periods	(44,246)	-	-	(44,246)	(44,246)	-	-	(44,246)
Present value of minimum Ijarah payments	647,251	-	-	647,251	684,869	-	-	684,869

12.14 Ijarah Assets

	2023							
	Cost			Accumulated depreciation			Book value as at December 31, 2023	Rate of Depreciation %
	As at January 01, 2023	Addition / (deletions)	As at December 31, 2023	As at January 01, 2023	Charge / (deletions)	As at December 31, 2023		
	----- Rupees in '000 -----							
Plant and Machinery	299,200	-	299,200	245,697	2,121	247,818	51,382	20-33.33
Vehicles	1,201,472	16,990 (86,290)	1,132,172	798,916	16,506 (67,150)	748,272	383,900	20-33.33
	1,500,672	16,990 (86,290)	1,431,372	1,044,613	18,627 (67,150)	996,090	435,282	

	2022							
	Cost			Accumulated depreciation			Book value as at December 31, 2022	Rate of Depreciation %
	As at January 01, 2022	Addition / (deletions)	As at December 31, 2022	As at January 01, 2022	Charge / (deletions)	As at December 31, 2022		
	----- Rupees in '000 -----							
Plant and Machinery	1,899,200	- (1,600,000)	299,200	1,582,580	22,117 (1,359,000)	245,696	53,504	20-33.33
Vehicles	1,690,590	41,444 (530,562)	1,201,472	1,164,188	40,846 (406,118)	798,917	402,555	20-33.33
	3,589,790	41,444 (2,130,562)	1,500,672	2,746,768	62,963 (1,765,118)	1,044,613	456,059	

12.14.1 Future Ijarah payments receivable

	2023				2022			
	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	29,489	17,152	-	46,641	30,370	22,999	-	53,369

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

	2023	2022
	----- Rupees in '000-----	
In local currency	251,850,511	218,622,648
In foreign currency	2,184,404	1,718,274
	254,034,915	220,340,922



12.16 Islamic financing and related assets and advances include Rs. 22,890.642 million (2022: Rs.19,872.534 million) which have been placed under non-performing status as detailed below:

Category of classification

	2023		2022	
	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	393,831	-	325,596	-
Substandard	1,009,194	235,164	548,330	48,085
Doubtful	2,170,850	871,469	4,236,194	2,411,182
Loss	19,316,767	18,342,535	14,762,414	13,659,864
<b>Total</b>	<b>22,890,642</b>	<b>19,449,168</b>	<b>19,872,534</b>	<b>16,119,131</b>

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, related assets and advances:

	2023			2022		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
<b>Opening balance</b>	16,119,131	2,987,168	19,106,299	14,528,630	767,023	15,295,653
Charge for the year	4,006,703	1,500,000	5,506,703	2,748,357	2,220,145	4,968,502
Reversals for the year	(676,666)	(95,709)	(772,375)	(1,157,169)	-	(1,157,169)
	3,330,037	1,404,291	4,734,328	1,591,188	2,220,145	3,811,333
Amount written off	-	-	-	(687)	-	(687)
<b>Closing balance</b>	<b>19,449,168</b>	<b>4,391,459</b>	<b>23,840,627</b>	<b>16,119,131</b>	<b>2,987,168</b>	<b>19,106,299</b>
12.17.1 Islamic	13,837,297	4,391,404	18,228,701	10,314,265	2,987,113	13,301,378
Conventional	5,611,871	55	5,611,926	5,804,866	55	5,804,921
	<b>19,449,168</b>	<b>4,391,459</b>	<b>23,840,627</b>	<b>16,119,131</b>	<b>2,987,168</b>	<b>19,106,299</b>

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

	Note	2023	2022
		-----Rupees in '000-----	
Gross reversals for the year		772,375	1,157,169
Charge for the year		(5,506,703)	(4,968,502)
		(4,734,328)	(3,811,333)
Fair value adjusted - net		(93,819)	-
Net charge taken to the profit and loss account	33	<b>(4,828,147)</b>	(3,811,333)

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

	2023			2022		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	19,449,168	4,391,459	23,840,627	16,119,131	2,987,168	19,106,299
In foreign currency	-	-	-	-	-	-
	<b>19,449,168</b>	<b>4,391,459</b>	<b>23,840,627</b>	<b>16,119,131</b>	<b>2,987,168</b>	<b>19,106,299</b>

12.17.4 The Holding Company maintains general reserve (provision) amounting to Rs. 391.459 million (2022: Rs. 487.168 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing. In addition, the Holding Company carries general provision of Rs. 4.000 million (2022: Rs. 2,500 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, 2023 amounts to Rs.943.552 million (2022: Rs. 1,061.067 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 481.211 million (2022: Rs. 541.144 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to shareholders.

	2023	2022
	-----Rupees in '000-----	
<b>12.18 Particulars of write-offs</b>		
Against provisions	-	687
Directly charged to the profit and loss account	-	-
	-	<u>687</u>
Write offs Rs. 500,000 and above		
- Domestic	-	678
- Overseas	-	-
Write offs below Rs. 500,000	-	9
	-	<u>687</u>

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

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

#### 12.19 Particulars of financing to directors, executives or officers of the Holding Company

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

	Note	2023	2022
		-----Rupees in '000-----	
Balance at the beginning of the year		4,307,925	3,518,517
Financing granted during the year		1,992,104	1,462,408
Payments received during the year		(1,068,942)	(673,000)
Balance at the end of the year	12.19.1	<u>5,231,087</u>	<u>4,307,925</u>

**12.19.1** This includes Rs. 5.178 million (2022: Rs. 3.326 million) as Qardh-e-Hasana to employees under the Holding Company's Human Resource Policy.

	Note	2023	2022
		-----Rupees in '000-----	
<b>12.20 SBP other refinance schemes</b>			
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)		8,005,247	7,478,402
Islamic Long-Term Financing Facility		1,320,910	952,692
Islamic refinance scheme for payment of wages and salaries		62,197	438,035
RM EFS - Rupee Based Discounting (TFA)		4,327,627	223,136
Islamic refinance scheme for Renewable Energy		677,678	627,670
Islamic refinance scheme for combating COVID (IRFCC)		197,509	271,263
Islamic refinance facility for Modernization of SMEs		67,654	71,930
Refinance for Islamic Financing Facility of Storage of Agricultural Produce (IFFSAP)		47,836	59,710
Islamic Credit Guarantee Scheme For Women Entrepreneur		35,187	9,279
		<u>14,741,845</u>	<u>10,132,117</u>

#### 13 FIXED ASSETS

Capital work-in-progress	13.1	1,491,445	1,427,567
Property and equipment	13.2	11,082,909	9,865,473
Right of use assets	13.2	3,566,267	2,897,382
		<u>16,140,621</u>	<u>14,190,422</u>
<b>13.1 Capital work-in-progress</b>			
Advances to suppliers and contractors		300,722	236,844
Advance for acquiring properties:			
- Office premises	13.1.1	1,190,723	1,190,723
		<u>1,491,445</u>	<u>1,427,567</u>

**13.1.1** This includes advance against purchase of properties amounting to Rs. 1,184.232 million (2022: Rs. 1,184.232 million).

## 13.2 Property and Equipment

	2023						
	Freehold / Leasehold land	Freehold / Leasehold building	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right of use assets	Total
----- Rupees in '000 -----							
<b>At January 1, 2023</b>							
Cost / Revalued amount	3,564,900	4,584,573	3,697,814	4,293,626	110,526	6,129,251	22,380,690
Accumulated depreciation	-	(752,703)	(2,251,705)	(3,319,398)	(62,160)	(3,231,869)	(9,617,835)
Net book value	3,564,900	3,831,870	1,446,109	974,228	48,366	2,897,382	12,762,855
<b>Year ended December 2023</b>							
Opening net book value	3,564,900	3,831,870	1,446,109	974,228	48,366	2,897,382	12,762,855
Additions	-	-	1,308,130	1,293,214	90,124	1,564,525	4,255,993
Movement in surplus on assets revalued during the year	(90,897)	(17,653)	-	-	-	-	(108,550)
Deficit on revaluation recognized through profit and loss account - net	(195,503)	(3,609)	-	-	-	-	(199,112)
Disposals	(405,000)	(49,714)	(310,414)	(30,343)	(25,502)	-	(820,973)
Write offs	-	-	(37,139)	-	-	-	(37,139)
	(405,000)	(49,714)	(347,553)	(30,343)	(25,502)	-	(858,112)
<b>Movement in Accumulated Depreciation</b>							
Depreciation charge	-	(180,749)	(312,254)	(516,061)	(25,166)	(895,640)	(1,929,870)
Reversal of depreciation on disposal	-	7,191	229,631	30,079	25,372	-	292,273
Reversal of accumulated depreciation on revaluation	-	400,337	-	-	-	-	400,337
Reversal of depreciation on write off	-	-	33,362	-	-	-	33,362
	-	226,779	(49,261)	(485,982)	206	(895,640)	(1,203,898)
Closing net book value	2,873,500	3,987,673	2,357,425	1,751,117	113,194	3,566,267	14,649,176
<b>At December 31, 2023</b>							
Cost / Revalued amount	2,873,500	4,513,597	4,658,391	5,556,497	175,148	7,693,776	25,470,909
Accumulated depreciation	-	(525,924)	(2,300,966)	(3,805,380)	(61,954)	(4,127,509)	(10,821,733)
Net book value	2,873,500	3,987,673	2,357,425	1,751,117	113,194	3,566,267	14,649,176
Depreciation rate / *years	-	2	10-20	15-25	20	*1-10	

2022						
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, 2022

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

#### Year ended December 2022

Opening net book value	3,564,900	3,994,797	1,233,844	880,246	37,044	2,642,672	12,353,503
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Additions	-	209,436	468,929	482,306	29,525	1,121,534	2,311,730
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Movement in surplus on assets revalued during the year

-	-	-	-	-	-	-	-
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Disposals

-	(64,933)	(14,906)	(69,244)	-	-	-	(149,083)
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Write offs

-	-	(36,803)	-	-	-	-	(36,803)
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-	(64,933)	(51,709)	(69,244)	-	-	-	(185,886)
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#### Movement in Accumulated Depreciation

Depreciation charge	-	(312,743)	(249,212)	(385,896)	(18,203)	(866,824)	(1,832,878)
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Reversal of depreciation on disposal	-	5,313	13,283	66,816	-	-	85,412
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Reversal of depreciation on write off	-	-	30,974	-	-	-	30,974
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-	(307,430)	(204,955)	(319,080)	(18,203)	(866,824)	-	(1,716,492)
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Closing net book value

3,564,900	3,831,870	1,446,109	974,228	48,366	2,897,382	12,762,855
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#### At December 31, 2022

Cost / Revalued amount	3,564,900	4,584,573	3,697,814	4,293,626	110,526	6,129,251	22,380,690
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Accumulated depreciation	-	(752,703)	(2,251,705)	(3,319,398)	(62,160)	(3,231,869)	(9,617,835)
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Net book value	3,564,900	3,831,870	1,446,109	974,228	48,366	2,897,382	12,762,855
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Depreciation rate / \*years

-	2	10-20	15-25	20	*1-5		
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#### 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 aggregate book value of more than Rs 5 million and particulars of each asset, which has book value of Rs. 500,000 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, 2023, amounted to Rs.4,016.360 million (2022: Rs.3,349.760 million).

**13.4** During the year ended December 31, 2023, the Holding Company's freehold land and buildings on leasehold land were revalued by Gandhara Consultants (Private) Limited 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. 2,873.500 million and Rs 4,078.179 million respectively. The total surplus against revaluation of fixed assets as at December 31, 2023 amounts to Rs. 2,786.212 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2023 would have been as follows:

	Rupees in '000
Land	2,639,311
Building	1,444,715
	<b>4,084,026</b>

**14 INTANGIBLE ASSETS****At January 1, 2023**

Cost	943,150	39,747	26,375	2,991,308	4,000,580
Accumulated amortization and impairment	(670,669)	(17,765)	(3,566)	-	(692,000)
Net book value	272,481	21,982	22,809	2,991,308	3,308,580

**Year ended December 2023**

Opening net book value	272,481	21,982	22,809	2,991,308	3,308,580
Additions:					
- directly purchased	481,996	-	19,649	-	501,645
Disposals	-	-	-	-	-
Amortization charge	(137,423)	(2,245)	(4,061)	-	(143,729)
Closing net book value	617,054	19,737	38,397	2,991,308	3,666,496

**At December 31, 2023**

Cost	1,425,146	39,747	46,024	2,991,308	4,502,225
Accumulated amortization and impairment	(808,092)	(20,010)	(7,627)	-	(835,729)
Net book value	617,054	19,737	38,397	2,991,308	3,666,496
Rate of amortization (percentage)	20	6	10	-	
Useful life (years)	5	17	10	-	

2023

Computer software	Core deposits	Membership and Subscription	Goodwill (note 14.2)	Total
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Rupees in '000

2022

Computer software	Core deposits	Membership and Subscription	Goodwill (Note 14.2)	Total
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Rupees in '000

**At January 1, 2022**

Cost	769,623	39,747	23,500	2,991,308	3,824,178
Accumulated amortization and impairment	(584,231)	(15,520)	(1,236)	-	(600,987)
Net book value	185,392	24,227	22,264	2,991,308	3,223,191

**Year ended December 2022**

Opening net book value	185,392	24,227	22,264	2,991,308	3,223,191
Additions:					
- directly purchased	173,527	-	4,875	-	178,402
Disposals	-	-	(2,000)	-	(2,000)
Amortization charge	(86,438)	(2,245)	(2,493)	-	(91,176)
Other adjustments	-	-	163	-	163
Closing net book value	272,481	21,982	22,809	2,991,308	3,308,580

**At December 31, 2022**

Cost	943,150	39,747	26,375	2,991,308	4,000,580
Accumulated amortization and impairment	(670,669)	(17,765)	(3,566)	-	(692,000)
Net book value	272,481	21,982	22,809	2,991,308	3,308,580
Rate of amortization (percentage)	20	6	10	-	
Useful life (years)	5	17	10	-	

**14.1** The cost of fully amortized intangible assets that are still in the Holding Company's use, as at December 31, 2023 amounted to Rs.530.911 million (2022: Rs.461.273 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, 2023.

**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	%
	20.66
Terminal growth rate	5.00

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

**a) Profit margins**

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

**b) Discount rates**

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

**c) Key business assumptions**

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

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

**d) Sensitivity to changes in assumption**

The estimated recoverable amount of Goodwill exceeds its carrying amount by approximately Rs. 8,490.196 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	%
	5.18
Terminal growth rate	(11.79)

- 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	
Provision for diminution in the value of investments	
Provision against non-performing Islamic financing and related assets and advances	
Ijarah financing and related assets	

### Taxable Temporary Differences on:

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

2023				
Note	At January 01, 2023	Recognized in P&L	Recognized in OCI	At December 31, 2023
----- Rupees in 000 -----				
	863,212	(863,212)	-	-
	95,242	(58,574)	-	36,668
	4,650,741	866,143	-	5,516,884
	53,009	(34,207)	-	18,802
	<b>5,662,204</b>	<b>(89,850)</b>	<b>-</b>	<b>5,572,354</b>
	(351,206)	14,146	-	(337,060)
	(853,404)	-	(2,227,142)	(3,080,546)
	(1,206,906)	152,612	(310,950)	(1,365,244)
	(28,712)	159	(4,920)	(33,473)
	146,333	(699,799)	-	(553,466)
	(154,590)	30,327	32,146	(92,117)
	<b>(2,448,485)</b>	<b>(502,555)</b>	<b>(2,510,866)</b>	<b>(5,461,906)</b>
	<b>3,213,719</b>	<b>(592,405)</b>	<b>(2,510,866)</b>	<b>110,448</b>

### Deductible Temporary Differences on:

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

### Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation	
Surplus on revaluation of available for sale securities	
Surplus on revaluation of fixed assets	
Surplus on revaluation of non-banking assets	
Others	

2022				
	At January 01, 2022	Recognized in P&L	Recognized in OCI	At December 31, 2022
----- Rupees in 000 -----				
	2,591,239	(1,728,027)	-	863,212
	32,238	(32,238)	-	-
	74,683	20,559	-	95,242
	3,344,708	1,306,033	-	4,650,741
	234,991	(181,982)	-	53,009
	128,401	17,932	-	146,333
	<b>6,406,260</b>	<b>(597,723)</b>	<b>-</b>	<b>5,808,537</b>
	(344,266)	(6,940)	-	(351,206)
	(748,104)	-	(105,300)	(853,404)
	(1,051,413)	69,048	(224,541)	(1,206,906)
	(66,370)	21,910	15,748	(28,712)
	(13,052)	(141,538)	-	(154,590)
	<b>(2,223,205)</b>	<b>(57,520)</b>	<b>(314,093)</b>	<b>(2,594,818)</b>
	<b>4,183,055</b>	<b>(655,243)</b>	<b>(314,093)</b>	<b>3,213,719</b>



16	OTHER ASSETS - NET	Note	2023	2022
			-----Rupees in '000-----	
	Profit / return accrued in local currency		22,877,808	12,472,201
	Profit / return accrued in foreign currency		8,205	26,199
	Advances, deposits, advance rent and other prepayments		2,637,295	2,656,372
	Non-banking assets acquired in satisfaction of claims		1,452,789	1,455,091
	Takaful claim receivable		22,570	24,458
	Receivable against takaful and registration charges		310,102	352,783
	Receivable against First WAPDA Sukuk	16.2	50,000	50,000
	Trade debts		532	532
	Acceptances		3,966,916	2,332,910
	Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts		-	7,968
	Others		957,033	802,539
			<b>32,283,250</b>	<b>20,181,053</b>
	Less: Provision held against other assets	16.3	(921,326)	(764,955)
	Other Assets (net of provision)		<b>31,361,924</b>	<b>19,416,098</b>
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	24.2	68,313	66,772
	Other assets - total		<b>31,430,237</b>	<b>19,482,870</b>
16.1	Market value of non-banking assets acquired in satisfaction of claims		<b>1,215,340</b>	<b>1,216,101</b>

The properties of the Holding Company have been revalued by independent professional valuers as at December 31, 2023. The revaluation was carried out by Gandhara Consultants (Private) Limited and Harvester Services (Pvt) Ltd on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 1.868 million.

Impairment against non-banking assets acquired in satisfaction of claims amounting to Rs. 305.762 million (2022: Rs. 305.762 million) is included in provision held against other assets.

16.1.1	Non-banking assets acquired in satisfaction of claims	2023	2022
		-----Rupees in '000-----	
	<b>Opening Balance</b>	1,216,101	1,506,468
	Additions	-	-
	Revaluation	1,868	(126,942)
	Disposals	-	(658,271)
	Depreciation	(2,302)	(3,159)
	Reversal / (charge) of impairment	-	493,917
	Incremental Depreciation	(327)	4,088
	<b>Closing Balance</b>	<b>1,215,340</b>	<b>1,216,101</b>
16.1.2	<b>Gain / (Loss) on disposal of non-banking assets acquired in satisfaction of claims</b>		
	Disposal Proceeds	-	441,100
	less		
	- Cost	-	747,889
	- Impairment / Depreciation	-	(515,756)
		-	232,133
	Gain / (Loss)	-	<b>208,967</b>

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	2023	2022
-----Rupees in '000-----			
<b>16.3 Provision held against other assets</b>			
Advances, deposits, advance rent & other prepayments		54,371	26,692
Non banking assets acquired in satisfaction of claims		305,762	305,762
Others		561,193	432,501
	16.3.1	<b>921,326</b>	<b>764,955</b>
<b>16.3.1 Movement in provision held against other assets</b>			
<b>Opening balance</b>		<b>764,955</b>	1,261,370
Charge for the year		156,571	-
Reversals during the year		(200)	(496,415)
<b>Closing balance</b>		<b>921,326</b>	<b>764,955</b>
<b>17 BILLS PAYABLE</b>			
In Pakistan		5,125,177	3,530,929
Outside Pakistan		-	-
		<b>5,125,177</b>	<b>3,530,929</b>
<b>18 DUE TO FINANCIAL INSTITUTIONS</b>			
<b>Secured</b>			
Due to State Bank of Pakistan			
Acceptances from SBP under Mudaraba	18.1	30,694,154	-
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)	18.2	7,746,700	7,473,692
Islamic Export Finance Scheme - Rupee based discounting	18.3	4,600,946	139,863
Acceptances for financial assistance	18.4	4,413,497	4,036,120
Acceptances under Islamic Export Refinance Scheme	18.5	3,554,100	4,175,000
Islamic Long-Term Financing Facility	18.2	957,745	922,930
Islamic refinance scheme for Renewable Energy	18.2	639,712	563,692
Islamic refinance scheme for combating COVID (IRFCC)	18.2	80,374	76,879
Islamic Refinance Scheme for Modernization of SMEs	18.2	60,271	65,854
Islamic refinance scheme for Facility of Storage of Agricultural Produce (IFFSAP)	18.2	43,264	56,967
Islamic Credit Guarantee Scheme for Women Entrepreneur	18.2	14,166	9,499
Islamic refinance scheme for payment of wages and salaries	18.2	-	469,634
		<b>52,804,929</b>	17,990,130
Musharakah Acceptance	18.7	2,500,000	-
Refinance facility for Islamic Mortgage	18.6	3,354,127	3,062,126
<b>Total secured</b>		<b>58,659,056</b>	<b>21,052,256</b>
<b>Unsecured</b>	18.7	<b>2,000,000</b>	-
Wakalah Acceptance		2,000,000	-
<b>Total unsecured</b>		<b>60,659,056</b>	<b>21,052,256</b>
<b>18.1</b>	This represents acceptance of funds by the Holding Company on Mudarabah basis which has been invested in special pools of the Holding Company and are secured against lien of the Holding Company's investment in Federal Government securities. The expected average return is 22.14% (2022: Nil) per annum.		
<b>18.2</b>	These acceptances 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 State Bank of Pakistan (SBP).		
<b>18.3</b>	These 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. 5,234 million (2022: 250 million) was allocated to the Holding Company		

by the SBP under Islamic Export Refinance Scheme - Rupee Based Discounting for the financial year ended December 31, 2023.

- 18.4** 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.
- 18.5** These 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. 3,952 million (2022: Rs. 5,300 million) was allocated to the Holding Company by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2023.
- 18.6** 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 8.50% to 13.97% (2022: 5.33% to 10.50% ) per annum.
- 18.7** The expected profit rate on this agreement is 21.25% to 21.75% (2022: Nil) per annum and has maturity of 2 to 4 Days (2022: Nil Days).

	2023	2022
	-----Rupees in '000-----	
<b>18.8 Particulars of due to financial institutions with respect to currencies</b>		
In local currency	60,659,056	21,052,256
In foreign currencies	-	-
	<b>60,659,056</b>	<b>21,052,256</b>

## 19 DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	----- Rupees in '000 -----					
<b>Customers</b>						
Current deposits	173,239,773	7,973,255	181,213,028	153,254,447	4,891,424	158,145,871
Savings deposits	119,740,262	3,796,970	123,537,232	91,134,589	3,359,456	94,494,045
Term deposits	188,301,494	8,389,258	196,690,752	132,317,698	4,987,727	137,305,425
Margin deposits	12,948,577	111,218	13,059,795	10,979,366	90,052	11,069,418
	<b>494,230,106</b>	<b>20,270,701</b>	<b>514,500,807</b>	<b>387,686,100</b>	<b>13,328,659</b>	<b>401,014,759</b>
<b>Financial Institutions</b>						
Current deposits	713,949	11,551	725,500	1,419,692	9,985	1,429,677
Savings deposits	6,415,167	-	6,415,167	13,071,501	-	13,071,501
Term deposits	899,300	-	899,300	396,000	-	396,000
Margin deposits	146	-	146	-	-	-
	<b>8,028,562</b>	<b>11,551</b>	<b>8,040,113</b>	<b>14,887,193</b>	<b>9,985</b>	<b>14,897,178</b>
	<b>502,258,668</b>	<b>20,282,252</b>	<b>522,540,920</b>	<b>402,573,293</b>	<b>13,338,644</b>	<b>415,911,937</b>

	2023	2022
	-----Rupees in '000-----	
<b>19.1 Composition of deposits</b>		
Individuals	142,269,639	101,568,758
Government (Federal and Provincial)	21,971,971	14,764,525
Public Sector Entities	17,458,559	9,423,485
Banking Companies	419,613	1,126,375
Non-Banking Financial Institutions	7,620,505	13,770,808
Private Sector	<b>332,800,633</b>	<b>275,257,986</b>
	<b>522,540,920</b>	<b>415,911,937</b>

- 19.2** Total deposits includes eligible deposits under deposit protection mechanism amounting to Rs. 204,351.129 million (2022: Rs.185,870.705 million).

**20 SUBORDINATED SUKUK**

Note	2023	2022
	-----Rupees in '000-----	
ADT-1 Sukuk Issue I	2,000,000	2,000,000
ADT-1 Sukuk Issue II - Pre IPO	850,000	850,000
	<b>2,850,000</b>	<b>2,850,000</b>

**20.1** 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.

**20.2 Salient features of the ADT-1 sukuk issue I 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'
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 Holding Company may, at its sole discretion, call the Sukuks, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in clause	In the event where payment of profit results in breach of regulatory MCR/CAR requirements or SBP determines a bar on profit distribution, the monthly profit weightage of the Sukuk holders will be reduced to a minimum level e.g. 0.005, till the month in which such condition is withdrawn by SBP.
Loss absorbency clause	The Sukuks shall, at the discretion of the SBP, be permanently converted into ordinary shares 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.

**20.3 Salient features of the ADT-1 sukuk issue II are as follows:**

Amount	Rs. 1,000 million.
Issue Date	Subject to completion of IPO
Tenor	Perpetual (i.e. no fixed or final redemption date)
Instrument Rating	PACRA has rated this Sukuk at 'A'
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 1 Month KIBOR + 2.5%. 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 Holding Company may, at its sole discretion, call the Sukuks, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in clause	In the event where payment of profit results in breach of regulatory MCR/CAR requirements or SBP determines a bar on profit distribution, the monthly profit weightage of the Sukuk holders will be reduced to a minimum level e.g. 0.005, till the month in which such condition is withdrawn by SBP.
Loss absorbency clause	The Sukuks shall, at the discretion of the SBP, be permanently converted into ordinary shares 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.

**20.3.1** The Pre-IPO (Initial Public Offer) phase of ADT-1 Sukuk issue was successfully completed during the year 2022 where the Holding Company had received Rs. 850 million. All necessary regulatory approvals have been obtained for the IPO of Rs. 150 million and public subscription is expected to be completed in the month of February 2024.

21 OTHER LIABILITIES	Note	2023	2022
-----Rupees in '000-----			
Profit / return payable in local currency		8,137,173	4,633,768
Profit / return payable in foreign currencies		271,448	152,308
Accrued expenses		2,093,357	1,359,473
Deferred Murabahah Income Financing, IERS and Others		1,111,958	335,033
Payable to defined benefit plan		4,677	4,677
Payable to defined contribution plan		40,121	29,804
Defined Benefit Plan liabilities	39.4	428,941	302,347
Security deposits against Ijarah		421,821	441,269
Lease liability against right-of-use assets	21.1	4,252,295	3,559,675
Provision against off-balance sheet obligations	21.2	85,975	85,975
Acceptances		3,966,916	2,332,910
Current taxation (provisions less payments)		2,270,597	1,884,713
Provision against other tax liabilities		327,185	95,475
Unrealized loss on Shariah compliant alternative of forward foreign exchange contracts		313,494	-
Sundry creditors		1,595,515	1,008,462
Payable to brokers against purchase of shares - net		536	442
Charity payable	21.3	29,549	7,440
Retention money payable		63,047	27,158
Provision for Workers' Welfare Fund	21.4	768,887	358,419
Dividend Payable		201,599	-
Clearing and settlement accounts		40,087	387,266
Others		819,406	456,734
		<b>27,244,584</b>	<b>17,463,348</b>

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

	2023	2022
-----Rupees in '000-----		
As at January 1,	3,559,675	3,213,456
Additions	1,564,525	1,121,534
Amortisation of lease liability against right-of-use assets	925,699	441,540
Payments	(1,797,604)	(1,216,855)
As at December 31,	<b>4,252,295</b>	<b>3,559,675</b>

#### 21.2 Provision against off-balance sheet obligations

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

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

#### 21.3 Charity payable

Note	2023	2022
-----Rupees in '000-----		
Opening balance	7,440	2,360
<b>Additions during the year</b>		
- Received from customers on account of delayed payment	48,081	33,049
- Shariah non-compliant income	6,042	4,177
- Dividend purification	80	31
- Profit on charity saving account	240	151
	<b>54,443</b>	<b>37,408</b>
<b>Distribution of charity</b>		
- Education	(7,835)	(11,451)
- Health	(5,276)	(6,450)
- Islamic microfinance program	(5,800)	(3,200)
- Community development	(13,423)	(11,227)
	<b>(32,334)</b>	<b>(32,328)</b>
Closing balance	<b>29,549</b>	<b>7,440</b>

**21.3.1 Charity was paid to the following:**

	2023	2022
	-----Rupees in '000-----	
Akhuwat Foundation	5,800	3,200
Bholari Tent City	4,773	-
Descon Technical Institute	3,585	-
Memon Industrial & Technical	2,000	-
The Citizens Foundation	1,700	3,400
The Hunar Foundation	1,250	-
Saylani Welfare International Trust	1,000	2,100
Karachi School Of Business & Leadership	1,000	-
Bait us Salam Welfare Trust	1,000	3,100
Indus Hospital & Health Network	976	500
Bait ul Sukoon Trust Cancer Hospital	800	1,050
Alamgir Welfare Trust International	800	1,100
Ismail Welfare Hospital	700	200
Transformation International Society	600	-
The Patients Behbud Society for AKUH	600	-
Hum Mashal-E-Rah Foundation	500	-
Aziz Tabba Foundation	500	-
Aitmaad Trust	500	1,050
Tameer-I-Nau Trust Balochistan	400	-
Rehnuma Public School	400	300
Layton Rahmatullah Benevolent Fund	400	-
Sahil Welfare Association	350	1,000
Transformation International Society	300	-
The Health Foundation	300	-
Karwan E Hayat	300	-
IDA RIEU Welfare Association	300	150
Al Mustafa Trust	300	-
Trust Jamiat Talim-UI-Quran	250	-
Society for Advancement of Health, Education & Environment	250	700
Cancer Care Hospital	250	-
Afzaal Memorial Thalassemia Foundation	250	550
Autism Care & Rehabilitation Organization	200	600
Women Islamic Lawyers Forum	-	200
Subh e Nau School	-	300
Shaukat Khanum Memorial Cancer Hospital	-	300
Shahid Khan Afridi Foundation	-	1,050
Rising Sun Education & Welfare Society	-	200
Pakistan Sweet Home	-	200
Mir Wali Muhammad Badini Memorial Trust	-	250
Million Smiles Foundation	-	200
Mercy Pak	-	500
Karigar Training Institute	-	250
Infaq Memorial Trust	-	500
IBA Center For Excellence In Islamic Finance	-	4,000
Habib University Foundation	-	500
Flood Relief Activity	-	3,328
Family Educational Services Foundation	-	850
Dar us Shifa	-	200
Al Khidmat Welfare Society	-	500
	<b>32,334</b>	<b>32,328</b>

**21.3.2** 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.

**21.4** 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.

## 22 SHARE CAPITAL - NET

	2023	2022		2023	2022
	----- Number of Shares -----		Note	-----Rupees in '000-----	
<b>22.1 Authorized capital</b>					
	<b>1,500,000,000</b>	1,500,000,000	Ordinary shares of Rs.10 each	<b>15,000,000</b>	15,000,000
<b>22.2 Issued, subscribed and paid up capital</b>					
	<b>1,108,703,299</b>	1,108,703,299	Ordinary shares of Rs 10 each	<b>11,087,033</b>	11,087,033
	-	-	Fully paid in cash	-	-
	-	-	Issued during the year right issue	<b>(79,042)</b>	(79,042)
	<b>1,108,703,299</b>	1,108,703,299	Less: Discount on issue of shares	<b>11,007,991</b>	11,007,991
<b>23 RESERVES</b>					
Statutory Reserves			23.1	<b>4,800,091</b>	2,591,071
				<b>4,800,091</b>	2,591,071

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

## 24 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Note 2023 2022  
-----Rupees in '000-----

### Surplus on revaluation of:

Available for sale securities	11.1	<b>6,286,828</b>	1,984,660
Fixed assets		<b>2,777,147</b>	2,796,812
Non-banking assets acquired in satisfaction of claims	16	<b>68,313</b>	66,772
		<b>9,132,288</b>	4,848,244

### Deferred tax liability on surplus on revaluation of:

Available for sale securities	15	<b>(3,080,546)</b>	(853,404)
Fixed assets		<b>(1,365,244)</b>	(1,206,906)
Non-banking assets acquired in satisfaction of claims		<b>(33,473)</b>	(28,712)
		<b>(4,479,263)</b>	(2,089,022)
		<b>4,653,025</b>	2,759,222



**24.1 Surplus on revaluation of fixed assets**

Note **2023** **2022**  
-----Rupees in '000-----

Surplus on revaluation of fixed assets at January 01	<b>2,796,812</b>	3,003,156
Recognized during the year	<b>291,787</b>	(9,065)
Realised on disposal during the year - net of deferred tax	<b>(32,058)</b>	(10,412)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(126,782)</b>	(117,819)
Related deferred tax liability in respect of incremental depreciation charged during the year	<b>(121,811)</b>	(63,441)
Related deferred tax liability on surplus realized on disposal	<b>(30,801)</b>	(5,607)
Surplus on revaluation of fixed assets as at December 31	<b>2,777,147</b>	2,796,812
Less: related deferred tax liability on:		
- related deferred tax liability on surplus as at January 01	<b>(1,206,906)</b>	(1,051,413)
- revaluation recognised during the year	<b>(142,976)</b>	-
- surplus realised on disposal during the year	<b>30,801</b>	5,607
- impact of change in tax rate	<b>(167,974)</b>	(224,541)
- incremental depreciation charged during the year	<b>121,811</b>	63,441
	<b>(1,365,244)</b>	(1,206,906)
	<b>1,411,903</b>	1,589,906

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

Surplus on revaluation of Non Banking Assets at January 01	<b>66,772</b>	189,628
Recognised during the year	<b>1,868</b>	(60,257)
Realised on disposal during the year - net of deferred tax	<b>-</b>	(43,347)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(168)</b>	2,658
Related deferred tax liability on incremental depreciation charged during the year	<b>(159)</b>	1,430
Related deferred tax liability on surplus realised on disposal	<b>-</b>	(23,340)
Surplus on revaluation as at December 31	<b>68,313</b>	66,772
Less: related deferred tax liability on:		
- revaluation as at January 1	<b>(28,712)</b>	(66,370)
- revaluation recognised during the year	<b>(915)</b>	21,090
- surplus realised on disposal during the year	<b>-</b>	23,340
- impact of change in tax rate	<b>(4,005)</b>	(5,342)
- incremental depreciation charged during the year	<b>159</b>	(1,430)
	<b>(33,473)</b>	(28,712)
	<b>34,840</b>	38,060

**25 CONTINGENCIES AND COMMITMENTS**

- Guarantees	25.1	<b>5,375,308</b>	3,527,283
- Commitments	25.2	<b>158,272,032</b>	100,045,268
- Other contingent liabilities	25.3	<b>720,593</b>	229,652
		<b>164,367,933</b>	103,802,203

**25.1 Guarantees:**

Performance guarantees	<b>4,086,053</b>	2,668,388
Other guarantees	<b>1,289,255</b>	858,895
	<b>5,375,308</b>	3,527,283

25.2	Commitments:	Note	2023	2022
-----Rupees in '000-----				
	<b>Documentary credits and short-term trade-related transactions:</b>			
	- letters of credit		24,399,492	28,386,915
	<b>Commitments in respect of:</b>			
	- Shariah compliant alternative of forward foreign exchange contracts	25.2.1	7,734,443	6,708,168
	<b>Commitments for acquisition of:</b>			
	- fixed assets		1,105,974	553,177
	- intangible assets		65,782	53,341
	<b>Other commitments</b>			
	- commitments in respect of financing	25.2.2	124,966,341	64,343,667
			<b>158,272,032</b>	<b>100,045,268</b>
25.2.1	<b>Commitments in respect of Shariah compliant alternative of forward foreign exchange transactions</b>			
	Purchase		54,353,067	17,741,180
	Sale		(46,618,624)	(11,033,012)
			<b>7,734,443</b>	<b>6,708,168</b>
25.2.2	The Holding Company makes commitments to extend shariah compliant islamic financing (including to related parties) 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.			
25.3	<b>Other contingent liabilities</b>			
	Suit filed for recovery of alleged losses suffered, pending in the High Court, which the Holding Company has not acknowledged as debt	25.3.1	1,804	4,200
	Tax Contingencies	25.3.2	718,789	225,452
			<b>720,593</b>	<b>229,652</b>
25.3.1	Suit filed for recovery of alleged losses suffered, pending in the High Court, which the Holding Company has not acknowledged as debt.			
25.3.1.1	These are court cases, which represent counter claims filed by the borrowers, for restricting the Holding Company for disposal of the financed assets, (such as mortgaged / leased / pledged assets, kept as security), as well as, the cases where the Holding Company is pleaded as proforma defendant for defending its interest.			
25.3.1.2	There are two cases filed against the Holding Company 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. These cases are still pending adjudication. The management based on the opinion of its legal counsel is confident that the cases will be dismissed by the Honorable Courts therefore, the Holding Company has not acknowledged that as a debt.			
25.3.2	<b>Tax Contingencies</b>			
25.3.2.1	The income tax returns of the Holding Company have been filed up to tax year 2023 whereas the tax assessments have been made by the tax authorities up to tax year 2022. The returns filed for the tax year 2014 to tax year 2023 are treated to be deemed assessed under section 120 of the Income Tax Ordinance, 2001.			
25.3.2.2	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.

- 25.3.2.3** For tax year 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.
- 25.3.2.4** For tax year 2010 (relating to defunct KASB Bank Limited), the ACIR had passed an order under section 122 creating as demand of Rs 51.636 million the order was subsequently upheld by the CIRA. The defunct KASB Bank Limited had preferred an appeal before the ATIR against the above referred order of the CIRA which is pending adjudication.
- 25.3.2.5** In respect of various tax periods for the Holding Company and defunct KASB Bank, Sindh Revenue Board (SRB) has passed various orders and raised demand totaling to Rs. 102.199 million in relation to levy of Sindh sales tax on certain services. The Holding Company has filed appeals before Commissioner Appeal, SRB which are pending adjudication. Furthermore, the Holding Company is contesting the issuance of certain showcause notices issued by SRB for the period covering from January 2012 till December 2013 before the Honorable Supreme Court of Pakistan based on the ground that these notices are time barred. The subject matter is also pending adjudication.
- 25.3.2.6** During the year, in respect of Tax Year 2019 and 2020, 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 thereby creating a Tax demand of Rs 1.247 billion. The Holding Company filed appeal against the orders before Commissioner Appeal. The Commissioner Appeal while passing order for Tax Year 2019 and Tax Year 2020 has remanded back / deleted significant amount of disallowances and confirmed disallowance amounting to Rs. 191.420 million. The Holding Company is in the process of filing Appeal against the confirmed disallowances before the Appellate Tribunal (ATIR).
- 25.3.2.7** During the year, in respect of Tax Year 2022 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 thereby creating a Tax demand of Rs 522.794 million. The Holding Company has filed appeal against the orders before Commissioner Appeal which is pending adjudication.
- 25.3.2.8** In pursuance of SRO 1588(I)/2023 dated November 21, 2023 banking companies have been designated to be the 'sector' for the purpose of section 99D of the Income Tax Ordinance 2001, for the tax years 2022 and 2023. Tax authorities issued a recovery notice to the Holding Company thereby creating a demand to the extent of Rs. 594 million. The Holding Company through its legal council has challenged the levy, and the High Court of Sindh, has suspended the operation of aforementioned SRO and granted stay to the Holding Company. Further, the Islamabad High Court and Lahore High Court has suspended the operation in other similar petitions. The matter remains pending and the stay order still holds the field.

26	<b>PROFIT / RETURN EARNED</b>	<b>2023</b>	<b>2022</b>
		-----Rupees in '000-----	
	Profit earned on:		
	Financing	42,171,450	24,605,808
	Investments	46,330,900	17,113,947
	Placements	4,061,120	4,460,053
	Others	192,767	165,386
		<b>92,756,237</b>	<b>46,345,194</b>
27	<b>PROFIT / RETURN EXPENSED</b>		
	Deposits and other accounts	41,281,037	21,689,977
	Due to financial institutions	8,912,421	3,318,593
	Cost of foreign currency swaps against foreign currency deposits	768,626	170,269
	Amortisation of lease liability against right of use assets	925,699	441,540
	Subordinated Sukuk	684,722	322,450
		<b>52,572,505</b>	<b>25,942,829</b>

28	FEE AND COMMISSION INCOME	Note	2023	2022
			-----Rupees in '000-----	
	Card related fees		851,551	617,946
	Commission on trade		494,991	301,004
	Commission on arrangement with financial institutions		86,517	103,203
	Investment banking fees		81,281	102,440
	Commission on bancatakaful		61,728	85,064
	Guarantees related fee		63,805	69,221
	Consumer finance related fees		40,244	61,058
	Branch banking customer fees		63,505	59,152
	Commission on remittances including home remittances		40,127	26,294
	Commission on cash management		22,322	24,768
	Others		10,833	9,215
			<b>1,816,904</b>	<b>1,459,365</b>
<b>29</b>	<b>GAIN ON SECURITIES - NET</b>			
	Realized gain - net	29.1	272,015	80,092
<b>29.1</b>	<b>Realized gain / (loss) on:</b>			
	Federal Government Shariah Compliant Securities		275,243	80,092
	Modaraba certificates		(3,228)	-
			<b>272,015</b>	<b>80,092</b>
<b>30</b>	<b>OTHER INCOME - NET</b>			
	Recoveries against previously expensed items		11,061	326,485
	Gain on sale of non-banking assets		-	208,967
	Gain on termination of financing		183,718	121,958
	Gain on sale of property and equipment		39,967	19,587
	Rent on property		766	1,489
	Others		4,307	5,402
			<b>239,819</b>	<b>683,888</b>

31 OPERATING EXPENSES	Note	2023	2022
		-----Rupees in '000-----	
<b>Total compensation expense</b>	31.1	7,493,260	5,363,050
<b>Property expense</b>			
Rent & taxes		127,639	125,076
Takaful cost		1,214	1,469
Utilities cost		881,148	697,136
Security (including guards)		670,670	458,738
Repair & maintenance (including janitorial charges)		333,893	250,927
Depreciation	13.2	395,761	486,304
Depreciation on right-of-use assets	13.2	895,640	866,824
Others		859	350
		<b>3,306,824</b>	2,886,824
<b>Information technology expenses</b>			
Software maintenance		726,136	356,762
Hardware maintenance		219,400	125,979
Depreciation	13.2	331,849	268,244
Amortization	14	137,423	86,438
Network charges		304,220	257,589
		<b>1,719,028</b>	1,095,012
<b>Other operating expenses</b>			
Directors' fees and allowances		24,540	13,700
Fees and allowances to Shariah Board		26,273	22,474
Legal & professional charges		151,990	127,973
Travelling & conveyance		122,399	72,608
NIFT clearing charges		41,402	35,301
Depreciation	13.2	306,620	211,506
Depreciation on non-banking assets	16.1.1	2,302	3,159
Entertainment expense		103,725	102,523
Training & development		28,364	10,940
Postage & courier charges		70,678	49,555
Communication		287,451	73,841
Stationery & printing		450,375	284,856
Marketing, advertisement & publicity		228,850	208,167
Repairs and maintenance		213,318	161,884
Takaful, tracker and other charges on car Ijarah - net of income		22,728	-
Takaful / Insurance		365,166	340,707
Fee and subscription		488,423	200,886
Vehicle running and maintenance		496,701	315,319
Donations	31.2	-	9,748
Auditors' remuneration	31.3	29,368	20,057
Amortization	14	6,306	4,738
CDC and share registrar services		14,042	8,893
Brokerage and commission		36,329	24,193
Stamp duty, registration & verification charges		55,666	75,513
Others		67,528	49,742
		<b>3,640,544</b>	2,428,283
		<b>16,159,656</b>	11,773,169
<b>31.1 Total compensation expense</b>			
Managerial remuneration			
(i) Fixed		3,058,764	2,407,803
(ii) Variable - Performance awards		22,497	19,319
(iii) Cash bonus to employees		1,290,000	400,000
Charge for defined benefit plan	39.8.1	210,989	175,548
Contribution to defined contribution plan	40	208,559	163,390
Rent & house maintenance allowance		1,203,592	932,069
Utilities allowance		267,857	207,120
Medical allowance		274,603	209,524
Car maintenance allowance		305,769	233,216
Conveyance allowance		12,228	836
Fuel allowance		38,361	14,985
Sports & welfare		16,227	9,298
Staff takaful		125,072	87,693
Overtime allowance		479	364
Phone banking allowance		2,911	2,215
Sales commission		178,298	280,102
Contract staff cost		274,118	217,978
Others		2,936	1,590
<b>Total</b>		<b>7,493,260</b>	<b>5,363,050</b>

31.2 Details of donations	Note	2023	2022
		-----Rupees in '000-----	
Flood Relief Activity		-	9,692
Wheel Chair for Special Persons		-	56
		-	9,748
<b>31.2.1</b> Donations were not made to any donee in which Directors or their spouse had any interest.			
<b>31.3 Auditors' remuneration</b>			
Audit fee		10,347	9,590
Fee for the review of half yearly financial statements		2,890	2,744
Fee for other statutory certifications		3,431	2,708
Special certifications and sundry advisory services		9,523	3,976
Out-of-pocket expenses		3,177	1,039
		29,368	20,057
<b>32 OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan		9,353	22,884
<b>33 PROVISIONS AND WRITE OFFS - NET</b>			
Reversal of provision against Due from financial institutions		(3,240)	(3,240)
Charge / (reversal) of provision for diminution in value of Investments	11.6.1	1,702,779	1,069
Provision against Islamic financing and related assets and advances - net	12.17.2	4,828,147	3,811,333
Defecit on revaluation of property and equipment		199,112	-
Other provisions / (reversal) / write offs - net		160,147	3,332
		6,886,945	3,812,494
<b>34 TAXATION</b>			
Current		8,359,941	3,127,642
Prior years		525,952	5,592
Deferred		592,405	655,243
		9,478,298	3,788,477
<b>34.1 Relationship between tax expense and accounting profit</b>			
Profit Before Tax		20,088,546	8,272,690
Tax on income @ 49%		9,843,388	4,053,618
Effect of change in Tax rate		(1,258,869)	(222,562)
Effect of permanent difference		4,583	11,213
Effect of Reduced rate of Tax		-	(15,069)
Prior year charge		525,952	5,592
Additional charge		363,244	-
Others		-	(44,315)
		(365,090)	(265,141)
Tax charge for the year		9,478,298	3,788,477

	Note	2023	2022
-----Rupees in '000-----			
<b>35 BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after taxation for the year		<b>10,610,248</b>	4,484,213
		----- Number of shares -----	
Weighted average number of ordinary shares		<b>1,108,703,299</b>	1,108,703,299
		----- Rupees -----	
Basic and diluted EPS	35.1	<b>9.5700</b>	4.0446

**35.1** There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2023 and December 31, 2022, therefore diluted earning per share has not been presented separately.

### 36 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITORS POOL

The Holding Company maintained the following pools for profit declaration and distribution during the year ended December 31, 2023:

- (i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP)
- (ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme
- (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 Holding Company and provide profit / loss based on actual returns earned by the pool. Depositors are Rabb-ul-Maal as they are the provider of capital while the Holding Company acts as Mudarib by investing these funds in business. Since there are more than one Rabb-ul-Maal (depositor), their mutual relationship is that of Musharakah. Profit is shared among Mudarabah partners (Holding Company and depositors) as per pre-agreed profit sharing ratio. Whereas, profit sharing among the depositors is based on pre-assigned weightages. Loss, if any, is borne by Rabb-ul-Maal as per the principles of Mudarabah.

The 'IERS Pool' caters to the 'Islamic Export Refinance Scheme' requirements based on the guidelines issued by the SBP. In this Scheme, SBP enters into a Musharakah arrangement with the Holding Company for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabahah, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the Holding Company's IERS Musharakah pool. IERS pool consists of blue chip companies to whom the Holding Company has provided financing facilities on Shariah compliant modes including IERS facility. Profit is shared according to an agreed weightage and loss is shared according to the investment ratio.

The 'Special Mudarabah Deposits Pools' for local currency are created to attract and retain clients expecting



specific returns. The funds received against these deposits are invested in various Shariah compliant assets.

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 47.1 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. 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 Holding Company as Mudarib.

2023

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	11.06%	50.00%	50.00%	4,928,441	5.89%	6.63%	326,595
Daily Product	Monthly	17.70%	50.00%	50.00%	63,000	8.98%	0.00%	-
USD Pool	Monthly	1.69%	50.00%	50.00%	29,520	0.86%	0.00%	-
GBP Pool	Monthly	3.11%	50.00%	50.00%	4,874	1.50%	0.00%	-
EURO Pool	Monthly	3.22%	50.00%	50.00%	3,431	1.67%	0.00%	-

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)			(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	15.32%	46.77%	53.23%	1,664,153	8.36%	-	-
Other Specific Musharakah Pool	Monthly	17.85%	66.77%	33.23%	295,811	18.54%	-	-

Specific Mudarabaha Pool	Profit Rate and Weightages announcement Period	Profit Rate return earned	Depositor Share %	Mudarib Share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba to special remunerative deposits
					(Rupees in '000)			(Rupees in '000)
(i) Special Pool PKR	Monthly	20.41%	85.18%	14.82%	3,793,372	17.99%	32.98%	1,251,216
(ii) 1-3 Years Term Deposits	Monthly	18.26%	74.17%	25.83%	1,796,515	14.73%	25.31%	454,753
(iii) Special Pool USD	Monthly	7.85%	90.00%	10.00%	47,739	7.17%	6.81%	3,249
(iv) Special Pool Euro	Monthly	7.56%	72.09%	27.91%	6,657	5.88%	25.84%	1,720

(v) In addition to the above, 576 short term Treasury Pools including SBP OMO / MFF were created to meet liquidity requirement of Treasury Department. These pools were dissolved after maturity of respective Treasury transaction. Further, "Haji Pool" created under the arrangement with Ministry of Religious Affairs. The Pools were managed under Shariah approved guidelines.

	Note	2023	2022
<b>37 CASH AND CASH EQUIVALENTS</b>		-----Rupees in '000-----	
Cash and balances with treasury banks	8	41,287,071	39,972,702
Balances with other banks	9	1,376,176	2,048,157
		<b>42,663,247</b>	<b>42,020,859</b>
<b>38 STAFF STRENGTH</b>		Number of employees	
Permanent		3,727	3,166
Contractual basis		2,164	1,396
Total staff strength		<b>5,891</b>	<b>4,562</b>

### 39 DEFINED BENEFIT PLAN

#### 39.1 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.

#### 39.2 Number of Employees under the scheme

The number of eligible employees covered under the defined scheme are 3,727 (2022: 3,166).

### 39.3 Principal actuarial assumptions

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

	2023	2022
- Valuation Discount rate	15.50%	14.50%
- Salary Increase Rate	15.50%	14.50%
- Expected Return on Plan Assets	15.50%	14.50%

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

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

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

	2023	2022
Present value of defined benefit obligations	891,124	646,661
Fair value of plan assets	(462,183)	(344,314)
	428,941	302,347

### 39.5 Movement in defined benefit obligations

Obligations at the beginning of the year		646,661	551,882
Current service cost		182,681	158,274
Return expense		82,664	58,261
Benefits paid by the Holding Company		(88,885)	(87,336)
Re-measurement loss / (gain)	39.8.2	68,003	(34,420)
Obligations at the end of the year		891,124	646,661

### 39.6 Movement in fair value of plan assets

Fair value at the beginning of the year		344,314	378,252
Return earned on plan assets		54,356	40,987
Contribution by the Bank		150,000	-
Benefits paid by the Holding Company		(88,885)	(87,336)
Re-measurement gain	39.8.2	2,398	12,411
Fair value at the end of the year		462,183	344,314

### 39.7 Movement in payable under defined benefit schemes

Opening balance		302,347	173,630
Charge for the year		210,989	175,548
Contribution by the Holding Company		(150,000)	-
Re-measurement loss / (gain) recognized in OCI during the year	39.8.2	65,605	(46,831)
Closing balance		428,941	302,347

### 39.8 Charge for defined benefit plans

#### 39.8.1 Cost recognized in profit and loss

Current service cost	182,681	158,274
Net return charges	28,308	17,274
	210,989	175,548

	2023	2022
	-----Rupees in '000-----	
<b>39.8.2 Re-measurements recognized in OCI during the year</b>		
Loss / (Gain) on obligation		
- Demographic assumptions	-	(7,690)
- Financial assumptions	4,213	(15,867)
- Experience adjustment	61,392	(23,274)
Total re-measurements	65,605	(46,831)
Deferred tax impact	(32,146)	20,137
Total re-measurements recognized in OCI	33,459	(26,694)
<b>39.9 Components of plan assets</b>		
Bank Balance	51,293	59,724
Term Deposit Receipt	410,890	284,590
	462,183	344,314

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

### 39.10 Sensitivity analysis

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

	2023	2022
	-----Rupees in '000-----	
1% increase in discount rate	845,366	612,851
1% decrease in discount rate	942,033	684,355
1 Year increase in Life expectancy / Withdrawal rate	891,125	646,660
1 Year decrease in Life expectancy / Withdrawal rate	891,122	646,662

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
<b>39.11 Expected contributions to be paid to the funds in the next financial year</b>	237,876
<b>39.12 Expected charge for the next financial year</b>	268,413
<b>39.13 Maturity profile</b>	

The weighted average duration of the defined benefit obligation is 5.42 years (2022 : 5.53 years)

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

At December 31, 2023	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
Gratuity	172,264	112,902	348,822	2,733,512	3,367,500

### 39.14 Funding Policy

Funding levels are monitored on an annual basis and are based on actuarial recommendations. Expected Gratuity Expense for the next year works out to Rs. 268.413 million as per the actuarial valuation report of the Holding Company as of December 31, 2023.

39.15 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.

### 40 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 made by employer and employees during the year amounted to Rs. 208.559 million (2022: Rs. 163.390 million) each.

### 41 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 41.1 Total Compensation Expense

		2023						
Items	Note	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
		Chairman	Executives (other than CEO)	Non- Executives (Note 41.2)				
----- Rupees '000 -----								
Fees and Allowances etc.		2,720	-	16,520	3,577	-	-	-
Managerial Remuneration								
Fixed		-	-	-	11,997	36,895	114,091	106,193
Cash Bonus / Awards	41.1.3	-	-	-	4,722	75,765	60,199	41,017
Rent & house maintenance		-	-	-	-	-	51,341	47,787
Utilities		-	-	-	-	-	11,409	10,619
Medical		-	-	-	-	4,173	11,409	10,619
Conveyance		-	-	-	2,901	-	21,072	22,182
Shariah Board allowance		-	-	-	7,865	-	-	-
Others		-	-	-	-	20,027	1,980	4,924
<b>Total</b>		<b>2,720</b>	<b>-</b>	<b>16,520</b>	<b>31,062</b>	<b>136,860</b>	<b>271,501</b>	<b>243,341</b>
Number of Persons		1	-	9	4	2*	15	23

\*During the year Syed Amir Ali left the Holding Company at the end of his contract and was succeeded by Rizwan Ata who took charge as President and CEO of the Holding Company on October 01, 2023

Key Management Personnel and Material Risk Takers/Material Risk Controllers are separate roles, with individuals in each category distinguished by their specific responsibilities and functions.

Items	2022						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives (Note 41.2)				
----- Rupees '000 -----							
Fees and Allowances etc.	1,500	-	12,200	3,504	-	-	-
Managerial Remuneration							
Fixed	-	-	-	9,920	38,545	93,525	84,369
Cash Bonus / Awards	-	-	-	-	40,000	25,590	19,425
Rent & house maintenance	-	-	-	-	-	42,086	37,966
Utilities	-	-	-	-	-	9,352	8,437
Medical	-	-	-	-	-	9,352	8,437
Conveyance	-	-	-	2,190	-	17,910	15,475
Shariah Board allowance	-	-	-	6,448	-	-	-
Others	-	-	-	412	25,095	3,701	4,447
<b>Total</b>	<b>1,500</b>	<b>-</b>	<b>12,200</b>	<b>22,474</b>	<b>103,640</b>	<b>201,516</b>	<b>178,556</b>
Number of Persons	1	-	6	4	1	16	15

41.1.1 The President / CEO has been provided with two bank maintained cars.

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

41.1.3 This represents cash bonus paid during the year 2023, out of the 'Provision for bonus expense' made during the year 2022 and 2023 for Holding Company's employees.

#### 41.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2023							
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Audit Committee	Risk Management Committee	Board IT Committee	Board Human Resource & Remuneration Committee	
----- Rupees '000 -----							
1	Mr. Suleman Lalani	1,920	-	-	400	400	2,720
2	Mr. Ali Hussain	1,920	-	-	-	100	2,020
3	Mr. Haider Ali Hilaly	2,200	700	-	600	-	3,500
4	Mr. Sulaiman Sadruddin Mehdi	2,200	700	600	-	100	3,600
5	Mr. Syed Ali Hasham	2,200	700	600	-	500	4,000
6	Mr. Akhtar Abbas	1,600	-	-	400	400	2,400
7	Ms. Iffat Zehra Mankani	400	200	200	-	200	1,000
	<b>Retired in 2023</b>						
8	Dr. Lalarukh Ejaz	600	300	-	200	100	1,200
9	Mr. Tasneemul Haq Farooqui	600	300	-	200	100	1,200
10	Dr. Amjad Waheed	600	-	200	-	100	900
	<b>Total Amount Paid</b>	<b>14,240</b>	<b>2,900</b>	<b>1,600</b>	<b>1,800</b>	<b>2,000</b>	<b>22,540</b>

## 2022

Sr. No.	Name of Director	Meeting Fees and Allowances Paid					Total Amount Paid
		For Board Meetings	For Board Committees				
			Audit Committee	Risk Management Committee	Board IT Committee	Board Human Resource & Remuneration Committee	
----- Rupees '000 -----							
1	Mr. Ali Hussain	960	-	-	-	300	1,260
2	Mr. Haider Ali Hilaly	1,000	600	-	400	-	2,000
3	Mr. Sulaiman Sadruddin Mehdi	1,000	600	200	-	300	2,100
4	Dr. Amjad Waheed	1,000	-	200	-	200	1,400
5	Dr. Lalarukh Ejaz	1,000	600	-	400	300	2,300
6	Mr. Syed Ali Hasham	1,000	600	200	-	300	2,100
7	Mr. Tasneemul Haq Farooqui	1,000	600	-	400	300	2,300
	<b>Total Amount Paid</b>	6,960	3,000	600	1,200	1,700	13,460

## 41.3 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
----- Rupees '000 -----						
a. Meeting Fees and Allowances	-	-	3,577	-	-	3,504
b. Managerial remuneration & allowances	19,738	7,747	-	13,668	5,302	-
Total Amount	19,738	7,747	3,577	13,668	5,302	3,504
Total Number of Persons	1	1	2	1	1	2

## 42 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.

## 42.1 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:

2023			
Level 1	Level 2	Level 3	Total

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

#### On balance sheet financial instruments

##### Financial assets - measured at fair value

###### Investments

Shares	
GoP Ijara Sukuk	
Non-Government Shariah compliant securities	

692,581	-	6,820	699,401
-	277,867,398	-	277,867,398
3,384,000	32,133,073	-	35,517,073

##### Non-Financial Assets - measured at fair value

Fixed assets - Land and building	
Non-banking assets acquired in satisfaction of claims	

-	-	6,951,679	6,951,679
-	-	1,215,340	1,215,340

##### Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	
Shariah compliant alternative of forward sale of foreign exchange	

-	54,353,067	-	54,353,067
-	46,618,624	-	46,618,624

2022			
Level 1	Level 2	Level 3	Total

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

#### On balance sheet financial instruments

##### Financial assets - measured at fair value

###### Investments

Shares	
GOP Ijara Sukuk	
Non-Government Shariah compliant Securities	

378,784	-	584,495	963,279
-	139,819,691	-	139,819,691
32,376,937	5,953,639	-	38,330,576

##### Non-Financial Assets - measured at fair value

Fixed assets - Land and building	
Non-banking assets acquired in satisfaction of claims	

-	-	7,396,770	7,396,770
-	-	1,216,101	1,216,101

##### Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	
Shariah compliant alternative of forward sale of foreign exchange	

-	17,741,180	-	17,741,180
-	11,033,012	-	11,033,012

#### Valuation techniques used in determination of fair values within level 1

Item	Valuation approach and input used
Listed securities (Shares and Sukuks)	The valuation has been determined through closing rates on Pakistan Stock Exchange.

#### 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.
Non-Government Shariah compliant Securities	Non-Government Shariah compliant Securities 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

Item	Valuation approach and input used
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.

- 42.2 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.

During the year 2023, Pakistan Energy Sukuk-I compliant securities transferred from Level 1 to Level 2 due to non availability of reliable information.

## 43 SEGMENT INFORMATION

## 43.1 Segment Details with respect to Business Activities

	2023				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
<b>Profit &amp; Loss</b>	----- Rupees in '000 -----				
Net profit / return	40,773,937	(32,422,977)	32,341,294	(508,522)	40,183,732
Inter segment revenue - net	(39,418,253)	72,077,529	(30,349,051)	(2,310,225)	-
Total other income	1,340,980	1,252,166	661,167	116,923	3,371,236
Total income	2,696,664	40,906,718	2,653,410	(2,701,824)	43,554,968
Segment direct expenses	145,896	8,506,806	625,542	7,301,233	16,579,477
Inter segment expense allocation	71,279	5,837,953	972,180	(6,881,412)	-
Total expenses	217,175	14,344,759	1,597,722	419,821	16,579,477
Provisions / (reversals)	1,204,049	221,664	4,495,287	965,945	6,886,945
Profit / (loss) before tax	1,275,440	26,340,295	(3,439,599)	(4,087,590)	20,088,546
<b>Balance Sheet</b>	2023				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- Rupees in '000 -----				
<b>Assets</b>					
Cash & Bank balances	1,476,310	41,186,937	-	-	42,663,247
Investments	306,999,741	-	-	7,084,131	314,083,872
Net inter segment placements	-	456,924,234	-	-	456,924,234
Due from financial institutions	16,502,138	-	-	-	16,502,138
Islamic financing and related assets - performing	-	32,950,449	183,437,696	10,423,626	226,811,771
- non-performing - net	-	1,631,567	1,750,950	-	3,382,517
Others	-	-	-	51,347,802	51,347,802
<b>Total Assets</b>	324,978,189	532,693,187	185,188,646	68,855,559	1,111,715,581
<b>Liabilities</b>					
Due to financial institutions	39,607,651	3,354,127	17,697,278	-	60,659,056
Subordinated sukuk	-	-	-	2,850,000	2,850,000
Deposits & other accounts	6,145,014	516,395,906	-	-	522,540,920
Net inter segment acceptances	279,132,859	-	167,064,813	10,726,562	456,924,234
Others	92,665	12,940,948	426,555	18,909,593	32,369,761
<b>Total liabilities</b>	324,978,189	532,690,981	185,188,646	32,486,155	1,075,343,971
Equity	-	-	-	36,371,610	36,371,610
<b>Total Equity &amp; liabilities</b>	324,978,189	532,690,981	185,188,646	68,857,765	1,111,715,581
<b>Contingencies &amp; Commitments</b>	7,734,443	-	29,774,800	126,858,690	164,367,933

	2022				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
<b>Profit &amp; Loss</b>	----- Rupees in '000 -----				
Net profit / return	17,069,937	(14,111,872)	18,045,076	(600,776)	20,402,365
Inter segment revenue - net	(18,360,683)	36,234,450	(18,645,307)	771,540	-
Total other income	1,558,806	1,282,680	514,481	287,467	3,643,434
Total Income	268,060	23,405,258	(85,750)	458,231	24,045,799
Segment direct expenses	89,483	7,138,816	545,090	4,187,226	11,960,615
Inter segment expense allocation	39,649	3,346,020	723,943	(4,109,612)	-
Total expenses	129,132	10,484,836	1,269,033	77,614	11,960,615
Provisions / (reversals)	(2,171)	19,554	3,775,365	19,746	3,812,494
Profit / (loss) before tax	141,099	12,900,868	(5,130,148)	360,871	8,272,690

#### Balance Sheet

	2022				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
<b>Assets</b>	----- Rupees in '000 -----				
Cash & Bank balances	2,150,492	39,870,367	-	-	42,020,859
Investments	180,176,339	-	-	-	180,176,339
Net inter segment placements	-	326,385,391	-	9,995,730	336,381,121
Due from financial institutions	23,878,183	-	-	-	23,878,183
Islamic financing and related assets - performing	-	44,799,019	148,864,422	4,336,599	198,000,040
- non-performing - net	-	1,338,876	1,821,532	167,994	3,328,402
Others	6,821,631	1,671,185	6,297,594	25,405,181	40,195,591
<b>Total Assets</b>	213,026,645	414,064,838	156,983,548	39,905,504	823,980,535
<b>Liabilities</b>					
Due to financial institutions	4,036,120	3,062,126	13,954,010	-	21,052,256
Subordinated sukuk	-	-	-	2,850,000	2,850,000
Deposits & other accounts	12,701,830	403,210,107	-	-	415,911,937
Net inter segment acceptances	195,667,357	-	140,713,764	-	336,381,121
Others	184,280	7,792,605	2,528,274	10,489,118	20,994,277
<b>Total liabilities</b>	212,589,587	414,064,838	157,196,048	13,339,118	797,189,591
Equity	-	-	-	26,790,944	26,790,944
<b>Total Equity &amp; liabilities</b>	212,589,587	414,064,838	157,196,048	40,130,062	823,980,535
<b>Contingencies &amp; Commitments</b>	6,708,168	-	31,914,198	65,179,837	103,802,203

#### 44 TRUST ACTIVITIES

Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets are not assets of the 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	
		2023	2022	2023	2022
				-----Rupees in '000-----	
Insurance Companies	Sukuks	5	5	180,000	180,000
Asset Management Companies	Sukuks	42	42	2,569,530	2,569,530
Employee Funds / NGO's	Sukuks	3	3	53,800	53,800
Individuals	Sukuks	5	5	116,670	116,670
Others	Sukuks	17	17	1,865,000	1,865,000
		72	72	4,785,000	4,785,000

**RELATED PARTY TRANSACTIONS**

The Holding Company has related party transactions with its parent, associates, employee benefit plans, its directors and key management personnel.

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

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

	2023				2022				
	Parent	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	----- (Rupees in '000) -----								
<b>Due from financial institutions - net</b>									
Opening balance	-	-	-	-	-	-	-	-	-
Addition during the year	3,233,725	-	-	-	-	-	-	-	-
Repaid during the year	(3,233,725)	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-
<b>Investments</b>									
Opening balance	-	-	-	1,102,111	-	-	-	1,660,111	-
Investment made during the year	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed-off during the year	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	(658,000)	-
Closing balance	-	-	-	1,102,111	-	-	-	1,102,111	-
Provision for diminution in value of investments	-	-	-	(1,102,111)	-	-	-	(474,169)	-
<b>Islamic financing and related assets</b>									
Opening balance	-	-	372,910	480,187	700,001	15,382	280,483	480,540	700,001
Addition during the year	-	-	226,783	903,910	4,461,960	-	204,049	813,116	4,655,399
Repaid during the year	-	-	(55,187)	(903,910)	(4,071,795)	(15,382)	(107,753)	(813,469)	(4,405,399)
Transfer in / (out) - net	-	-	(121,507)	-	(841,288)	-	(3,869)	-	(250,000)
Closing balance	-	-	422,999	480,187	248,878	-	372,910	480,187	700,001
Provision held against Islamic financing and related assets	-	-	-	(480,187)	-	-	-	-	-
<b>Other assets</b>									
Profit receivable on financings	-	-	443	-	5,019	-	280	5,579	18,842

	2023				2022			
	Parent	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates

(Rupees in '000)

#### Due to financial institutions - net

Opening balance	-	-	-	-	-	-	-	-	-
Additions during the year	161,865,000	-	-	-	-	-	-	-	-
Settled during the year	(161,865,000)	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-

#### Subordinated sukuk

Opening balance	-	-	1,015	-	-	-	1,015	-	-
Issued / purchased during the year	-	-	-	-	-	-	-	-	-
Redemption / sold during the year	-	-	-	-	-	-	-	-	-
Transfer in / (out)	-	-	(530)	-	1,120	-	-	-	-
Closing balance	-	-	485	-	1,120	-	-	-	-

#### Deposits and other accounts

Opening balance	-	2,745	32,443	12,186	1,776,697	6,063	42,412	27,338	1,306,399
Received during the year	-	3,128,053	853,621	2,157,630	30,791,160	39,235	709,549	1,641,001	13,686,134
Withdrawn during the year	-	(3,125,331)	(839,085)	(2,140,297)	(29,438,326)	(42,553)	(716,423)	(1,656,153)	(13,218,501)
Transfer in / (out) - net	-	274	(376)	(16)	3,033,175	-	(3,095)	-	2,665
Closing balance	-	5,741	46,603	29,503	6,162,706	2,745	32,443	12,186	1,776,697

#### Other Liabilities

Profit / return payable	-	3	333	13	126,064	1	490	-	31,609
Dividend Payable	-	169,317	-	-	-	-	-	-	-
Other liabilities	-	-	10	-	132	-	-	-	-
Meeting fee / remuneration payable	-	2,000	-	-	-	240	-	-	-

#### Contingencies and Commitments

Other contingencies	-	-	-	-	-	-	-	25,202	82,277
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#### Income

Profit / return earned	9,413	-	17,673	52,717	125,202	1,215	13,047	30,759	60,914
Other income	-	-	-	-	772	-	12,561	-	-

#### Expense

Profit / return expensed	221,554	22	2,009	99	572,669	11	1,099	38	180,007
Other administrative expenses	-	6,770	25,476	261	79,564	-	4,230	-	44,748
Meeting fee / remuneration	-	24,540	451,014	-	-	13,700	340,985	-	-
Contribution to employees provident fund	-	-	-	-	208,559	-	-	-	163,390
Charge for employees gratuity fund	-	-	-	-	210,989	-	-	-	175,548

Fee and subscription

-	-	-	-	-	11,282	-	-	-	-
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**46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

	2023	2022
	----- Rupees in '000 -----	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,007,991	11,007,991
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	28,431,699	19,971,442
Eligible Additional Tier 1 (ADT 1) Capital	2,850,000	2,850,000
Total Eligible Tier 1 Capital	31,281,699	22,821,442
Eligible Tier 2 Capital	10,583,630	7,265,706
Total Eligible Capital (Tier 1 + Tier 2)	41,865,329	30,087,148
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	123,430,567	135,264,964
Market Risk	2,747,987	2,036,650
Operational Risk	49,951,475	31,614,900
Total	176,130,029	168,916,514
Common Equity Tier 1 Capital Adequacy ratio	16.14%	11.82%
Tier 1 Capital Adequacy Ratio	17.76%	13.51%
Total Capital Adequacy Ratio	23.77%	17.81%
<b>National minimum capital requirements prescribed by SBP</b>		
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%

- 46.1** 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.

	2023	2022
	----- Rupees in '000 -----	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	31,281,699	22,821,442
Total Exposures	661,760,663	547,791,150
Leverage Ratio	4.73%	4.17%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	315,027,109	158,731,694
Total Net Cash Outflow	90,466,918	50,014,976
Liquidity Coverage Ratio	348.22%	317.37%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	524,275,019	418,115,780
Total Required Stable Funding	170,272,796	160,353,265
Net Stable Funding Ratio	307.90%	260.75%

- 46.2** 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](http://www.bankislami.com.pk/investor-relations)



## 47 RISK MANAGEMENT

The objective of Risk Management is to effectively manage uncertainties that arise in the normal course of business activities. The risk management function is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. The 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 Holding Company

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 supports.

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

## **47.1 Credit Risk**

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

### **(i) Price risk**

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

### **(ii) Counter party risk**

The risk that the counter-party defaults during the term of a transaction (Murabahah, Diminishing 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:

47.1.1 Due from financial institutions

Credit risk by public / private sector	Gross Due from Financial Institutions		Non-performing Due from Financial Institutions		Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Public / Government	-	4,036,995	-	-	-	-
Private	16,519,958	19,862,248	17,820	21,060	17,820	21,060
	<b>16,519,958</b>	<b>23,899,243</b>	<b>17,820</b>	<b>21,060</b>	<b>17,820</b>	<b>21,060</b>

47.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Federal Government Shariah						
Compliant Securities	277,867,398	139,819,691	-	-	-	-
Power (electricity), Gas, Water, Sanitary Services	33,174,101	35,822,134	-	-	-	-
Textile	986,996	1,042,324	56,615	56,615	56,615	56,615
Financial	803,256	463,256	463,256	463,256	242,005	242,005
Production and transmission of energy	391,072	391,072	21,072	21,072	21,072	21,072
Chemical and Pharmaceuticals	110,674	336,910	-	-	-	-
Construction	91,667	100,000	-	-	-	-
Electronics and electrical appliances	81,800	98,133	32,800	32,800	32,800	32,800
Others	55,000	55,000	55,000	55,000	-	-
	174,999	374,239	-	-	-	-
	<b>313,736,963</b>	<b>178,502,759</b>	<b>628,743</b>	<b>628,743</b>	<b>352,492</b>	<b>352,492</b>

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Public / Government	308,718,677	173,127,008	-	-	-	-
Private	5,018,286	5,375,751	628,743	628,743	352,492	352,492
	<b>313,736,963</b>	<b>178,502,759</b>	<b>628,743</b>	<b>628,743</b>	<b>352,492</b>	<b>352,492</b>

47.1.3 Islamic financing, related assets and advances

Credit risk by industry sector	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Specific Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Agriculture, Forestry, Hunting and Fishing	9,211,988	5,380,375	925,655	356,433	612,174	315,203
Automobile and transportation equipment	77,481	40,885	-	-	-	-
Cement	3,355,526	1,583,817	500,000	500,000	500,000	300,524
Chemical and Pharmaceuticals	5,713,424	3,328,304	563,720	576,159	560,557	575,753
Construction	2,048,685	1,786,005	632,087	403,143	619,039	344,703
Education	2,336,827	2,334,107	-	-	-	-
Electronics and electrical appliances	5,131,501	4,826,544	1,416,018	901,568	1,334,884	820,434
Exports / Imports	765,651	728,786	67,318	58,822	63,070	31,411
Financial	2,220,671	2,921,589	241,890	240,400	240,562	240,189
Food and Beverages	40,250,059	39,048,167	2,209,982	1,512,304	1,750,128	1,420,379
Footwear and Leather garments	1,312,217	1,013,707	2,459	131,061	2,459	131,061
Individuals	43,414,190	52,983,872	4,025,457	3,240,701	2,400,677	1,760,632
Packing and Paper products	4,263,026	2,315,865	118,091	13,000	39,758	13,000
Power (electricity), Gas, Water, Sanitary Services	15,529,942	11,326,318	641,376	635,380	561,453	295,301
Sugar	38,119,011	28,326,115	59,676	30,107	28,810	30,107
Textile	9,563,556	5,328,640	1,023,108	1,240,503	815,608	846,003
Transport, Storage and Communication	44,061,486	28,232,956	5,840,099	5,628,764	5,732,705	4,827,478
Wholesale and Retail Trade	6,290,558	3,666,437	1,008,543	1,107,567	982,682	1,054,050
Iron & Steel	1,774,621	1,429,220	316,408	310,178	281,666	271,890
Health & Care	4,791,344	4,801,154	580,455	539,716	579,097	538,358
Private Trusts & Non-profit Organization	424,745	209,077	-	-	-	-
Others	9,764	3,192	-	-	-	-
	13,368,642	18,725,790	2,718,300	2,446,728	2,343,839	2,302,655
	<b>254,034,915</b>	<b>220,340,922</b>	<b>22,890,642</b>	<b>19,872,534</b>	<b>19,449,168</b>	<b>16,119,131</b>

**Credit risk by public / private sector**

	Gross Islamic financing, related assets and advances		Non-performing financing, related assets and advances		Specific Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Public/ Government	83,864,016	70,977,541	-	-	-	-
Private	170,170,899	149,363,381	22,890,642	19,872,534	19,449,168	16,119,131
	254,034,915	220,340,922	22,890,642	19,872,534	19,449,168	16,119,131

**47.1.4 Contingencies and Commitments****Credit risk by industry sector**

	2023	2022
	----- Rupees in '000 -----	
Agriculture, Forestry, Hunting and Fishing	6,870,431	2,680,974
Mining and Quarrying	956,771	332,108
Textile	45,309,703	15,963,545
Chemical and Pharmaceuticals	15,542,685	5,875,319
Cement	396,935	474,765
Sugar	3,647,371	967,131
Footwear and Leather garments	151,348	646,059
Automobile and transportation equipment	35,395	1,091,634
Education	1,260,689	559,601
Electronics and electrical appliances	1,522,002	2,519,844
Production and transmission of energy	1,301,308	25,126
Construction	1,803,622	6,935,008
Power (electricity), Gas, Water, Sanitary	21,283,025	6,061,648
Wholesale and Retail Trade	14,705,256	15,895,782
Exports / Imports	1,152,892	482,526
Transport, Storage and Communication	5,918,557	1,149,900
Financial	8,147,902	253,464
Services	7,583,989	17,922,037
Individuals	939,620	1,069,314
Food and beverages	2,862,108	3,155,465
Manufacturing	10,765,092	11,539,417
Packing and Paper products	1,081,938	1,552,812
Others	11,129,294	6,648,724
	164,367,933	103,802,203
<b>Credit risk by public / private sector</b>		
Public/ Government	-	-
Private	164,367,933	103,802,203
	164,367,933	103,802,203

**47.1.5 Concentration of Financing**

The Holding Company top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 103,355.651 million (2022: Rs. 91,927.410 million) are as following:

	2023	2022
	----- Rupees in '000 -----	
Funded	92,505,694	80,619,139
Non Funded	10,849,957	11,308,271
Total Exposure	103,355,651	91,927,410

The sanctioned limits against these top 10 exposures aggregated to Rs. 110,907 million (2022: Rs. 93,496 million)

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

**47.1.6 Total funded classified therein**

	2023		2022	
	Amount	Provision held	Amount	Provision held
	----- Rupees in '000 -----			
OAEM	393,831	-	325,596	-
Substandard	1,009,194	235,164	548,330	48,085
Doubtful	2,170,850	871,469	4,236,194	2,411,182
Loss	19,316,767	18,342,535	14,762,414	13,659,864
Total	22,890,642	19,449,168	19,872,534	16,119,131

47.1.7 Financing - Province/Region-wise Disbursement & Utilization

Province / Region	2023						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
----- Rupees in '000 -----							
Punjab	71,013,470	71,013,470	-	-	-	-	-
Sindh	129,008,300	-	129,008,300	-	-	-	-
KPK including FATA	255,193	-	-	255,193	-	-	-
Baluchistan	29,167	-	-	-	29,167	-	-
Islamabad	11,832,088	-	-	-	-	11,832,088	-
AJK including Gilgit-Baltistan	13,943	-	-	-	-	-	13,943
<b>Total</b>	<b>212,152,161</b>	<b>71,013,470</b>	<b>129,008,300</b>	<b>255,193</b>	<b>29,167</b>	<b>11,832,088</b>	<b>13,943</b>

Province / Region	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
----- Rupees in '000 -----							
Punjab	100,768,360	100,768,360	-	-	-	-	-
Sindh	118,792,150	-	118,792,150	-	-	-	-
KPK including FATA	488,860	-	-	488,860	-	-	-
Baluchistan	265,663	-	-	-	265,663	-	-
Islamabad	23,393,502	-	-	-	-	23,393,502	-
AJK including Gilgit-Baltistan	63,123	-	-	-	-	-	63,123
<b>Total</b>	<b>243,771,658</b>	<b>100,768,360</b>	<b>118,792,150</b>	<b>488,860</b>	<b>265,663</b>	<b>23,393,502</b>	<b>63,123</b>

47.2 Market Risk

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

The 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.

47.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- Rupees in '000 -----						
Cash and balances with treasury banks	41,287,071	-	41,287,071	39,972,702	-	39,972,702
Balances with other banks	1,376,176	-	1,376,176	2,048,157	-	2,048,157
Due from financial institutions	16,502,138	-	16,502,138	23,878,183	-	23,878,183
Investments	314,083,872	-	314,083,872	180,176,339	-	180,176,339
Islamic financings, related assets & advances	230,194,288	-	230,194,288	201,328,442	-	201,328,442
Fixed assets	16,140,621	-	16,140,621	14,190,422	-	14,190,422
Intangible assets	3,666,496	-	3,666,496	3,308,580	-	3,308,580
Deferred tax assets	110,448	-	110,448	3,213,719	-	3,213,719
Other assets	31,430,237	-	31,430,237	19,482,870	-	19,482,870
<b>Total</b>	<b>654,791,347</b>	<b>-</b>	<b>654,791,347</b>	<b>487,599,414</b>	<b>-</b>	<b>487,599,414</b>

## 47.2.2 Foreign Exchange Risk

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

In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the 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.

	2023				2022			
	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	649,863,455	597,884,497	(3,963,855)	48,015,103	481,672,077	447,302,707	(6,708,168)	27,661,202
United States Dollar	3,878,502	17,992,332	3,800,529	(10,313,301)	5,027,805	11,675,875	5,622,925	(1,025,145)
Great Britain Pound	339,168	1,070,244	71,062	(660,014)	475,317	885,922	409,190	(1,415)
Japanese Yen	10,100	62	-	10,038	5,721	53	-	5,668
Euro	456,414	1,408,148	-	(951,734)	191,756	856,209	676,053	11,600
UAE Dirham	36,410	64,454	150,496	122,452	80,179	67,299	-	12,880
Asian Currency Unit	104,607	-	-	104,607	94,329	-	-	94,329
Swiss Franc	-	-	-	-	-	-	-	-
Chinese Yuan	44,042	-	(58,232)	(14,190)	1,053	-	-	1,053
Australian Dollar	6,881	-	-	6,881	5,092	2,483	-	2,609
Saudi Riyal	41,388	-	-	41,388	14,226	11,327	-	2,899
Canadian Dollar	10,336	-	-	10,336	31,803	6,595	-	25,208
Turkish Lira	44	-	-	44	56	-	-	56
	<b>654,791,347</b>	<b>618,419,737</b>	<b>-</b>	<b>36,371,610</b>	<b>487,599,414</b>	<b>460,808,470</b>	<b>-</b>	<b>26,790,944</b>

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	116,435	-	8,703	-
- Other comprehensive income	-	-	-	-

## 47.2.3 Equity Position Risk

Equity position includes the following:

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

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

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

	2023		2022	
	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	34,970	-	19,280	-

#### 47.2.4 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.

2023		2022	
Banking book	Trading book	Banking book	Trading book
----- Rupees in '000 -----			
401,837	-	-	204,024

Impact of 1% change in profit rates on  
 - Profit and loss account  
 - Other comprehensive income

#### 47.2.5 Mismatch of Yield / Profit Rate Sensitive Assets and Liabilities

Effective Yield / Profit rate	Total	2023										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 -----

#### Assets

Cash and balances with treasury banks  
 Balances with other banks  
 Due from financial institutions  
 Investments  
 Islamic financing, related assets and advances  
 Other assets

41,287,071	-	-	-	-	-	-	-	-	-	-	-	41,287,071
1,376,176	187,063	-	-	-	-	-	-	-	-	-	-	1,189,113
16,502,138	7,957,069	-	8,545,069	-	-	-	-	-	-	-	-	-
314,083,872	45,640,128	32,511,870	235,232,473	-	-	-	-	-	-	-	-	699,401
230,194,288	38,096,892	4,230,854	20,984,743	143,069,041	-	2,587,236	-	-	2,707	20,945	-	21,201,870
31,430,237	91,881,152	36,742,724	264,762,285	143,069,041	-	2,587,236	-	2,707	20,945	-	-	31,430,237
634,873,782	634,873,782	634,873,782	634,873,782	634,873,782	634,873,782	634,873,782	634,873,782	634,873,782	634,873,782	634,873,782	634,873,782	634,873,782

#### Liabilities

Bills payable  
 Due to financial institutions  
 Deposits and other accounts  
 Subordinated sukuk  
 Other liabilities

5,125,177	-	-	-	-	-	-	-	-	-	-	-	5,125,177
60,659,056	37,067,551	2,432,681	3,919,183	500,000	814,176	4,775,768	1,904,237	9,037,981	207,479	-	-	-
522,540,920	327,542,451	-	-	-	-	-	-	-	-	-	-	194,988,469
2,850,000	850,000	2,000,000	-	-	-	-	-	-	-	-	-	-
27,244,584	2,020,754	47,372	282	85,553	1,562,750	62,874	415,484	57,226	-	-	-	22,992,289
618,419,737	367,480,756	4,480,053	3,919,465	585,553	2,376,926	4,838,642	2,319,721	9,095,207	207,479	207,479	223,115,935	223,115,935
16,454,045	(275,599,604)	32,262,671	260,842,820	142,483,488	(2,376,926)	(2,251,406)	(2,319,721)	(9,092,500)	(186,534)	(186,534)	(127,308,243)	(127,308,243)

#### On-balance sheet gap

Documentary credits and short-term trade-related transactions

Commitments in respect of:

- forward foreign exchange contracts  
 - other commitments

#### Off-balance sheet gap

29,774,800	29,774,800	-	-	-	-	-	-	-	-	-	-	-
7,734,443	(7,948,707)	7,528,440	8,154,710	-	-	-	-	-	-	-	-	-
126,138,097	126,138,097	-	-	-	-	-	-	-	-	-	-	-
163,647,340	147,964,190	7,528,440	8,154,710	-	-	-	-	-	-	-	-	-
(127,635,414)	(127,635,414)	39,791,111	268,997,530	142,483,488	(2,376,926)	(2,251,406)	(2,319,721)	(9,092,500)	(186,534)	(186,534)	(127,308,243)	(127,308,243)
(127,635,414)	(87,844,303)	181,153,227	323,636,715	321,259,789	319,008,383	316,688,662	307,596,162	307,596,162	307,409,628	180,101,385	180,101,385	180,101,385

#### Total Yield/Profit Rate Risk Sensitivity Gap

Cumulative Yield/Profit Rate Risk Sensitivity Gap



	Effective Yield / Profit rate	Exposed to Yield / Profit risk										Non-profit bearing financial instruments
		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 -----												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	0.09%	-	-	-	-	-	-	-	-	-	-	39,972,702
Balances with other banks		326,967	-	-	-	-	-	-	-	-	-	1,721,190
Due from financial institutions	13.14%	14,036,995	1,500,037	4,884,493	3,456,658	-	-	-	-	-	-	-
Investments	13.03%	180,176,339	32,909,274	115,480,454	-	-	-	-	-	-	-	1,867,470
Islamic financing, related assets and advances	12.12%	201,328,442	61,777,149	110,512,689	19,893,098	4,556,642	112,036	-	-	-	-	4,476,828
Other assets		19,482,870	-	-	-	-	112,036	-	-	-	-	19,482,870
		466,886,693	109,050,385	141,931,867	140,258,045	8,013,300	112,036	-	-	-	-	67,521,060
<b>Liabilities</b>												
Bills payable		3,530,929	-	-	-	-	-	-	-	-	-	3,530,929
Due to financial institutions	9.02%	21,052,256	531,547	3,100,261	333,333	1,800,000	1,800,000	4,036,120	66,466	9,807,248	212,783	-
Deposits and other accounts	6.08%	415,911,937	256,336,389	-	-	-	-	-	-	-	-	159,575,548
Subordinated sukuk	16.07%	2,850,000	2,850,000	-	-	-	-	-	-	-	-	-
Other liabilities	10.10%	17,463,348	1,691,611	236	39,656	71,618	1,308,207	52,633	347,809	47,905	-	13,903,673
		460,808,470	258,559,547	4,054,154	3,100,497	404,951	3,108,207	4,088,753	414,275	9,855,153	212,783	177,010,150
		6,078,223	(149,509,162)	137,877,713	137,157,548	7,608,349	(2,996,171)	(4,088,753)	(414,275)	(9,855,153)	(212,783)	(109,489,090)
<b>On-balance sheet gap</b>		31,914,198	31,914,198	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet financial instruments</b>												
Documentary credits and short-term trade-related transactions		-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of:		-	-	-	-	-	-	-	-	-	-	-
- forward foreign exchange contracts		6,708;168	(641,073)	4,250,859	3,098,382	-	-	-	-	-	-	-
- other commitments		64,950,185	64,950,185	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		103,572,551	96,223,310	4,250,859	3,098,382	-	-	-	-	-	-	-
		(63,285,852)	142,128,572	140,255,930	7,608,349	7,608,349	(2,996,171)	(4,088,753)	(414,275)	(9,855,153)	(212,783)	(109,489,090)
<b>Total Yield/Profit Rate Risk Sensitivity Gap</b>		(63,285,852)	142,128,572	140,255,930	7,608,349	7,608,349	(2,996,171)	(4,088,753)	(414,275)	(9,855,153)	(212,783)	(109,489,090)
<b>Cumulative Yield/Profit Rate Risk Sensitivity Gap</b>		(63,285,852)	88,842,720	229,098,650	236,706,999	233,710,828	229,622,075	229,207,800	219,352,647	219,139,864	109,650,774	
<b>47.3 Operational Risk</b>												
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.												
<b>47.3.1 Operational Risk-Disclosures Basel II Specific</b>												
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 Holding Company 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.												

## 47.4 Liquidity Risk

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

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

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

Holding Company calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per SBP Basel III Liquidity Standards issued under BPRD circular no 08 dated June 23, 2016. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile of 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, 2023, Holding Company's LCR stood at 348.22% 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. Holding Company's treasury function has the primary responsibility for assessing, monitoring and managing 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 for the Holding Company.

### Funding Strategy

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, Holding Company relies on Inter-bank 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 inter-bank 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 trigger levels and communicated to senior management and to ALCO forum regularly. Further, Holding Company 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 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 & inter-bank 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 Holding Company which identifies the trigger events that could cause a liquidity crisis and describes the actions to be taken to manage the crisis. At 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. 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 Holding Company, it relies on funds provided by depositors. However the Holding Company has been continuously improving upon its ratio of core deposits. Current and Saving accounts consist of 62.19% of total deposits, term deposits are 37.81% and acceptance from SBP and financial institutions is 11.61% 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 3.88% of Holding Company's total deposits.

2023

	Total	Upto 1 Day	Over 1 to 7 Days	Over 7 to 14 Days	Over 14 Days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>														
Cash and balances with treasury banks	41,287,071	41,287,071	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,376,176	1,376,176	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	16,502,138	-	2,005,752	5,951,317	-	-	-	8,545,069	-	-	-	-	-	-
Investments	314,083,872	-	-	-	-	-	210,674	13,398,100	17,187,702	999,137	52,783,150	40,303,504	174,517,383	32,871,061
Islamic financing and related assets and advances	230,194,288	83,427,653	723,689	13,890,020	29,312,684	1,651,302	1,410,975	1,591,119	718,702	292,733	7,166,195	18,271,363	26,819,585	44,222,984
Fixed assets	16,140,621	-	-	-	128,628	127,617	427,946	1,543,852	300,386	43,758	1,055,407	925,160	4,627,691	6,771,601
Intangible assets	3,666,496	-	-	-	15,507	15,482	14,944	44,836	44,417	110,448	164,205	145,526	161,523	3,016,298
Deferred tax assets	31,430,237	1,679,868	2,220,875	1,956,226	1,156,815	324,569	528,349	250,295	216,185	73,484	895,417	2,697,280	5,183,250	14,247,624
Other assets	684,791,347	127,770,768	4,950,316	21,797,563	30,613,634	2,118,970	2,892,388	11,975,171	14,677,790	1,519,560	62,054,374	62,342,833	211,306,412	101,069,968
<b>Liabilities</b>														
Bills payable	5,125,177	5,125,177	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	60,659,056	-	22,986,360	12,768,050	1,313,141	559,589	1,873,112	3,919,183	-	500,000	814,176	4,775,768	1,904,237	9,245,460
Deposits and other accounts	522,540,920	2,537,010	19,716,774	45,303,774	54,067,009	17,029,268	33,123,060	36,260,158	17,987,043	33,269,830	20,175,517	30,122,103	49,952,652	162,997,722
Subordinated sukuk	2,850,000	-	-	-	-	-	-	-	-	-	-	-	-	2,850,000
Other liabilities	27,244,584	1,645,142	3,377,075	2,095,345	2,042,617	955,483	1,256,623	380,872	512,049	2,716,432	2,395,144	1,117,502	2,495,818	6,254,472
<b>Net assets</b>	<b>618,419,737</b>	<b>9,307,329</b>	<b>46,000,209</b>	<b>60,167,169</b>	<b>57,422,767</b>	<b>18,543,330</b>	<b>36,252,795</b>	<b>40,560,213</b>	<b>18,499,092</b>	<b>36,486,262</b>	<b>23,384,837</b>	<b>36,015,373</b>	<b>54,352,707</b>	<b>181,347,654</b>
	<b>36,371,610</b>	<b>118,463,439</b>	<b>(41,129,893)</b>	<b>(38,369,606)</b>	<b>(26,809,133)</b>	<b>(16,424,360)</b>	<b>(33,660,407)</b>	<b>(28,595,042)</b>	<b>(3,821,302)</b>	<b>(34,966,702)</b>	<b>(38,669,537)</b>	<b>(26,327,460)</b>	<b>(156,955,705)</b>	<b>(80,278,089)</b>
Share capital - net	11,007,991	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	4,600,091	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	4,653,025	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	15,910,503	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>36,371,610</b>													

2022

	Total	Upto 1 Day	Over 1 to 7 Days	Over 7 to 14 Days	Over 14 Days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>														
Cash and balances with treasury banks	39,972,702	39,972,702	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,048,157	2,048,157	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	23,878,183	-	10,000,000	-	-	-	1,500,037	4,884,493	6,940,747	-	-	-	-	-
Investments	180,176,339	276,250	-	-	-	29,704,112	29,704,112	6,940,747	17,138,435	21,823,244	8,230,511	51,047,986	29,779,382	61,172,174
Islamic financing and related assets and advances	201,328,442	42,549,990	430,818	1,059,707	3,872,022	8,494,888	10,490,966	17,138,435	14,744,052	225,929	896,351	8,280,767	33,555,625	43,947,437
Fixed assets	14,190,422	2,458	14,734	17,190	41,748	76,128	368,364	319,249	73,382	51,932	206,035	1,105,091	3,883,637	7,366,326
Intangible assets	3,308,580	665	3,386	3,951	9,596	16,370	17,499	84,673	167,280	600,793	223,201	846,721	1,740,453	6,047,881
Deferred tax assets	3,213,719	5,482,957	89,794	383,254	3,944,987	1,115,313	741,336	5,113,906	240,571	877,241	654,540	611,019	604,883	1,617,562
Other assets	19,482,870	487,599,414	10,538,732	1,464,102	12,881,056	9,967,768	42,530,078	34,530,618	5,731,192	22,978,346	10,588,230	60,911,062	69,061,247	116,073,904
<b>Liabilities</b>														
Bills payable	3,530,929	3,530,929	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	21,052,256	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	415,911,937	278,324,445	13,546,907	10,641,878	26,916,420	15,606,471	9,204,834	24,165,801	18,385,691	17,431,445	500,000	1,300,000	4,045,619	14,157,293
Subordinated sukuk	2,850,000	-	-	-	-	-	-	-	-	-	-	-	-	2,850,000
Other liabilities	17,463,348	2,808,663	459,704	744,218	1,568,176	2,309,488	2,692,157	915,445	587,180	621,227	4,014,128	343,319	318,733	90,910
<b>Net assets</b>	<b>480,808,470</b>	<b>294,664,037</b>	<b>14,005,611</b>	<b>11,386,096</b>	<b>28,474,586</b>	<b>17,915,959</b>	<b>11,896,991</b>	<b>25,797,257</b>	<b>18,972,871</b>	<b>18,386,005</b>	<b>5,214,649</b>	<b>1,966,156</b>	<b>4,928,577</b>	<b>17,179,665</b>
	<b>26,790,944</b>	<b>(194,330,958)</b>	<b>(3,466,879)</b>	<b>(9,921,994)</b>	<b>(15,583,540)</b>	<b>(7,948,191)</b>	<b>(30,633,087)</b>	<b>(8,733,361)</b>	<b>(13,241,679)</b>	<b>(4,592,341)</b>	<b>(5,373,581)</b>	<b>(58,924,906)</b>	<b>(64,132,670)</b>	<b>(98,894,239)</b>
Share capital - net	11,007,991	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	2,591,071	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	2,759,222	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	10,432,660	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>26,790,944</b>													

## 47.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Holding Company

2023

	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
<b>Assets</b>										
Cash and balances with treasury banks	41,287,071	41,287,071	-	-	-	-	-	-	-	-
Balances with other banks	1,376,176	1,376,176	-	-	-	-	-	-	-	-
Due from financial institutions	16,502,138	7,957,069	-	8,545,069	-	-	-	-	-	-
Investments	314,083,872	-	210,674	-	13,398,100	52,783,150	40,303,504	174,517,383	27,467,279	5,403,782
Islamic financing and related assets and advances	230,194,288	127,354,047	3,062,177	1,591,117	1,717,840	7,156,195	18,271,363	26,818,565	21,868,312	22,354,672
Fixed assets	16,140,621	128,627	555,163	1,543,853	593,119	1,055,407	925,160	4,627,691	1,370,828	5,340,773
Intangible assets	3,666,496	15,509	30,427	44,833	88,175	164,205	145,526	161,523	3,016,298	-
Deferred tax assets	110,448	-	-	-	110,448	-	-	-	-	-
Other assets	31,430,237	7,013,784	852,918	250,295	289,669	895,417	2,697,280	5,183,250	8,750,456	5,497,168
	654,791,347	185,132,283	4,711,359	11,975,167	16,197,351	62,054,374	62,342,833	211,308,412	62,473,173	38,596,395
<b>Liabilities</b>										
Bills payable	5,125,177	5,125,177	-	-	-	-	-	-	-	-
Due to financial institutions	60,659,056	37,067,551	2,432,681	3,919,183	500,000	814,176	4,775,788	1,904,237	9,037,981	207,479
Deposits and other accounts	522,540,920	121,624,567	50,151,328	36,260,158	51,256,873	20,175,517	30,122,103	49,952,652	162,997,722	-
Subordinated sukuk	2,850,000	-	-	-	-	-	-	-	-	-
Other liabilities	27,244,584	9,465,795	3,034,211	373,897	3,553,773	2,382,262	1,291,501	2,131,900	5,011,245	2,850,000
	618,419,737	173,283,090	55,618,220	40,553,238	55,310,646	23,371,955	36,189,372	53,988,789	177,046,948	3,057,479
<b>Net assets</b>	36,371,610	11,849,193	(50,906,861)	(28,578,071)	(39,113,295)	38,682,419	26,153,461	157,319,623	(114,573,775)	35,538,916
Share capital - net	11,007,991									
Reserves	4,800,091									
Surplus on revaluation of assets	4,653,025									
Unappropriated profit	15,910,503									
	36,371,610									

2022

	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																																																																																																																																																											
<b>Assets</b>																																																																																																																																																																				
Cash and balances with treasury banks	39,972,702	-	-	-	-	-	-	-	-	-																																																																																																																																																										
Balances with other banks	2,048,157	-	-	-	-	-	-	-	-	-																																																																																																																																																										
Due from financial institutions	14,036,995	1,500,037	4,884,493	3,456,668	-	-	-	-	-	-																																																																																																																																																										
Investments	1,234,556	-	46,217	-	556,910	50,470,311	93,292,907	33,512,645	1,062,793	-																																																																																																																																																										
Islamic financing and related assets and advances	44,720,248	18,483,971	31,877,540	10,790,100	8,339,006	8,276,889	35,483,472	20,318,082	23,039,134	-																																																																																																																																																										
Fixed assets	14,190,422	28,647	44,247	900,326	399,586	585,678	2,029,674	2,411,911	7,796,167	-																																																																																																																																																										
Intangible assets	-	3,192	59,967	18,174	33,107	28,647	174,185	-	2,991,308	-																																																																																																																																																										
Deferred tax assets	-	-	-	184,471	577,695	222,888	604,036	1,624,629	-	-																																																																																																																																																										
Other assets	5,512,398	7,696,817	3,921,498	788,216	-	-	50,000	-	1,513,941	-		107,539,242	27,712,664	40,833,962	16,137,945	9,906,304	59,564,413	131,634,274	57,867,267	36,403,343	-	<b>Liabilities</b>											Bills payable	3,530,929	-	-	-	-	-	-	-	-	-	Due to financial institutions	531,545	1,164,500	3,100,261	820,268	1,800,000	4,036,120	922,747	8,464,043	212,782	-	Deposits and other accounts	74,383,262	36,937,502	34,097,301	44,306,669	17,695,543	25,827,388	43,043,795	85,024,646	54,595,831	-	Subordinated sukuk	-	-	-	-	-	-	-	-	2,860,000	-	Other liabilities	6,802,312	2,803,301	2,529,644	577,744	3,559,675	707,859	482,813	-	-	-		85,248,048	40,905,303	39,727,206	45,704,671	23,055,218	30,571,367	44,449,355	93,488,689	57,658,613	-	<b>Net assets</b>	22,291,194	(13,192,639)	1,106,756	(29,566,726)	(13,148,914)	28,993,046	87,184,919	(65,621,422)	(21,255,270)	-	Share capital- net	11,007,991										Reserves	2,591,071										Surplus on revaluation of assets	2,759,222										Unappropriated profit	10,432,660											26,790,944									
	107,539,242	27,712,664	40,833,962	16,137,945	9,906,304	59,564,413	131,634,274	57,867,267	36,403,343	-																																																																																																																																																										
<b>Liabilities</b>																																																																																																																																																																				
Bills payable	3,530,929	-	-	-	-	-	-	-	-	-																																																																																																																																																										
Due to financial institutions	531,545	1,164,500	3,100,261	820,268	1,800,000	4,036,120	922,747	8,464,043	212,782	-																																																																																																																																																										
Deposits and other accounts	74,383,262	36,937,502	34,097,301	44,306,669	17,695,543	25,827,388	43,043,795	85,024,646	54,595,831	-																																																																																																																																																										
Subordinated sukuk	-	-	-	-	-	-	-	-	2,860,000	-																																																																																																																																																										
Other liabilities	6,802,312	2,803,301	2,529,644	577,744	3,559,675	707,859	482,813	-	-	-		85,248,048	40,905,303	39,727,206	45,704,671	23,055,218	30,571,367	44,449,355	93,488,689	57,658,613	-	<b>Net assets</b>	22,291,194	(13,192,639)	1,106,756	(29,566,726)	(13,148,914)	28,993,046	87,184,919	(65,621,422)	(21,255,270)	-	Share capital- net	11,007,991										Reserves	2,591,071										Surplus on revaluation of assets	2,759,222										Unappropriated profit	10,432,660											26,790,944																																																																																						
	85,248,048	40,905,303	39,727,206	45,704,671	23,055,218	30,571,367	44,449,355	93,488,689	57,658,613	-																																																																																																																																																										
<b>Net assets</b>	22,291,194	(13,192,639)	1,106,756	(29,566,726)	(13,148,914)	28,993,046	87,184,919	(65,621,422)	(21,255,270)	-																																																																																																																																																										
Share capital- net	11,007,991																																																																																																																																																																			
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Unappropriated profit	10,432,660																																																																																																																																																																			
	26,790,944																																																																																																																																																																			

#### 47.5 Strategic Risk

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

The 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.

#### 47.6 Systemic Risk

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

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

Systemic risk is reduced by the activities of both national and international regulatory authorities. The 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.

#### 47.7 Shariah Non-compliance Risk

Shariah non-compliance risk is the risk that arises from an Islamic bank's failure to comply with the Shariah rules and principles prescribed by the State Bank of Pakistan and / or the Shariah Board of the 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.

#### 47.8 Shariah compliant forward and future contracts

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

### 48 GENERAL

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

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

**48.3** The figures in these consolidated financial statements have been rounded off to the nearest thousand rupee.

**48.4** The Board of Directors in their meeting held on February 28, 2024 has announced final cash dividend of Re.1 per share (10%) (2022: Re.1 per share [10%]). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2023 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2024. The Board had earlier declared and paid an interim cash dividend of Rs. 1.75 per share (17.5%) (2022: Nil).

### 49 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 28, 2024 by the Board of Directors of the Holding Company.



President /  
Chief Executive Officer



Chief Financial Officer



Chairman



Director



Director



## STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2023

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	Other financial relief provided	Total (9+10+11)	
				Principal	Profit	Others					
1	2	3	4	5	6	7	8	9	10	11	12
-----Rupees in '000-----											
1	Hubdar Hussain (Late) - House No.61, Street No.5, Gulrez Housing Society, Phase 3, Rawalpindi.	Hubdar Hussain (Late) - 37405-3386111-5	Muhammad Yar	6,925	15,551	-	22,476	-	15,551	-	15,551
2	Asif Amin - House No. 327-D-1, NesPak, Housing Society, Lahore.	Asif Amin 35202-4454496-1	Muhammad Amin	24,522	13,256	6,542	44,320	-	14,747	-	14,747
3	ASIF AMIN - HOUSE#273,BLOCK AA, PHASE I VDHA LAHORE.	ASIF AMIN / SADIA ASIF 3520244544961	MOHAMMED AMIN	24,522	15,555	30	40,107	-	14,747	-	14,747
4	MUHAMMAD KALEEM - HOUSE NO 305 STREET 12 DOHS-I CANTT KHI	MUHAMMAD KALEEM 4220102835335	MUHAMMAD NIZAM UDDIN	32,569	14,115	489	47,173	-	8,693	-	8,693
5	Muhammad Sadiq Balouch - Ground Floor, Lucky Tower, Plot No. 32 SB-3, Dawood Pottia Road, Saddar, Karachi	Muhammad Sadiq Balouch, 51501-7637898-9	Muhammad Raihim	36,882	2,689	4,553	44,124	-	2,689	4,553	7,242
6	Mian Nazim Ikram - 19-A, Butt Street no. 2, Pehlwana Park, Bilal Ganj, Lahore.	Mian Nazim Ikram 35202-6216084-1	Muhammad Ikram	4,108	7,068	3,851	15,017	-	6,907	-	6,907
7	Mian Abdul Khalique & Uzma Khalique D.H.A, PHASE-II, BLOCK-R, LAHORE.	Mian Abdul Khalique & Uzma Khalique 3520172440639	ABDUL HAMEED	18,718	5,860	24	24,602	-	5,860	24	5,884
8	Muhammad Yaqoob - P-39, Street No. 3-X, Medina town Tehsil & District Faisalabad.	Muhammad Yaqoob 33100-5796888-9	Abdul Rehman	2,499	4,757	-	7,256	-	4,690	-	4,690
9	Tahira Yasmeen Malik - Flat No. 54-B, Askari V, Malir Cantt, Karachi.	Tahira Yasmeen, 42501-7490489-4	Malik Muhammad Ilyas	14,017	4,798	1,243	20,058	-	3,999	-	3,999
10	Mr. Nasir Mehmood (Late) - House No.7, Street No.8, Qazi Park, Shahadara, Lahore.	Mr. Nasir Mehmood (Late) - 35202-7983289-7	Amjad Mehmood	1,081	3,181	17	4,279	-	3,104	-	3,104
11	Mr. Abdul Qayyum Khan (Late) - Shop No.3, Shaitzad Stationers & Pen Store, Hameed Market, Urou Bazar, Lahore	Abdul Qayyum Khan (Late) - 35202-2552459-1	Abdul Hameed Khan	900	3,223	-	4,123	-	3,023	-	3,023
12	Nisar Ahmed - Flat No. 505/A-1, Civic View Apartment, Gulshan-e-Iqbal, Block-13-D, Karachi	Nisar Ahmed 54400-9367221-1	Haider Khan	14,854	5,242	610	20,706	-	2,845	-	2,845
13	Nusrat Jeelani - Qayyum & Elahi Building, Wazirabad Road, Sialkot	Nusrat Jeelani 34603-2214839-8	Sateem ulla Khan	3,559	3,514	-	7,073	-	2,835	-	2,835
14	Mr. Muhammad Javed Niazi - House No.255/Y, Street No. 14, DHA Lahore Cantt., Lahore.	Muhammad Javed Niazi - 35201-2808452-5	Ghulam Rasool Khan Niazi	1,369	2,654	-	4,023	-	2,112	-	2,112
15	Nasir Broadband Communication - 8-J, Gulberg-III, Lahore	Mian Ijaz Siddique 35202-966309-5 Begum Kaniz Fatima 35202-1264605-4	Mian Muhammad Siddiq Mian Muhammad Siddiq	9,297	2,063	-	11,340	-	2,053	-	2,053
16	Azra Begam - House No.17, Street No.2, Bastami Road, Samanabad, Lahore	Azra Begum 35201-2727384-2	Muhammad Ashraf	1,696	1,985	-	3,681	-	1,905	-	1,905

17	Capri Sanitary - 101- Meharban colony/MDA Chowk Multan.	Asif Sher Ali 36302-862868-9	Sher Ali Ch.	1,869	2,105	-	3,974	-	1,543	-	1,543	1,543
18	Mr. Tariq Hussain - Main Bazar, Peoples Colony, Daak Khana Inmania Colony, Street No.1, Ferozwaia, Dist. Shekhopura	Tariq Hussain - 35401-1782052-9	Muhammad Ibrahim	470	1,380	-	1,850	-	1,300	-	1,300	1,300
19	Aqeela Begum - House No. 3, Block-B, Commercial Area, Unit 6, Shah Latifabad, Hyderabad	Aqeela Begum, 41304-5879105-4	Saleem Ahmed Qureshi	413	1,140	20	1,573	-	1,141	-	1,141	1,141
20	Vertex Printer - (1), 19-A/35, Abbot Road, Lahore - (2), 144 Upper Mall Scheme Lahore	Masood Zaifur 35202-2959545-5	Faqeer Hussain Zafar	8,562	1,885	-	10,447	-	1,077	-	1,077	1,077
21	MUHAMMAD SHEHZAD DHEHDI - DI UMAR MANZIL GK1/5 OPP MADINA MASJID PUNJABI CLUB	MUHAMMAD SHEHZAD DHEHDI 4230167241761	ABDUL SATTAR	8,092	1,446	-	9,538	-	1,068	-	1,068	1,068
22	Mr. Rizwan Rasheed - Mukhtar House, Peoples Colony, Nooe Kot Road, Shakar Garh, Naroval.	Rizwan Rasheed - 34502-0233591-1	Abdul Rasheed	925	1,411	-	2,335	-	1,055	-	1,055	1,055
23	Muhammad Shahbaz - 1), House No. 1, Street No. 1, Khan Colony, Block-Q, Lahore - House No. 38, Street No. 138, AS Mollah Aziz Park, Ichhra, Lahore	Muhammad Shahbaz 35404-1245675-7	Muhammad Shahbaz	2,085	1,062	783	3,930	-	1,013	-	1,013	1,013
24	MEGHRAJ & PREM - FLAT NO. 307 308 NEAR SUBHAN MASJID	MEGHRAJ & PREM 4200004869247	SHAMJEE	2,220	946	199	3,365	-	824	-	824	824
25	R.R. Impex - M-29, Mezzanine Floor, Zohra Square, Serai Quarters, Opposite Memon Masjid, Karachi	Muhammad Rashid 42101-6809830-1	Jalal u dдин	8,013	639	-	8,652	-	639	-	639	639
26	Muhammad Tasadduq Malik - House No. 25, Street No. 2, Shadman Colony, Near Noor Mahal Hotel Morgah, Rawalpindi	Muhammad Tasadduq Malik 374005-2933954-1	Muhammad Sarwar Khan	1,419	564	2,725	4,708	-	502	-	502	502
				231,576	118,069	21,085	370,729	-	105,922	-	105,922	110,499

## 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
Freehold / Leasehold building	454,713	7,191	447,522	540,000	92,478	Tender	MCB
Furniture and fixture	1,252	814	438	18	(420)	Tender	Insaaf Scrap Dealer
Vehicles	2,600	2,470	130	3,875	3,745	Tender	Usman Shahid
Vehicles	16,409	16,409	-	-	-	As per policy	Syed Amir Ali (Former CEO)
Vehicles	6,493	6,493	-	-	-	As per policy	Syed Amir Ali (Former CEO)
Furniture and fixture (83 items)	119,651	86,851	32,800	4,483	(28,317)	Tender	Adam Traders
Electrical, office and computer equipment	1,065	1,065	-	182	182	Tender	Adam Traders
Electrical, office and computer equipment	1,065	1,065	-	16	16	Tender	ZS Traders
<b>Total</b>	<b>603,248</b>	<b>122,358</b>	<b>480,890</b>	<b>548,574</b>	<b>67,684</b>		

# Pattern of Shareholding

## As at December 31, 2023

No. of Shareholders	Shareholdings' Slab		Total Shares Held
806	1	to 100	21,717
14318	101	to 500	6,782,956
2976	501	to 1000	2,259,078
1711	1001	to 5000	3,488,022
262	5001	to 10000	2,083,601
93	10001	to 15000	1,180,843
59	15001	to 20000	1,080,498
48	20001	to 25000	1,138,998
20	25001	to 30000	577,283
29	30001	to 35000	945,444
20	35001	to 40000	757,948
10	40001	to 45000	429,600
27	45001	to 50000	1,328,913
11	50001	to 55000	576,727
6	55001	to 60000	342,922
5	60001	to 65000	320,051
4	65001	to 70000	271,871
6	70001	to 75000	439,958
3	75001	to 80000	237,000
5	80001	to 85000	409,235
7	85001	to 90000	608,959
1	90001	to 95000	92,800
10	95001	to 100000	997,085
1	100001	to 105000	105,000
6	105001	to 110000	652,300
2	115001	to 120000	239,913
1	120001	to 125000	123,894
2	125001	to 130000	255,000
2	130001	to 135000	265,829
1	135001	to 140000	140,000
2	140001	to 145000	283,931
7	145001	to 150000	1,047,000
1	155001	to 160000	156,097
1	160001	to 165000	161,962
3	170001	to 175000	516,426
1	175001	to 180000	179,402
1	180001	to 185000	183,004
3	185001	to 190000	557,221
6	195001	to 200000	1,197,758
2	200001	to 205000	405,845
2	210001	to 215000	427,437
1	220001	to 225000	221,562
3	225001	to 230000	687,426
1	230001	to 235000	232,861
1	235001	to 240000	240,000
1	245001	to 250000	250,000
1	250001	to 255000	252,100
1	255001	to 260000	255,705

No. of Shareholders	Shareholdings' Slab			Total Shares Held
1	265001	to	270000	270,000
1	270001	to	275000	273,500
1	280001	to	285000	285,000
3	285001	to	290000	862,937
2	290001	to	295000	590,000
3	295001	to	300000	900,000
2	300001	to	305000	603,357
1	305001	to	310000	307,500
1	315001	to	320000	316,194
1	360001	to	365000	363,581
1	385001	to	390000	387,541
1	400001	to	405000	400,394
1	415001	to	420000	417,632
1	435001	to	440000	440,000
2	440001	to	445000	885,806
3	445001	to	450000	1,348,964
1	475001	to	480000	480,000
1	485001	to	490000	486,603
7	495001	to	500000	3,498,203
2	510001	to	515000	1,028,043
1	530001	to	535000	532,221
1	585001	to	590000	586,284
3	600001	to	605000	1,808,386
2	685001	to	690000	1,376,247
1	715001	to	720000	715,282
1	735001	to	740000	735,482
1	740001	to	745000	742,809
1	765001	to	770000	769,929
1	855001	to	860000	858,668
1	865001	to	870000	867,642
1	875001	to	880000	879,064
1	945001	to	950000	950,000
2	995001	to	1000000	2,000,000
1	1025001	to	1030000	1,029,263
1	1030001	to	1035000	1,033,428
1	1040001	to	1045000	1,044,691
1	1250001	to	1255000	1,250,011
1	1300001	to	1305000	1,301,997
1	1325001	to	1330000	1,325,900
1	1365001	to	1370000	1,367,109
3	1495001	to	1500000	4,499,747
1	1560001	to	1565000	1,564,500
1	1595001	to	1600000	1,600,000
1	1615001	to	1620000	1,617,521
1	1625001	to	1630000	1,628,656
1	2015001	to	2020000	2,019,182
1	2145001	to	2150000	2,146,991
1	2270001	to	2275000	2,273,045

No. of Shareholders	Shareholdings' Slab		Total Shares Held
1	2340001	to 2345000	2,343,661
1	2470001	to 2475000	2,475,000
1	2495001	to 2500000	2,500,000
1	2835001	to 2840000	2,835,804
1	2900001	to 2905000	2,901,545
1	3270001	to 3275000	3,274,364
1	3425001	to 3430000	3,425,768
1	3780001	to 3785000	3,783,161
1	5700001	to 5705000	5,702,050
1	5965001	to 5970000	5,968,061
1	6460001	to 6465000	6,460,013
1	7290001	to 7295000	7,292,126
1	21595001	to 21600000	21,597,754
1	117250001	to 117255000	117,253,488
1	832810001	to 832815000	832,812,012
<b>20575</b>			<b>1,108,703,299</b>

# Category Wise List of Shareholding

As at December 31, 2023

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN</b>			
ALI HUSSAIN	1	117,253,488	10.58
SULEMAN LALANI	1	86,263	0.01
SHAMSA SULEMAN	1	31,563	0.00
HAIDER ALI HILALY	1	31,000	0.00
SULAIMAN SADRUDDIN MEHDI	1	1,000	0.00
SYED ALI HASHAM	1	501	0.00
AKHTAR ABBAS	1	500	0.00
IFFAT ZEHRA MANKANI	1	500	0.00
<b>SUB-TOTAL</b>	<b>8</b>	<b>117,404,815</b>	<b>10.59</b>
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>			
JS BANK LIMITED	1	832,812,012	75.12
SAJ CAPITAL MANAGEMENT LTD	1	21,597,754	1.95
<b>SUB-TOTAL</b>	<b>2</b>	<b>854,409,766</b>	<b>77.06</b>
<b>EXECUTIVES</b>			
AASIM SALIM	1	39,466	0.00
<b>NIT AND ICP</b>			
	-	-	-
<b>BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS</b>			
FAYSAL BANK LIMITED	1	735,482	0.07
SAMBA BANK LIMITED	1	500,000	0.05
ASKARI BANK LIMITED	1	72,500	0.01
ESCORTS INVESTMENT BANK LIMITED	1	3,000	0.00
NATIONAL BANK OF PAKISTAN	1	190	0.00
<b>SUB-TOTAL</b>	<b>5</b>	<b>1,311,172</b>	<b>0.12</b>
<b>INSURANCE/TAKAFUL COMPANIES</b>			
EFU GENERAL INSURANCE LIMITED	1	2,835,804	0.26
DAWOOD FAMILY TAKAFUL LIMITED	2	446,106	0.04
<b>SUB-TOTAL</b>	<b>3</b>	<b>3,281,910</b>	<b>0.30</b>
<b>MODARABAS AND MUTUAL FUNDS</b>			
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	2,901,545	0.26
MC FSL - TRUSTEE JS GROWTH FUND	1	2,019,182	0.18
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,628,656	0.15
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	1,617,521	0.15
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	1,564,500	0.14
CDC - TRUSTEE AL HABIB ISLAMIC STOCK FUND	1	950,000	0.09
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	879,064	0.08
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	742,809	0.07
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	604,006	0.05
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	600,380	0.05
CDC - TRUSTEE JS ISLAMIC FUND	1	449,564	0.04



## Category Wise List of Shareholding

As at December 31, 2023

Categories of Shareholders	Shareholders	Shares Held	Percentage
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	400,394	0.04
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	387,541	0.03
CDC - TRUSTEE JS LARGE CAP. FUND	1	316,194	0.03
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1	300,000	0.03
CDC - TRUSTEE HBL INVESTMENT FUND	1	286,500	0.03
CDC - TRUSTEE NIT ASSET ALLOCATION FUND	1	221,562	0.02
CDC - TRUSTEE GOLDEN ARROW STOCK FUND	1	214,506	0.02
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	200,000	0.02
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	200,000	0.02
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	183,004	0.02
CDC - TRUSTEE AL HABIB STOCK FUND	1	135,000	0.01
CDC - TRUSTEE HBL FINANCIAL SECTOR INCOME FUND PLAN I - MT	1	128,000	0.01
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	109,500	0.01
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	1	107,300	0.01
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	85,674	0.01
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	1	51,532	0.00
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	51,500	0.00
CDC - TRUSTEE AL HABIB ASSET ALLOCATION FUND	1	50,000	0.00
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	47,515	0.00
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	41,171	0.00
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	34,079	0.00
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	30,000	0.00
M/S. B.R.R. INVESTMENT (PRIVATE) LIMITED	1	300	0.00
<b>SUB-TOTAL</b>	<b>34</b>	<b>17,538,499</b>	<b>1.58</b>
<b>GENERAL PUBLIC</b>			
a. Local	20,075	84,264,201	7.60
b. Foreign	101	6,423,996	0.58
Foreign Companies	1	449,400	0.04
Others	345	23,580,074	2.13
<b>TOTALS</b>	<b>20,575</b>	<b>1,108,703,299</b>	<b>100.00</b>

SHAREHOLDERS HOLDING 5% OR MORE	Shares Held	Percentage
JS BANK LIMITED	832,812,012	75.12
ALI HUSSAIN	117,253,488	10.58

# Notice of Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the Members of BankIslami Pakistan Limited (the “Bank”) will be held Inshallah on Thursday, March 28, 2024 at 10:15 A.M (PST) at Zaver Hall, Pearl Continental, Club Road, Karachi to transact the following business.

## ORDINARY BUSINESS

1. 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, 2023 together with the Auditors’ and Directors’ Reports and Chairman’s Review thereon.
2. To appoint Auditors of the Bank for the year ending December 31, 2024 and to fix their remuneration. KPMG Taseer Hadi & Co., Chartered Accountants, offer themselves for appointment as auditors for the year ending December 31, 2024.
3. To consider and, if thought fit, approve as recommended by the Board of Directors, final cash Dividend at the rate of Re. 1 per share i.e. 10% in addition to Rs. 1.75 per share i.e. 17.5% interim cash Dividend already declared/ paid.

By order of the Board

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Hasan Shahid  
Company Secretary

Dated: March 07, 2024



## Notes:

1. The Members’ Register will remain closed from March 21, 2024 to March 28, 2024 (both days inclusive).
2. A member eligible to attend and vote at this meeting may appoint proxy to attend and vote in the meeting.
3. Proxies in order to be effective must be received at the registered office of the Bank not less than 48 hours before the time of the meeting.
4. Central Depository Company of Pakistan Limited (“CDC”) Account holders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

## For Attending the Meeting:

- i. In case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (“CNIC”) or original passport at the time of attending the Meeting.

- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

#### For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
  - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the Form.
  - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his/ her original CNIC or passport at the time of the meeting.
  - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.
5. Members are requested to promptly notify CDC Share Registrar Services Limited, CDC House,99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 of any change in their address.

#### 6. Transmission of Annual Audited Financial Statements.

In accordance with Section 223 of the Companies Act, 2017 and pursuant to S.R.O. 389(I)/2023 dated March 21, 2023, the financial statements of the Bank have been uploaded on the website of the Bank which can be downloaded from the following web-link and QR enabled code:-

Link web site <https://bankislami.com.pk/investor-relations/>



The Bank has also circulated the annual financial statements through email to shareholders in case email addresses is provided by the shareholders to the Bank. Further, 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 and the same will be provided at his / her registered address, free of cost, within one week of the demand. In this regard, a 'Request Form' has been placed on website of the Bank for shareholders to communicate the need of hard copies of the Annual Audited Accounts.

#### 7. Conversion of physical share certificate in book entry form and to collect unclaimed physical shares.

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 with regulatory requirement, shareholders of BankIslami Pakistan Limited holding physical share certificates are requested to convert their physical shares certificates into Book Entry Form.

Further, shareholders who have not yet collected their unclaimed physical share certificates are requested to collect from Bank's Share Registrar and also convert the certificate(s) in book entry form in compliance to regulatory requirement. 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 said 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.

## **8. Un-claimed Dividends/Shares**

The shareholders are hereby informed that in accordance with section 244 of the Companies Act, 2017 and the Unclaimed Shares, Modaraba certificates, Dividend, other instruments and undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are undelivered/unclaimed for a period of three (3) years or more from the date of it is due and payable.

## **9. International Bank Account Number (IBAN) of shareholders for dividend mandate**

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 regard, the 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 who have not yet provided such information are requested to fill the required fields of Bank's letter available on website of the Bank: [www.bankislami.com.pk](http://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.

## **10. Mandatory information required from physical share certificate holders**

According to Section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, all physical shareholders are advised to provide their mandatory information such as CNIC number, address, email address, contact mobile / telephone number, International Bank Account Number (IBAN), etc. to Bank's Share Registrar at their below address immediately to avoid any non-compliance of law or any inconvenience in future.

CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400. Tel. Toll Free 0800-23275, Email: [info@cdcsrsl.com](mailto:info@cdcsrsl.com), website: [www.cdcsrsl.com](http://www.cdcsrsl.com).

## **11. Tax implication on Dividend**

Section 150 of the Income Tax Ordinance, 2001 prescribes different rates (for tax return filers and non filers) for deduction of withholding tax on the amount of dividend paid by the companies / banks.

The shareholders are advised to ensure that their names are entered into Active Tax Payers List of the Federal Board of Revenue, 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:

		Principal Shareholder		Joint Shareholder	
Folio number / CDS Account number	Total Shares	Name and CNIC No.	Shareholding Proportion (number of Shares)	Name and CNIC No.	Shareholding Proportion (number of Shares)

The required information must reach to Bank's Shares Registrar by the close of business (5:00 p.m.) on March 18, 2024 otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s) and tax will be deducted according to the proportionate holding of each shareholder as clarified by the FBR vide its clarification letter No. I(54)Exp/2014-132872-R, dated September 25, 2014.

### 12. Tax Exemption Certificate

Shareholders claiming tax exemption under clause 47(B) of Part IV of the Second Schedule of Income Tax Ordinance, 2001 are requested to provide a valid exemption certificate under section 159(1) of the Income Tax Ordinance, 2001 latest by March 18, 2024, to Bank's Share Registrar before the date of Book closure as required vide FBR clarification letter No. I(43)D.G.(W.H.T.)/2008-Vol.II-66417-R dated May 12, 2015.

### 13. 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.

### 14. 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

## 15. To attend general meeting through video-conferencing facility

In line with the direction issued to listed companies by the Securities and Exchange Commission of Pakistan, vide its Circular No. 4 dated February 15, 2021 and Circular No. 6 dated March 03, 2021, the members / proxy holders who wish to attend the AGM via video link facility, are requested to register themselves.

To attend the AGM through video-conferencing facility, the Members are requested to register themselves by providing the following information through email ID: [agm@bankislami.com.pk](mailto:agm@bankislami.com.pk) at least forty-eight (48) hours before the AGM.

Name of shareholder	CNIC/ NTN No.	Folio No/CDC	Cell Number	Email Address

Members will be registered, after necessary verification as per the above requirement and will be provided a video-link by the Bank via email. The login facility will remain open from 10:00 A.M (PST) till the end of AGM.

کا انتخاب کرتے ہیں۔

دستخط رکن

### 15- الیکٹرانک ذرائع سے سالانہ اجلاس عام (اے جی ایم) شرکت

سکورٹیز اینڈ ایکس چینج کمیشن آف پاکستان (ایس ای سی پی) کی طرف سے بذریعہ سرکولر نمبر 4 of 2021 بتاریخ 15 فروری 2021، اور (ایس ای سی پی) سرکولر نمبر 6 of 2021 بتاریخ 3 مارچ 2021 کو جاری کردہ گائیڈ لائنز کی روشنی میں شیئر ہولڈرز اپر اسی ہولڈرز جو بینک کے سالانہ اجلاس میں شرکت کرنا چاہتے ہیں وہ مندرجہ ذیل ای میل کے ذریعہ سالانہ اجلاس سے 48 گھنٹے قبل رجسٹریشن کرائیں۔

Email address: agm@bankislami.com.pk

نمبر شمار    شیئر ہولڈر کا نام    شناختی کارڈ نمبر    فوئیو نمبر / اسی ڈی سی اکاؤنٹ نمبر    فون نمبر    ای میل ایڈریس

ممبر کو ضروری تصدیق کے بعد وڈیولنک بذریعہ ای میل فراہم کر دیا جائے گا۔ لاگ ان کی سہولت صبح 10:00 بجے فعال کر دی جائے گی میٹنگ کے اختتام تک۔



مطلوبہ معلومات ہمارے شیئر رجسٹرار کو 18 مارچ 2024 کو کاروباری اوقات کار کے اختتام (5:00 p.m.) تک موصول ہو جانی چاہئیں، بصورت دیگر یہ سمجھا جائے گا کہ مرکزی شیئر ہولڈر اور مشترکہ شیئر ہولڈر (ہولڈرز) شیئر کے مساوی حصہ کے مالک ہیں اور ٹیکس ہر شیئر ہولڈر کے مساوی حصہ کے تناسب سے کاٹ لیا جائیگا، جیسا کہ FBR نے اپنے وضاحتی لیٹر نمبر 1(54)Exp/2014-132872-R، ستمبر، 2014 میں واضح کیا ہے۔

### 12- ٹیکس سے استثناء کا سرٹیفکیٹ

انکم ٹیکس آرڈیننس 2021 کے سینڈ شیڈول کے حصہ IV کی شق (B) 47 کے تحت ٹیکس کی کٹوتی سے مستثنیٰ ہونے کا دعوا کرنے والے شیئر ہولڈر سے درخواست ہے کہ انکم ٹیکس آرڈیننس 2001 کے سیکشن (1) 159 کے تحت ٹیکس سے استثناء کا فعال سرٹیفکیٹ کھاتوں کی بندش یعنی 18 مارچ 2024 سے قبل ہمارے شیئر رجسٹرار کو جمع کروائیں، جیسا کہ FBR کے توضیحی لیٹر نمبر 1(43)D.G.(W.H.T.)/2008-Vol.II-66417-R مورخہ 12 مئی 2015 کے مطابق درکار ہے۔

### 13- زکوٰۃ ڈیکلریشن (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 (کٹوتی اور رقم کی واپسی) رولز 1981 کے قاعدہ 4 کے تحت اپنے زکوٰۃ کے اعلانات جمع کروائیں۔ وہ شیئر ہولڈر 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 اسٹری میں شیئرز رکھنے والے شیئر ہولڈر کو اپنی زکوٰۃ کا اعلان فارم CZ-50 CDC Investor Account Services / CDC Participant / Stock Broker / CDC Account میں جمع کرانا ہوگا جس میں CDC Account نمبر اور شیئر ہولڈر کا نام درج ہو۔

### 14- ویڈیو کانفرنس کی سہولت کیلئے رضامندی

سالانہ اجلاس عام کے لیے مندرجہ ذیل شرائط پر اراکین لاہور اور اسلام آباد میں ویڈیو کانفرنس کی سہولت حاصل کر سکتے ہیں۔ اگر بینک دس فیصد سے زائد شیئرز رکھنے والے رکن کی طرف سے اجلاس سے دس روز قبل ویڈیو کانفرنس کے ذریعے شرکت کی درخواست موصول کرتا ہے تو اس صورت میں بینک مذکورہ شہر میں ویڈیو کانفرنس کی سہولت کا بندوبست کرے گا جو اس شہر میں سہولت کی دستیابی سے مشروط ہوگا۔ کمپنی اجلاس شروع ہونے سے پانچ دن قبل ویڈیو کانفرنس کے مقام سے متعلق اراکین کو آگاہ کرے گی اور مکمل تفصیلات فراہم کرے گی۔ اس ضمن میں وہ اراکین جو ویڈیو کانفرنس کی سہولت کے ذریعے لاہور اور اسلام آباد میں شرکت کے خواہشمند ہیں وہ اجلاس سے کم سے کم دس روز قبل بینک کے رجسٹریٹر پر مندرجہ ذیل درخواست ارسال کریں گے۔

میں / ہم، \_\_\_\_\_ بینک اسلامی پاکستان لمیٹڈ کے رکن ہیں۔ رجسٹرڈ فولیو نمبر \_\_\_\_\_ کے مطابق \_\_\_\_\_ عمومی شیئرز رکھتے ہیں اور مذکورہ \_\_\_\_\_ شہر میں ویڈیو کانفرنس کی سہولت کے حصول کیلئے آمادگی ظاہر کرتا کرتے ہیں

آف ڈیوڈنڈز) قواعد و ضوابط 2017 جاری کئے ہیں اس ضمن میں یہ تمام شیئر ہولڈرز کی ذمہ داری ہے کہ وہ اپنے بینک اکاؤنٹ کی متعلقہ تفصیلات فراہم کریں نقد میں ادا ہونے والے منافع کی الیکٹرانک طریقہ کار سے منتقلی کیلئے۔

اس ضمن میں بینک نے اپنے لیٹرز کے ذریعے شیئر ہولڈرز کو فرداً فرداً 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 ان تمام شیئر ہولڈرز سے درخواست ہے جنہوں نے ابھی تک متعلقہ معلومات فراہم نہیں کی ہیں، بینک کی ویب سائٹ [www.bankislami.com.pk](http://www.bankislami.com.pk) پر دستیاب بینک کے لیٹرز میں مطلوبہ فیلڈز کو پُر کر کے بینک کے ٹرانسفر ایجنٹ کو بھیجوائیں۔ اگر شیئر ہولڈرز بک انٹری فارم میں ہیں تو یہ تفصیلات سی ڈی سی کو پارٹیسپنٹ کے توسست سے فراہم کی جائیں۔ شیئر ہولڈرز جنہوں نے یہ تفصیلات فراہم کر دی ہیں وہ اس درخواست کو نظر انداز کر دیں۔

### 10- شیئر ہولڈرز کی لازمی رجسٹریشن کی تفصیلات۔

کمپنیز ایکٹ 2017 کے سیکشن 119 کے مطابق اور کمپنیز (جزل پروویزن ارو فارمز)، ریگولیشن 2018 کے ریگولیشن 19 کے مطابق تمام فزیکل شیئر ہولڈرز سے درخواست کی جاتی ہے کہ لازمی معلومات جیسا کہ CNIC (قومی شناختی کارڈ نمبر)، میٹنگ ایڈریس، e-mail ایڈریس، mobile number، telephone number، انٹرنیشنل بینک اکاؤنٹ IBAN نمبر، وغیرہ بینک کے شیئر رجسٹرار کو درج ذیل ایڈریس پر فوری طور پر فراہم کریں " اگر ابھی تک فراہم نہیں کئے ہیں " اور قانون کی عدم تعمیل یا مستقبل میں کسی بھی قسم کی تکلیف سے بچیں۔

سی ڈی سی شیئر رجسٹرار سرورسز لمیٹڈ، سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی۔ ایچ۔ ایس، مین شاہراہ فیصل، کراچی۔ 74400۔ فون ٹول فری Website: [cdcsrsl.com](http://cdcsrsl.com), email: [info@cdcsrsl.com](mailto:info@cdcsrsl.com), 0800-23275

### 11- ڈیوڈنڈز پرنٹس کا نفاذ

حکومت پاکستان نے انکم ٹیکس آرڈیننس، 2001 کے سیکشن 150 میں متعدد ترامیم کی ہیں جن کے ذریعے بینک / کمپنی کی جانب سے ادا کئے جانے والے ڈیوڈنڈ پرنٹس کو ٹی کی مختلف شرح مقرر کی گئی ہیں۔ یہ شرح قانون کے مطابق ہیں۔

بینک کو نقد ڈیوڈنڈ کی رقم پرنٹس کی کٹوتی کا اہل بنانے کے لئے ایسے تمام شیئر ہولڈرز جن کے نام فیڈرل بورڈ آف ریونیو کی ایکٹو ٹیکس پیپرز لسٹ (ATL) میں موجود نہیں، اگرچہ وہ ٹیکس ریٹرن فائلر ہیں، ان سے درخواست ہے کہ کیش ڈیوڈنڈ کے لئے کھاتوں کی بندش سے قبل ATL میں اپنے ناموں کی شمولیت یقینی بنائیں، بصورت دیگر ان کے نقد ڈیوڈنڈ سے ٹیکس کی کٹوتی بطور نان فائلر کر لی جائے گی۔

### مشترکہ شیئر ہولڈنگ پرنٹس

ایسے تمام شیئر ہولڈرز جو شیئر کی مشترکہ ملکیت رکھتے ہیں ان سے گزارش ہے کہ اپنی ملکیت میں موجود شیئر 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:

جووائنٹ شیئر ہولڈرز

پرنسپل شیئر ہولڈرز

فولیو/سی ڈی ایس	کل شیئرز	نام اور CNIC نمبر	شیئر ہولڈنگ کا تناسب	نام اور CNIC نمبر	شیئر ہولڈنگ کا تناسب
اکاؤنٹ نمبر		(شیئر کی تعداد)		(شیئر کی تعداد)	



link website: <https://bankislami.com.pk/investor-relations/>

بینک نے سالانہ مالیاتی گوشواروں کو ای میل کے ذریعے بھی شیئر ہولڈرز کو بھیج دیا ہے جن حصص یافتگان کی جانب سے بینک کو ای میل ایڈریس فراہم کیے گئے ہیں۔ مزید برآں، شیئر ہولڈرز گیارہویں منزل، ایگزیکٹو ٹاورز، ڈولمن سٹی، میرین ڈرائیو، بلاک چار، کلفٹن، کراچی میں واقع بینک کے رجسٹرڈ آفس میں کمپنی سیکریٹری سے سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی فراہم کرنے کے لیے درخواست کر سکتے ہیں جو کہ مطالبہ کے ایک ہفتے کے اندر، شیئر ہولڈرز کے رجسٹرڈ پتے پر فراہم کیا جائے گا۔ اس سلسلے میں، شیئر ہولڈرز کے لیے بینک کی ویب سائٹ پر ایک درخواست فارم رکھا گیا ہے تاکہ سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپیوں کی ضرورت سے آگاہ کیا جاسکے۔

#### 7- فزیکل شیئرز کی بک انٹری کی شکل میں منتقلی اور غیر دعویٰ شدہ (unclaimed) حصص کی وصولی۔

کمپنیز ایکٹ، 2017 کے سیکشن 72 کے دفعات کے حوالے سے، سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے خط نمبر CSD/ED/MISC/2016-639-640 کے ذریعے مورخہ 26 مارچ 2021 کو لٹریٹری کمپنیوں کو اپنے فزیکل حصص کو بک انٹری فارم کی شکل میں تبدیل کرنے کی ہدایات جاری کی ہیں۔ اس ریگولیٹری ہدایت کی تعمیل میں، بینک اسلامی پاکستان لمیٹڈ کے فزیکل حصص کے سرٹیفکیٹ رکھنے والے شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے فزیکل حصص کے سرٹیفکیٹ کو بک انٹری فارم میں تبدیل کریں۔

شیئر ہولڈرز جنہوں نے ابھی تک اپنے فزیکل حصص کے سرٹیفکیٹ وصول نہیں کئے ہیں (unclaimed) ان سے درخواست کی جاتی ہے کہ وہ بینک کے شیئر رجسٹرار سے رابطہ کریں اور ریگولیٹری ہدایت کی تعمیل میں فزیکل حصص کو بک انٹری فارم کی شکل میں تبدیل کریں۔ بینک کے شیئر ہولڈرز سی ڈی سی اکاؤنٹ کھولنے میں مدد کے لیے اپنے بروکر (پی ایس ایکس ممبر) سی ڈی سی پارٹی سپنٹ یا سی ڈی سی انویسٹر اکاؤنٹ سروسز، سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کے سیکشن سے رابطہ کر سکتے ہیں۔ مذکورہ بالا تبادلوں سے شیئر ہولڈرز 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۔

#### 8- غیر دعویٰ شدہ ڈیویڈنڈا حصص

شیئر ہولڈرز کو مطلع کیا جاتا ہے کہ کمپنیز ایکٹ 2017 کے سیکشن 244 اور Unclaimed Shares, Modarba Certificates, Dividend, other instruments and Undistributed Assets Regulations 2017 کے مطابق کمپنیز کی تین سال یا اس سے زیادہ مدت کے غیر دعویٰ شدہ واجب الادا منافع منقسمہ کو وفاقی حکومت کے اکاؤنٹ میں اور غیر ترسیل شدہ حصص کمیشن کو جمع کروانے کے ہدایت کی گئی ہے۔

#### 9- شیئر ہولڈرز کے متعلقہ بینک کے IBAN کی فراہمی۔

کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق یہ لازمی ہے کہ نقد 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 ای سی پی نے اپنے نوٹیفیکیشن SRO 1145(1)/2017 کے ذریعے کمپنیز (ڈسٹری بیوشن

## نوٹس

- 1- اراکین کا رجسٹر 21 مارچ، 2024 سے 28 مارچ، 2024 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 اترتالیس (48) گھنٹے پہلے بینک کے رجسٹرڈ آفس کو موصول ہونا چاہیے۔
- 4- مرکزی ڈیپازٹری کمپنی 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 کیلئے

- 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۔

## پراکسیوں کی تقرری کیلئے

- i- انفرادی صورت میں کھاتہ دار یا ذیلی کھاتہ دار یا وہ شخص جس کی گروپ کھاتہ میں سیکورٹیز جمع ہوں اور اس کی رجسٹریشن کی تفصیلات شرائط کے مطابق اپ لوڈ کی گئی ہوں، نمائندے کی نامزدگی کا فارم اوپر بیان کردہ لوازمات کے مطابق جمع کرائے گا۔
- ii- 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/سماٹ 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 شیئررز رجسٹرار سی ڈی سی شیئررز رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی۔ ایچ۔ ایس، مین شاہراہ فیصل، کراچی۔ 74400 کو بروقت مطلع کر دیں۔

## 6- سالانہ آڈٹ شدہ مالیاتی گوشواروں کی ترسیل

- کمپنیز ایکٹ 2017 کے سیکشن 223 کے اور 2023 S.R.O (1) مورخہ 21 مارچ 2023 کے مطابق بینک کے مالیاتی بیانات بینک کی ویب سائٹ پر اپ لوڈ کیے گئے ہیں جنہیں درج ذیل ویب لنک اور فعال QR کوڈ سے ڈاؤن لوڈ کیا جاسکتا ہے۔

## 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 20 واں سالانہ اجلاس عام جمعرات 28 مارچ، 2024 صبح 10:15 بجے بمقام زیورہال، پرل کانسٹیبل کراچی، کلب روڈ، کراچی میں منعقد ہوگا۔

### عمومی امور

- 1- 31 دسمبر، 2023 کو اختتام پذیر مالی سال کے لیے بینک کے سالانہ آڈٹ شدہ مالیاتی گوشوارے اور بینک کے کنسولیڈیٹڈ آڈٹ شدہ مالیاتی گوشوارے معہ چیئرمین جائزہ رپورٹ، ڈائریکٹرز رپورٹ اور آڈیٹرز رپورٹ پر غور اور منظوری۔
- 2- 31 دسمبر، 2024ء کو ختم ہونے والے مالی سال کے لیے آڈیٹرز کی تقرری اور ان کے معاوضے کا تعین۔ آڈیٹرز KPMG تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے اہلیت کی بنا پر 31 دسمبر، 2024ء کو ختم ہونے والے مالی سال کے لیے خود کو تقرری کیلئے پیش کیا ہے۔
- 3- بورڈ آف ڈائریکٹرز کی تجویز کے مطابق پہلے سے اعلان شدہ/ادا شدہ 1.75 روپے (یعنی 17.5%) عبوری ڈیویڈنڈ کے علاوہ 1/- روپے (یعنی 10%) فی شیئر کی شرح سے حتمی نقد ڈیویڈنڈ کی ادائیگی پر غور کرنا اور اگر مناسب سمجھا جائے منظوری دینا۔



بحکم بورڈ

-sd-

حسن شاہد

کمپنی سیکریٹری

بتاریخ: 7 مارچ 2024

# Correspondent Banking Network

COUNTRY	NAME OF BANK
AUSTRALIA	JPMORGAN CHASE BANK
AUSTRIA	BANK FUER ARBEIT UND WIRTSCHAFT U. OESTERREICHISCHE POST- SPARKASSE OBERBANK AG RAIFFEISENLANDESBANK OBEROESTERREICH AKTIENGE- SELLSCHAFT
BAHRAIN	AL BARAKA ISLAMIC BANK BANK AL HABIB LIMITED JS BANK LIMITED NATIONAL BANK OF PAKISTAN BANGLADESH BANK ALFALAH LIMITED BANK ASIA LIMITED EASTERN BANK LIMITED HABIB BANK LIMITED STANDARD BANK LIMITED
BELGIUM	BELFIUS BANK HABIB BANK LIMITED KBC BANK NV
BULGARIA	DSK BANK (FORMERLY STATE SAVINGS BANK)
CANADA	HABIB CANADIAN BANK
CHINA	AGRICULTURAL BANK OF CHINA BANK OF CHINA BANK OF COMMUNICATIONS BANK OF DALIAN BANK OF RUIFENG CHANGSHU RURAL COMMERCIAL BANK CHINA EVERBRIGHT BANK DONGYING CITY COMMERCIAL BANK CO., LTD DONGYING EXPORT-IMPORT BANK OF CHINA GREAT WALL WEST CHINA BANK COMPANY LIMITED GUANGDONG NANHAI RURAL COMMERCIAL BANK COMPANY LIMITED HABIB BANK LIMITED HARBIN BANK HUA XIA BANK INDUSTRIAL AND COMMERCIAL BANK OF CHINA JIANGSU JIANGYIN RURAL COMMERCIAL BANK JPMORGAN CHASE BANK MIZUHO BANK (CHINA) LIMITED NANYANG COMMERCIAL BANK QINGDAO RURAL COMMERCIAL BANK LIMITED

COUNTRY	NAME OF BANK
	RURAL COMMERCIAL BANK OF ZHANGJIAGANG
	SHANDONG JINAN RUNFENG RURAL COOPERATIVE BANK
	SHENGJING BANK COMPANY LIMITED
	TAICANG RURAL COMMERCIAL BANK
	WEIFANG RURAL COMMERCIAL BANK COMPANY LIMITED
	YINZHOU BANK
	ZHEJIANG CHOUZHOU COMMERCIAL BANK COMPANY LIMITED
	ZHEJIANG XIAOSHAN RURAL COOPERATIVE BANK
	ZHONGSHAN RURAL COMMERCIAL BANK COMPANY LIMITED
	CZECH REPUBLIC           CESKA SPORITELNA A.S
	CITIBANK EUROPE PLC
	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA A.S
DENMARK	DANSKE BANK A/S
DJIBOUTI	BANQUE POUR LE COMMERCE ET L'INDUSTRIE - MER ROUGE
EGYPT	COMMERCIAL INTERNATIONAL BANK (EGYPT) S.A.E.
	EXPORT DEVELOPMENT BANK OF EGYPT MASHREQBANK PSC
FINLAND	DANSKE BANK A/S SAMPO BANK
FRANCE	BANQUES POPULAIRES - BPCE GROUP
	CREDIT INDUSTRIEL ET COMMERCIAL (CIC) BANK
	CAISSESS D'EPARGNE LLE DE FRANCE-GROUPE BPCE
	NATIXIS
GERMANY	JPMORGAN CHASE BANK
	LANDESBANK HESSEN-THUERINGEN GIROZENTRALE
	NATIONAL BANK OF PAKISTAN
	UNICREDIT BANK AG
GREECE	EFG EUROBANK ERGASIAS S.A
HONG KONG	BANK OF AMERICA, N.A. HONG KONG
	CITIBANK N.A. HONG KONG
	HABIB FINANCE INTERNATIONAL LIMITED
	HABIB BANK ZURICH (HONK KONG) LIMITED
	JPMORGAN CHASE BANK
	NATIONAL BANK OF PAKISTAN
INDIA	AXIS BANK LIMITED
	JPMORGAN CHASE BANK
	MASHREQBANK PSC
	PUNJAB NATIONAL BANK
	TAMILNAD MERCANTILE BANK LIMITED



COUNTRY	NAME OF BANK
INDONESIA	JPMORGAN CHASE BANK
	PT. BANK MANDIRI
	PT. BANK MAYAPADA INTERNATIONAL TBK
	PT. BANK MAYORA
	PT. BANK SYARIAH MUAMALAT INDONESIA
IRELAND	CITIBANK EUROPE PLC NATIONAL IRISH BANK
ITALY	BANCA DI CREDITO COOPERATIVO DI CAMBIANO BANCA MONTE DEI PASCHI DI SIENA S.P.A.
	BANCA POPOLARE DELL'EMILIA ROMAGNA
	BANCA POPOLARE DI BARI SCPA
	BANCA POPOLARE DI SONDRIO
	BANCA UBAE SPA
	BANCA VALSABBINA S.C.P.A. BANCO BPM SPA
JAPAN	JPMORGAN CHASE BANK
	KOREA EXCHANGE BANK
	NATIONAL BANK OF PAKISTAN
KENYA	HABIB BANK AG ZURICH
	KENYA COMMERCIAL BANK LIMITED
KOREA	BUSAN BANK
	JPMORGAN CHASE BANK
	KOOKMIN BANK
	KOREA EXCHANGE BANK
	NATIONAL BANK OF PAKISTAN
	WOORI BANK
KUWAIT	COMMERCIAL BANK OF KUWAIT KPSC
LEBANON	HABIB BANK LIMITED
	LUXEMBOURG DANSKE BANK INTERNATIONAL SA
MALAYSIA	BANK MUAMALAT MALAYSIA BERHAD
	CITIBANK BERHAD
	J.P.MORGAN CHASE BANK
MAURITIUS	HABIB BANK LIMITED
NEPAL	HIMALAYAN BANK LIMITED
NORWAY	FOKUS BANK
PAKISTAN	ALBARAKA BANK (PAKISTAN)LIMITED
	ALLIED BANK LIMITED
	ASKARI BANK LIMITED
	BANK AL HABIB LIMITED
	BANK ALFALAH LIMITED

COUNTRY	NAME OF BANK
	BANK MAKRAMAH LIMITED
	BANK OF CHINA
	BANK OF KHYBER
	BANK OF PUNJAB
	DUBAI ISLAMIC BANK PAKISTAN LIMITED
	FAYSAL BANK LIMITED
	FIRST WOMEN BANK LIMITED
	HABIB BANK LIMITED
	HABIB METROPOLITAN BANK LIMITED
	INDUSTRIAL AND COMMERCIAL BANK OF CHINA
	JS BANK LIMITED
	MCB BANK LIMITED
	MCB ISLAMIC BANK
	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
PORTUGAL	BANCO BPI SA
QATAR	DOHA BANK
	MASHREQBANK PSC
	QATAR INTERNATIONAL ISLAMIC BANK
	UNITED BANK LIMITED
ROMANIA	CITIBANK EUROPE PLC
SAUDI ARABIA	BANK AL BILAD
	BANK AL-JAZIRA
	EMIRATES NBD PJSC
	JPMORGAN CHASE BANK
	NATIONAL BANK OF PAKISTAN
SENEGAL	BANQUE ISLAMIQUE DU SENEGAL
SINGAPORE	AXIS BANK LIMITED
	CITIBANK N.A
	HABIB BANK LIMITED
	JPMORGAN CHASE BANK
	UNION DE BANQUES ARABES ET FRANCAISES

COUNTRY	NAME OF BANK
SOUTH AFRICA	HBZ BANK LIMITED
SPAIN	BANCO ESPANOL DE CREDITO
	BANCO SANTANDER S.A.
SRI LANKA	CITIBANK N.A
	HATTON NATIONAL BANK PLC
	SAMPATH BANK PLC-COMPANY
SWITZERLAND	HABIB BANK AG ZURICH
	LUZERNER KANTONALBANK
TAIWAN	JPMORGAN CHASE BANK
THAILAND	TAICHUNG COMMERCIAL BANK
	BANK OF AYUDHYA PUBLIC COMPANY LIMITED
	BANK OF TOKYO-MITSUBISHI UFJ LIMITED
	EXPORT-IMPORT BANK OF THAILAND
TURKEY	JPMORGAN CHASE BANK
	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 LIMITED
	TEKSTIL BANKASI A.S
	TURKIYE CUMHURİYETİ ZIRAAT BANKASI A.S
	TURKIYE FINANS KATILIM BANKASI A.S
	TURKIYE VAKIFLAR BANKASI T.A.O
	VAKIF KATILIM BANKASI A.S
	UKRAINE
UNITED ARAB EMIRATES	ABU DHABI COMMERCIAL BANK
	ABU DHABI ISLAMIC BANK
	AXIS BANK LIMITED
	BANK ALFALAH LIMITED
	CITIBANK N.A
	EMIRATES NBD BANK PJSC
	HABIB BANK AG ZURICH
	HABIB BANK LIMITED
	MASHREQBANK PSC
	MCB BANK LIMITED

COUNTRY	NAME OF BANK
	UNITED BANK LIMITED
UNITED KINGDOM	HABIB BANK AG ZURICH
	HBL BANKUK LIMITED
	JPMORGAN CHASE BANK
	MASHREQBANK PSC PSC
UNITED STATES	BOKF NATIONAL ASSOCIATION
	CITIBANK N.A
	HABIB AMERICAN BANK
	JPMORGAN CHASE BANK
	MASHREQBANK PSC
	NATIONAL BANK OF PAKISTAN
	NEW YORK COMMERCIAL BANK
	U.S. BANK
	WELLS FARGO BANK N.A
VIETNAM	ASIA COMMERCIAL BANK
	HOCHIMINH CITY HOUSING DEVELOPMENT COMMERCIAL J.S. 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

## Branch Network

Serial No.	Location	No. of Branches
1	JALALPUR JATTAN	1
2	ABBOTTABAD	2
3	AHMEDPUR EAST	1
4	ARIFWALA	1
5	ATTOCK	2
6	BADIN	1
7	BAHAWALNAGAR	1
8	BAHAWALPUR	2
9	BALAKOT	1
10	BANNU	1
11	BATAGRAM	1
12	BATKHELA	1
13	BEESHAM	1
14	BHAGATANWALA	1
15	BHAKKAR	1
16	BHALWAL	1
17	BOONI	1
18	BUNER	1
19	BUREWALA	1
20	CHAKDARA	1
21	CHAKWAL	1
22	CHAMAN	1
23	CHARSADA	1
24	CHICHAWATNI	1
25	CHILAS	1
26	CHINIOT	1
27	CHISHTIAN	1
28	CHITRAL	1
29	D. G. KHAN	1
30	D. I. KHAN	1
31	DADU	1
32	DALBADIN	1
33	DARGAI	1
34	DASKA	1
35	DASSU	1
36	DEPALPUR	1
37	DIGRI	1

Serial No.	Location	No. of Branches
38	DIJKOT	1
39	DINGA	1
40	DUKKI	1
41	FAISALABAD	8
42	FATEH JANG	1
43	GHAKHAR,	1
44	GHARO	1
45	GHOTKI	2
46	GILGIT	2
47	GOJRA	1
48	GUJJAR KHAN	1
49	GUJRANWALA	3
50	GUJRAT	2
51	HAFIZABAD	1
52	HARIPUR HAZARA	1
53	HARNAI	1
54	HAROONABAD	1
55	HASAN ABDAL	1
56	HASILPUR	1
57	HAZRO	1
58	HUMAK	1
59	HYDERABAD	7
60	ISLAMABAD	23
61	ISLAMGARH	1
62	JACOBABAD	1
63	JAMPUR	1
64	JHELUM	2
65	JHUDDO	1
66	JHUNG	1
67	JOHARABAD	1
68	KALAR SAYDEN	1
69	KALOWAL	1
70	KAMALIYA	1
71	KAMOKI	1
72	KANDHKOT	1
73	KARACHI	117
74	KASUR	1

Serial No.	Location	No. of Branches
75	KHAIRPUR	1
76	KHAN BELA	1
77	KHANEWAL	1
78	KHANOZAI	1
79	KHANPUR	1
80	KHARIAN	1
81	KHURRIANWALA	1
82	KHUSHAB	1
83	KHUZDAR	1
84	KHWAZAKHELA	1
85	KOHAT	1
86	KOT RADHA KISHAN	1
87	KOTRI	1
88	KUCHLAK	1
89	KUNRI	1
90	LAHORE	58
91	LALAMUSA	1
92	LARKANA	1
93	LAYYAH	1
94	LODHRAN	1
95	LORALAI	1
96	MAATLI	1
97	MAILSI	1
98	MALAKWAL	1
99	MANDI BAHAUDDIN	1
100	MANSEHRA	1
101	MARDAN	1
102	MATIARI	1
103	MATTA	1
104	MEHAR	1
105	MIAN CHANNU	1
106	MIANWALI	1
107	MIRPUR KHAS	2
108	MIRPUR, AJK	2
109	MORO	1
110	MOUZA KOTLA SIKHANI	1
111	MULTAN	10



Serial No.	Location	No. of Branches
112	MUREE	1
113	MUSLIM BAGH	1
114	MUZAFFAR GHARH	1
115	MUZFARABAD	1
116	NARAN	1
117	NAWABSHAH	1
118	NOWSHERA	1
119	OKARA	2
120	PAKPATTAN	1
121	PANJGOR	1
122	PASROOR	1
123	PATTAN	1
124	PATTOKI	1
125	PESHAWAR	5
126	PHALIYA	1
127	PIND DADAN KHAN	1
128	PIR MAHAL	1
129	PISHIN	1
130	QILA SAIFULLAH	1
131	QUETTA	10
132	RAHIM YAR KHAN	1
133	RAJANPUR	1
134	RAKHNI	1
135	RAWALPINDI	15
136	RAWLAKOT	1
137	RENALA KHURD	1
138	SADIQABAD	1
139	SAHIWAL	2
140	SAMBRIYAL	1
141	SAMUNDARI	1
142	SANGHAR	1
143	SANJAVI	1
144	SARAI ALAMGIR	1
145	SARGODHA	4
146	SAWAT	1
147	SEKRIYALI	1
148	SHABQADAR	1

Serial No.	Location	No. of Branches
149	SHAHKOT	1
150	SHEIKHUPURA	2
151	SHIKARPUR	1
152	SHUJABAD	1
153	SIALKOT	3
154	SIBBI	1
155	SILLANWALI	1
156	SKARDU	1
157	SUKKUR	2
158	SWABI	1
159	TALAGANG	1
160	TANDO ADAM	1
161	TANDO ALLAH YAR	1
162	TANDO MUHAMMAD KHAN	1
163	TATRAL KAHUN	1
164	TAXILA	1
165	THALL	1
166	TIMARGARA	1
167	TOBA TEK SINGH	1
168	TURBAT	1
169	UPPER DIR	1
170	VEHARI	1
171	WAH CANTT.	1
172	WAHI PANDI	1
173	WAISA	1
174	WAZIRABAD	1
175	ZAHIR PIR	1
176	ZHOB	1
<b>Grand Total</b>		<b>440</b>

## Proxy Form

### 20th Annual General Meeting

The Company Secretary  
BankIslami Pakistan Limited  
11th Floor, Executive Tower,  
Dolmen City, Marine Drive,  
Block – 4, Clifton,  
Karachi – Pakistan.

I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of BankIslami Pakistan Limited, holder of \_\_\_\_\_ Ordinary Shares(s) as per Share Register Folio No./CDC Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_, Folio No./CDC Account No. (if member), \_\_\_\_\_ of \_\_\_\_\_ or failing him / her \_\_\_\_\_ Folio No./CDC Account No. (if member), \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the 20th Annual General Meeting of the Bank to be held on Thursday, March 28, 2024 at 10:15 a.m at Zaver Hall, Pearl Continental, Club Road, Karachi and at any adjournment thereof.

Signed under my / our hand this \_\_\_\_\_ day of \_\_\_\_\_

#### Witness 1:

Name: \_\_\_\_\_

Signature \_\_\_\_\_

Address: \_\_\_\_\_

CNIC or Passport No. \_\_\_\_\_

#### Witness 2:

Name: \_\_\_\_\_

Signature \_\_\_\_\_

Address: \_\_\_\_\_

CNIC or Passport No. \_\_\_\_\_

Please affix  
Rupees Five  
Revenue Stamp

Signature of Member(s)

#### Notes:

- Proxies in order to be effective, must be received by the Bank not less than 48 hours before the meeting.
- If a member appoints more than one proxy and / or more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.
- Beneficial Owner of the physical shares and the shares registered in the name of CDC Share Registrar Services Limited (CDCSRSL) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purposes at the time of attending meeting. The Form of proxy must be submitted with the Bank within the stipulated time, duly witnessed by two persons whose names, address and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the Passport of the beneficial owner and the proxy. In case of a corporate entity, the Board of Directors' Resolution / Power of Attorney along with the specimen signature shall be submitted (unless it has been provided earlier along with the proxy form to the Bank).

Please affix  
Correct  
Postage

The Company Secretary

**BankIslami Pakistan Limited**

11<sup>th</sup> Floor, Executive Tower,  
Dolmen City, Marine Drive,  
Clifton Block - 4,  
Karachi, Pakistan

Please affix  
Correct  
Postage

The Company Secretary

**BankIslami Pakistan Limited**

11<sup>th</sup> Floor, Executive Tower,  
Dolmen City, Marine Drive,  
Clifton Block - 4,  
Karachi, Pakistan

## پراکسی فارم 20 واں سالانہ اجلاس عام

دی کینی سگریٹری  
بینک اسلامی پاکستان لمیٹڈ  
11th فلور، ایگزیکٹو ٹاور، ڈالمن سٹی، میرین ڈرائیو،  
بلاک 4، کلفٹن، کراچی۔ پاکستان

میں سہ ماہی / ساکن \_\_\_\_\_ بحیثیت بینک اسلامی پاکستان لمیٹڈ کا ممبر عامل  
عام حصص یافتہ بمطابق 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 اپنی / ہماری طرف سے بروز جمعرات 28 مارچ 2024 صبح 10:15 بمقام زیور ہال، پرل  
کینیٹل، گلبروڈ کراچی میں منعقد ہونے والے بینک کے 20 ویں سالانہ اجلاس عام میں شرکت اور رائے دہی کے لئے اپنا / ہمارا پراکسی (مختار) مقرر کرتا ہوں / کرتی ہوں / کرتے ہیں اور کسی بھی التوا 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 / پاپیوٹ نمبر \_\_\_\_\_

گواہ 2

نام: \_\_\_\_\_

دستخط \_\_\_\_\_

پتہ \_\_\_\_\_

قومی شناختی کارڈ / پاپیوٹ نمبر \_\_\_\_\_

نوٹ

1- پراکسی فارم ای صورت میں موثر قرار پائے گا جب وہ باقاعدہ مکمل اور دستخط شدہ بینک کو اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل موصول ہو۔

2- اگر کوئی ممبر ایک سے زائد عینی مقرر کرتا ہے اور ایک سے زائد عینی فارم بینک کو موصول ہوتے ہیں تو ایسے تمام فارم منسوخ تصور کیے جائیں گے۔

3- فزیکل حصص کے منتقل مالکان اور سی ڈی شیئر رجسٹر ارسروں لمیٹڈ (سی ڈی سی ایس آر ایس ایل) میں رجسٹرڈ حصص کے مالکان اور ایان کے عینی اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا پاپیوٹ شناختی ممبر کے لئے پیش کرنا ہوگا  
باقاعدہ مکمل اور دستخط شدہ پراکسی فارم بینک میں مقررہ وقت پر جمع کروادیا جائے گا، جس پر دو گواہوں کے دستخط، نام، پتہ، کمپیوٹرائزڈ قومی شناختی کارڈ نمبر یا پاپیوٹ نمبر درج ہو۔ اس کے علاوہ منتقل مالک اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ نمبر یا پاپیوٹ نمبر کی تصدیق  
شدہ نقل بھی منسلک ہونا ضروری ہے۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد اور پاور آف اٹارنی ہونے کے دستخط جمع کروائی جائے (اگر پہلے سے پراکسی فارم کے ساتھ جمع نہیں کروائی گئی)۔

(براہ مہربانی پانچ روپے کارپوریٹ سٹمپ لگانا)  
ممبر کے دستخط

## 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 کر دی 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 شیئر رجسٹرار سروسز لمیٹڈ  
شیئر رجسٹرار، بینک اسلامی پاکستان لمیٹڈ

نوٹ: یہ ایک سسٹم کا تخلیق کردہ خط ہے جسے کسی دستخط کی کوئی ضرورت درکار نہیں ہے۔





سی ڈی سی/ آر ٹی اے/ بی آئی پی ایل/ ایئر/ 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۔ 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 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 بند سے)

برائے مہربانی اپنی متعلقہ برانچ سے مشاورت کے بعد اپنا درست IBAN نمبر فراہم کریں کیونکہ دیے 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 شرکاء/ 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، ہی ڈی شیئرز رجسٹرار سروسز لمیٹڈ، ہی 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 شیئرز رجسٹرار سروسز لمیٹڈ

نوٹ: یہ ایک سسٹم کا تخلیق کردہ خط ہے جسے کسی دستخط 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 Shahr-e-Faisal,  
Karachi – 74400  
Tel: (92) 0800-23275  
Fax: (92-21) 34326053  
URL: [www.cdcsrsl.com](http://www.cdcsrsl.com)  
Email: [info@cdcsrsl.com](mailto: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 31<sup>st</sup>, 2017 issued by Central Depository Company of Pakistan Limited in this regard available on website [www.cdcpakistan.com](http://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.

## **SECP INSTRUCTIONS FOR CONVERSION OF PHYSICAL SHARE OF BANKISLAMI PAKISTAN LIMITED INTO BOOK ENTRY FORM AND TO UPDATE THE MANDATORY BANK ACCOUNT DETAILS, MANDATORY OTHER 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 who have not yet collected their unclaimed physical share certificates are requested to collect from Bank's Share Registrar and also convert it in book entry form in compliance to regulatory requirement. 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.

According to Section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, physical shareholders are advised to provide their mandatory information such as CNIC number, address, email address, contact mobile / telephone number, International Bank Account Number (IBAN), etc. to Bank's Share Registrar at their below address immediately, if not provided to avoid any non-compliance of law or any inconvenience in future.

**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](http://www.cdcsrsl.com), Email: [info@cdcsrsl.com](mailto:info@cdcsrsl.com)**

## بینک اسلامی پاکستان لمیٹڈ کے فزیکل حصص کو بک انٹری فارم میں تبدیل کرنے، بینک اکاؤنٹ اور دیگر لازمی تفصیلات کو لازمی اپ ڈیٹ کرنے کے لیے شیئر ہولڈرز کو نوٹس

کمپنیز ایکٹ، 2017 کے سیکشن 72 کے دفعات کے حوالے سے، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے خط نمبر CDS/ED/MISC/2016-639-640 کے ذریعے مورخہ 26 مارچ 2021 کو لیسڈ کمپنیوں کو اپنے فزیکل حصص کو بک انٹری فارم کی شکل میں تبدیل کرنے کی ہدایات جاری کی ہیں۔ مندرجہ بالا ریگولٹری ضرورت کی تعمیل میں، بینک اسلامی پاکستان لمیٹڈ کے فزیکل حصص کے سرٹیفکیٹ رکھنے والے شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے فزیکل حصص کے سرٹیفکیٹ کو بک انٹری فارم میں تبدیل کریں۔ شیئر ہولڈرز جنہوں نے ابھی تک اپنے فزیکل حصص کے سرٹیفکیٹ وصول نہیں کئے ہیں (unclaimed) ان سے درخواست کی جاتی ہے کہ وہ بینک کے شیئر رجسٹرار سے رابطہ کریں اور ریگولٹری ضرورت کی تعمیل میں فزیکل حصص کو بک انٹری فارم کی شکل میں تبدیل کریں۔ بینک کے شیئر ہولڈرز سی ڈی سی اکاؤنٹ کھولنے میں مدد کے لیے اپنے بروکر (پی ایس ایکس ممبر) سی ڈی سی پارٹی سپنٹ یا سی ڈی سی انویسٹر اکاؤنٹ سروسز، سینٹرل ڈپازٹری کمیٹی آف پاکستان لمیٹڈ کے سیکشن سے رابطہ کر سکتے ہیں۔

مذکورہ بالا تبادلوں سے شیئر ہولڈرز کو فائدہ ہوگا۔ یعنی بہتر قیمتوں پر فروخت اور خریداری کے لیے آسانی سے دستیاب حصص، حقداروں کا فوری استحقاق (بونس 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 لینڈ نمبر 30-2014-CL/CSD/MISC/19 مارچ 2021 کے تحت لیسڈ کمپنی فزیکل حصص کے وارنٹ جاری کرنے کی بجائے صرف شیئر ہولڈرز کے بینک اکاؤنٹ میں الیکٹرانک انداز کے ذریعے اپنے شیئر ہولڈرز کو کیش منافع ادا کریں گی۔ شیئر ہولڈرز جنہوں نے ابھی تک IBAN فراہم نہیں کیا ہے، ان سے درخواست کی جاتی ہے کہ وہ بینک کے شیئر رجسٹرار سے نیچے دیئے گئے سہ پر رابطہ کریں یا بروکر (پی ایس ایکس ممبر)، سینٹرل ڈپازٹری کمیٹی آف پاکستان لمیٹڈ کے پارٹی سپنٹ / سروسز / سروسز (جیسا کہ ہو سکتا ہے) پر رابطہ کریں اور بینک کھاتے کی مکمل تفصیلات فراہم کریں اور ریگولٹری ہدایات کی تعمیل کریں۔ کمپنیز ایکٹ 2017 کے سیکشن 119 کے مطابق اور کمپنیز (جزل پروویژن اور فارمز)، ریگولیشن 2018 کے ریگولیشن 19 کے مطابق تمام فزیکل شیئر ہولڈرز سے درخواست کی جاتی ہے کہ لازمی معلومات جیسا کہ CNIC (قومی شناختی کارڈ نمبر)، میٹنگ ایڈریس، e-mail ایڈریس، mobile نمبر، telephone نمبر، انٹرنیشنل بینک اکاؤنٹ IBAN نمبر، وغیرہ بینک کے شیئر رجسٹرار کو درج ذیل ایڈریس پر فوری طور پر فراہم کریں "اگر ابھی تک فراہم نہیں کئے ہیں" اور قانون کی عدم تعمیل یا مستقبل میں کسی بھی قسم کی تکلیف سے بچیں۔

سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ

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